

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 2004**



Returns under the Accounts and Statements Rules

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 2004**

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Returns under the Accounts and Statements Rules

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

Global Business

Financial year ended **31st December 2004**

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Statement of solvency - long-term insurance businessName of insurer **Commercial Union Life Assurance Company Limited**

Global business

Financial year ended **31st December 2004**

Solo solvency calculation

Company
registration
number

GL/UK/CM

Period ended

day

month

year

Units

R2	79678	GL	31	12	2004	£000
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	As at end of this financial year	As at end of the previous year
	1	2

Capital resources

Capital resources arising within the long-term insurance fund	11	2153732	
Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund	12	29801	
Capital resources available to cover long-term insurance business capital resources requirement (11+12)	13	2183533	

Guarantee Fund

Guarantee Fund requirement	21	208508	
Excess (deficiency) of available capital resources to cover guarantee Fund requirement	22	1975025	

Minimum capital requirement (MCR)

Long-term insurance capital requirement	31		
Resilience capital requirement	32		
Base capital resources requirement	33		
Minimum capital requirement	34	561675	
Excess (deficiency) of available capital resources to cover 50% of MCR	35	1902696	
Excess (deficiency) of available capital resources to cover 75% of MCR	36	1762277	

Enhanced capital requirement

With-profits insurance capital component	37	398258	
Enhanced capital requirement	38	959933	

Capital resources requirement (CRR)

Capital resources requirement (greater of 34 and 38)	41	959933	
Excess (deficiency) of available capital resources to cover long-term insurance business CRR (13-41)	42	1223600	

Contingent liabilities

Quantifiable contingent liabilities in respect of long-term insurance business as shown in a supplementary note to Form 14	51		
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Returns under the Accounts and Statements Rules

Covering page to form 2

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

Global business

Financial year ended **31st December 2004**

..... **GN WITHERS**
Chief Executive

..... **J A NEWMAN**
Director

..... **M N URMSTON**
Director

23 March 2005

Components of capital resourcesName of insurer **Commercial Union Life Assurance Company Limited**

Global business

Financial year ended **31st December 2004**

	Company registration number	GL/UK/CM	Period ended			Units	
			day	month	year		
	R3	79678	GL	31	12	2004	£000
	General insurance business 1	Long-term insurance business 2	Total as at the end of this financial year 3		As at the end of the previous year 4		

Core tier one capital

Permanent share capital	11		3175	3175	
Profit and loss account and other reserves	12		37912	37912	
Share premium account	13				
Positive valuation differences	14				
Fund for future appropriations	15		2198167	2198167	
Core tier one in related undertakings	16				
Core tier one capital (sum of 11 to 16)	19		2239254	2239254	

Tier one waivers

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

Other tier one

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

Total tier one capital before deductions (19+24+25+26+27+28)	31		2239254	2239254	
Investments in own shares	32				
Intangible assets	33				
Amounts deducted from technical provisions for discounting	34				
Other negative valuation differences	35		24598	24598	
Deductions in related undertakings	36				
Deductions from tier one (32 to 36)	37		24598	24598	
Total tier one capital after deductions (31-37)	39		2214656	2214656	

Components of capital resourcesName of insurer **Commercial Union Life Assurance Company Limited**

Global business

Financial year ended **31st December 2004**

	Company registration number	GL/UK/CM	Period ended			Units	
			day	month	year		
	R3	79678	GL	31	12	2004	£000
	General insurance business 1	Long-term insurance business 2	Total as at the end of this financial year 3			As at the end of the previous year 4	

Tier two capital

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

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

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

Components of capital resourcesName of insurer **Commercial Union Life Assurance Company Limited**

Global business

Financial year ended **31st December 2004**

	Company registration number	GL/UK/CM	Period ended			Units	
			day	month	year		
	R3	79678	GL	31	12	2004	£000
	General insurance Business 1	Long-Term insurance Business 2	Total as at the end of this financial year 3		As at the end of the previous year 4		

Total capital resources

Positive adjustments for regulated non-insurance related undertakings	71					
Total capital resources before deductions (39+69+71)	72		2214656		2214656	
Inadmissible assets other than intangibles and own shares	73		21143		21143	
Assets in excess of market risk and counterparty limits	74		9980		9980	
Deductions for related ancillary services undertakings	75					
Deductions for regulated non-insurance related undertakings	76					
Total deductions of ineligible surplus	77					
Total capital resources after deductions (72-73-74-76-77)	79		2183533		2183533	

Available capital resources for PRU tests

Available capital resources for guarantee fund requirement	81		2183533		2183533	
Available capital resources for 50% MCR requirement	82		2183533		2183533	
Available capital resources for 75% MCR requirement	83		2183533		2183533	

Financial engineering adjustments

Implicit items	91					
Financial reinsurance - ceded	92					
Financial reinsurance - accepted	93		48328		48328	
Outstanding contingent loans	94					
Any other charges on future profits	95					
Sum of financial engineering adjustments (91+92+93+94+95)	96		(48328)		(48328)	

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

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

Global business

 Financial year ended **31st December 2004**

Long-term insurance business

	R11	Company registration number 79678	GL/UK/CM GL	Period ended			Units £000
				day	month	year	
				31	12	2004	
				This financial year 1		Previous year 2	
Gross premiums receivable	11			13469		13866	
Premium taxes and levies (included in line 11)	12						
Premiums receivable net of taxes and levies (11-12)	13			13469		13866	
Premiums for classes 11, 12 or 13 (included in line 13)	14						
Premiums for "actuarial health insurance" (included in line 13)	15						
Sub-total A (13 + 1/2 14 - 2/3 15)	16			13469		13866	
Gross premiums earned	21			13469		13866	
Premium taxes and levies (included in line 21)	22						
Premiums earned net of taxes and levies (21-22)	23			13469		13866	
Premiums for classes 11, 12 or 13 (included in line 23)	24						
Premiums for "actuarial health insurance" (included in line 23)	25						
Sub-total H (23 + 1/2 24 - 2/3 25)	26			13469		13866	
Sub-total I (higher of sub-total A and sub-total H)	30			13469		13866	
Adjusted Sub-total I if financial year is not a 12 month period to produce an annual figure	31						
Division of gross adjusted premiums amount: sub-total I (or adjusted sub-total I if appropriate)			x 0.18	2424		2496	
			Excess (if any) over 50M EURO x 0.02	33			
Sub-total J (32-33)	34			2424		2496	
Claims paid in period of 3 financial years	41			23945		25826	
Claims outstanding carried forward at the end of the 3 year period			For insurance business accounted for on an underwriting year basis	42			
			For insurance business accounted for on an accident year basis	43		31393	39333
Claims outstanding brought forward at the beginning of the 3 year period			For insurance business accounted for on an underwriting year basis	44			
			For insurance business accounted for on an accident year basis	45		43315	42547
Sub-total C (41+42+43-44-45)	46			12023		22612	
Amounts recoverable from reinsurers in respect of claims included in Sub-total C	47			4136		3878	
Sub-total D (46-47)	48			7887		18734	
Reinsurance ratio (Sub-total D / sub-total C or, if more, 50% or, if less, 100%)	49			65.60		82.85	
Premiums amount Sub-total J x reinsurance ratio	50			1590		2068	
Provisions for claims outstanding (before discounting and net of reinsurance)	51			26254		31986	
Brought forward amount (12.43.2 x 51.1 / 51.2 or, if less, 12.43.2)	52			1697		1950	
Greater of lines 50 and 52	53			1697		2068	

General insurance business : Calculation of general insurance capital requirement - claims amount and resultName of insurer **Commercial Union Life Assurance Company Limited**

Global business

Financial year ended **31st December 2004**

Long-term insurance business

	Company registration number	GL/UK/CM	Period ended			Units	
			day	month	year		
	R12	79678	GL	31	12	2004	£000
				This financial year 1		Previous year 2	
Reference period (No. of months) See PRU7.2.63R		11		36		36	
Claims paid in reference period		21		23945		25826	
Claims outstanding carried forward at the end of the reference period	For insurance business accounted for on an underwriting year basis	22					
	For insurance business accounted for on an accident year basis	23		31393		39333	
Claims outstanding brought forward at the beginning of the reference period	For insurance business accounted for on an underwriting year basis	24					
	For insurance business accounted for on an accident year basis	25		43315		42547	
Claims incurred in reference period (21+22+23-24-25)		26		12023		22612	
Claims incurred for classes 11, 12 or 13 (included in 26)		27					
Claims incurred for "actuarial health insurance" (included in 26)		28					
Sub-total E (26 + 1/2 27 - 2/3 28)		29		12023		22612	
Sub-total F - Conversion of Sub-total E to annual figure (Multiply by 12 and divide by number of months in reference period)		31		4008		7537	
Division of sub-total F (gross adjusted claims amount)	X 0.26	32		1042		1960	
	Excess (if any) over 35M EURO x 0.03	33					
Sub-total G (32 - 33)		39		1042		1960	
Claims amount Sub-total G x reinsurance ratio (11.49)		41		684		1624	
Higher of premiums amount and brought forward amount (11.53)		42		1697		2068	
General insurance capital requirement (higher of lines 41 and 42)		43		1697		2068	

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

Global business

Financial year ended **31st December 2004**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	2004	£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 2004**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	2004	£000	1
					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				
			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		432		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			432		18322	

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

Global business

Financial year ended **31st December 2004**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	2004	£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		6252		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		25277		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 from the aggregate value of assets				87				
Total sheet 3 (71 to 86 less 87)				88		31529		72638
Grand total of admissible assets after deduction of market risk and counterparty limits (39+69+88)				89		31961		90960
Reconciliation to asset values determined in accordance with the insurance accounts rules								
Total admissible assets after deduction of market risk and counterparty limits (as per line 89 above)				91		31961		90960
Assets in excess of market and counterparty limits				92				
Capital resources requirement deduction for subsidiary undertakings which are insurance undertakings				93				
Other differences in the valuation of assets (other than for assets not valued above)				94				
Other inadmissible assets				95				
Total assets determined in accordance with the <i>insurance accounts rules</i> (91 to 95)				99		31961		90960
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance				100		5156		5604

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

Global business

Financial year ended **31st December 2004**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	2004	£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	1321066		1199561	
Investments in group undertakings and participating interests	UK insurance business dependants	Shares			21	11412		7764	
		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	24106			
		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	1356584		1207325	

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

Global business

Financial year ended **31st December 2004**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	2004	£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	7013677			6316156			
	Other shares and other variable yield securities		42							
	Holdings in collective investment schemes		43	408124			321974			
	Rights under derivative contracts		44	39405			47965			
	Debt securities and other fixed income securities	Fixed interest	Approved securities	45	3861622			3508381		
			Other	46	1849831			2365629		
		Variable interest	Approved securities	47	39145			8677		
			Other	48	28728			55734		
	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	3310			4407		
		Other		53						
	Deposits with approved credit institutions and approved financial institutions	Withdrawal subject to a time restriction of one month or less		54	5000			69194		
		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	637			642			
	Property linked		59	18161			18720			
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	13267640			12717479				

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

Global business

Financial year ended **31st December 2004**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	2004	£000	10
Debtors								
Other assets								
						As at the end of this financial year 1		As at the end of the previous year 2
Debtors arising out of direct insurance operations	Policyholders			71		8711		16493
	Intermediaries			72				
Salvage and subrogation recoveries				73				
Debtors arising out of reinsurance operations	Due from ceding insurers and intermediaries under reinsurance business accepted			74		9293		8859
	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		115		
		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		227990		185041
		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		114725		108608
	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		90536		93514
	Deferred acquisition costs			85				
	Other prepayments and accrued income			86				15629
Deductions from the aggregate value of assets				87				
Total sheet 3 (71 to 86 less 87)				88		451370		428144
Grand total of admissible assets after deduction of market risk and counterparty limits (39+69+88)				89		15075594		14352948
Reconciliation to asset values determined in accordance with the insurance accounts rules								
Total admissible assets after deduction of market risk and counterparty limits (as per line 89 above)				91		15075594		14352948
Assets in excess of market and counterparty limits				92		9980		12687
Capital resources requirement deduction for subsidiary undertakings which are insurance undertakings				93		31924		24882
Other differences in the valuation of assets (other than for assets not valued above)				94				19415
Other inadmissible assets				95		17573		
Total assets determined in accordance with the <i>insurance accounts rules</i> (91 to 95)				99		15135071		14409932
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance				100		24106		18570

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

Global business

Financial year ended **31st December 2004**Category of assets **Commercial Union Life Fund**

		Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
		R13	79678	GL	31	12	2004	£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	1321066		1199561	
Investments in group undertakings and participating interests	UK insurance business dependants	Shares	21		11412		7764		
		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		24106				
		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	1356584		1207325	

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

Global business

Financial year ended **31st December 2004**Category of assets **Commercial Union Life Fund**

		Company registration number	GL/UK/CM	Period ended			Units	Category of assets		
		R13	79678	GL	31	12	2004	£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	7013677		6316156				
	Other shares and other variable yield securities		42							
	Holdings in collective investment schemes		43	408124		321974				
	Rights under derivative contracts		44	39405		47965				
	Debt securities and other fixed income securities	Fixed interest	Approved securities	45	3764474		3415959			
			Other	46	1849831		2365629			
		Variable interest	Approved securities	47	39145		8677			
			Other	48	28728		55734			
	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	3310		4407			
		Other		53						
	Deposits with approved credit institutions and approved financial institutions	Withdrawal subject to a time restriction of one month or less		54	5000		65166			
		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	637		642				
	Property linked		59	18161		18720				
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	13170492		12621029					

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

Global business

Financial year ended **31st December 2004**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	2004	£000	11
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		6142		16493
	Intermediaries			72				
Salvage and subrogation recoveries				73				
Debtors arising out of reinsurance operations	Due from ceding insurers and intermediaries under reinsurance business accepted			74		9293		5832
	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		115		
		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		227405		184461
		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		114725		108608
	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		89388		91916
	Deferred acquisition costs			85				
	Other prepayments and accrued income			86				15629
Deductions from the aggregate value of assets				87				
Total sheet 3 (71 to 86 less 87)				88		447068		422939
Grand total of admissible assets after deduction of market risk and counterparty limits (39+69+88)				89		14974144		14251293
Reconciliation to asset values determined in accordance with the insurance accounts rules								
Total admissible assets after deduction of market risk and counterparty limits (as per line 89 above)				91		14974144		14251293
Assets in excess of market and counterparty limits				92		9980		12687
Capital resources requirement deduction for subsidiary undertakings which are insurance undertakings				93		31924		24882
Other differences in the valuation of assets (other than for assets not valued above)				94				19390
Other inadmissible assets				95		17562		
Total assets determined in accordance with the <i>insurance accounts rules</i> (91 to 95)				99		15033610		14308252
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance				100		24106		17990

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

Global business

Financial year ended **31st December 2004**Category of assets **Permanent Health Fund**

		Company registration number	GL/UK/CM	Period ended			Units	Category of assets		
		R13	79678	GL	31	12	2004	£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 2004**Category of assets **Permanent Health Fund**

		Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
		R13	79678	GL	31	12	2004	£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		97148		92422
			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				4028
		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		97148		96450	

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

Global business

Financial year ended **31st December 2004**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	2004	£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		2569		
	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
	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		585		580
		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				
	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		1148		1598
	Deferred acquisition costs			85				
	Other prepayments and accrued income			86				
Deductions from the aggregate value of assets				87				
Total sheet 3 (71 to 86 less 87)				88		4302		5205
Grand total of admissible assets after deduction of market risk and counterparty limits (39+69+88)				89		101450		101655
Reconciliation to asset values determined in accordance with the insurance accounts rules								
Total admissible assets after deduction of market risk and counterparty limits (as per line 89 above)				91		101450		101655
Assets in excess of market and counterparty limits				92				
Capital resources requirement 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
Other inadmissible assets				95		11		
Total assets determined in accordance with the <i>insurance accounts rules</i> (91 to 95)				99		101461		101680
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance				100				580

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

Global business

Financial year ended **31st December 2004**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	2004	£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	12472664	12236210			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	12472684	12236230			See Instruction 5	
Claims outstanding which had fallen due for payment before the end of the financial year	Gross amount	15	44310	34452				
	Reinsurers' share	16						
	Net (15-16)	17	44310	34452				
Provisions for other risks and charges	Taxation	21	75715	9186				
	Other	22	686	686				
Deposits received from reinsurers		23						
Creditors and other liabilities	Arising out of insurance operations	Direct insurance business	31	116701	60355			
		Reinsurance accepted	32					
		Reinsurance ceded	33	3792	17454			
	Debenture loans	Secured	34					
		Unsecured	35					
	Amounts owed to credit institutions		36	1297				
	Other creditors	Taxation	37	110344	67522			
		Other	38	112019	164725			
Accruals and deferred income		39	16257	18233				
Provision for "reasonably foreseeable adverse variations"		41						
Total other insurance and non-insurance liabilities (17 to 41)		49	481121	372613				
Excess of the value of net admissible assets		51	2121789	1744105			See Instruction 6	
Total liabilities and margins		59	15075594	14352948				
Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance		61	24884	46710				
Amounts included in line 59 attributable to liabilities in respect of property linked benefits		62	18161	18720				
Amount of any additional mathematical reserves included in line 51 which have been taken into account in the appointed actuary's certificate		63		102006			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 2004**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	2004	£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	12409430	12166101			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					See Instruction 4	
Long term insurance business fund carried forward (11 to 13)		14	12409430	12166101			See Instruction 5	
Claims outstanding which had fallen due for payment before the end of the financial year	Gross amount	15	44309	34452				
	Reinsurers' share	16						
	Net (15-16)	17	44309	34452				
Provisions for other risks and charges	Taxation	21	75506	8742				
	Other	22	686	686				
Deposits received from reinsurers		23						
Creditors and other liabilities	Arising out of insurance operations	Direct insurance business	31	116645	60352			
		Reinsurance accepted	32					
		Reinsurance ceded	33	3792	17414			
	Debenture loans	Secured	34					
		Unsecured	35					
	Amounts owed to credit institutions		36	1297				
	Other creditors	Taxation	37	107327	67403			
		Other	38	85753	142021			
Accruals and deferred income		39	16257	18233				
Provision for "reasonably foreseeable adverse variations"		41						
Total other insurance and non-insurance liabilities (17 to 41)		49	451572	349303				
Excess of the value of net admissible assets		51	2113142	1735889			See Instruction 6	
Total liabilities and margins		59	14974144	14251293				
Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance		61	13621	40115				
Amounts included in line 59 attributable to liabilities in respect of property linked benefits		62	18161	18720				
Amount of any additional mathematical reserves included in line 51 which have been taken into account in the appointed actuary's certificate		63		107458			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 2004**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	2004	£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		63234			70109		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		63254			70129		See Instruction 5	
Claims outstanding which had fallen due for payment before the end of the financial year		Gross amount	15			1			
		Reinsurers' share	16						
		Net (15-16)	17			1			
Provisions for other risks and charges		Taxation	21			209		444	
		Other	22						
Deposits received from reinsurers	23								
Creditors and other liabilities	Arising out of insurance operations	Direct insurance business	31			56		3	
		Reinsurance accepted	32						
		Reinsurance ceded	33					40	
	Debenture loans	Secured	34						
		Unsecured	35						
		Amounts owed to credit institutions	36						
	Other creditors	Taxation	37				3017		119
		Other	38				26266		22704
Accruals and deferred income	39								
Provision for "reasonably foreseeable adverse variations"	41								
Total other insurance and non-insurance liabilities (17 to 41)	49		29549			23310			
Excess of the value of net admissible assets	51		8647			8216		See Instruction 6	
Total liabilities and margins	59		101450			101655			
Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61		11263			6595			
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 2004**

		Company registration number	GL/UK/CM	Period ended			Units		
		R15	79678	GL	31	12	2004	£000	
					day	month	year		
					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		100	366	
		Recommended dividend			48				
		Other			49		2060	376	
Accruals and deferred income				51					
Total (19 to 51)				59		2160	742		
Provision for "reasonably foreseeable adverse variations"				61					
Cumulative preference share capital				62					
Subordinated loan capital				63					
Total (59 to 63)				69		2160	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 2004**

		Company registration number	GL/UK/CM	Period ended			Units	
		R16	79678	GL	31	12	2004	£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	25551		33284	40 . 26		
Investment income	Income	14	332		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	25883		33718			
Tax on profit or loss on ordinary activities		31	100		129			
Profit or loss on ordinary activities after tax (29-31)		39	25783		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	25783		33589			
Dividends (paid and proposed)		51	86200					
Profit or loss retained for the financial year (49-51)		59	(60417)		33589			

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

Global business

Insurance Business **Long term**Financial year ended **31st December 2004**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	2004	£000	10
		As at the end of this financial year			As at the end of the previous year				
		Assets 1	Liabilities 2	Assets 3	Liabilities 4				
Derivative contracts									
Futures contracts	Fixed-interest securities	11	2185	2659	747				
	Equity shares	12							
	Land	13							
	Currencies	14	37352	14159	39367	8296			
	Other	15			125	36			
Options	Fixed-interest securities	21							
	Equity shares	22			18				
	Land	23							
	Currencies	24							
	Other	25			125	114			
Contracts for differences	Fixed-interest securities	31							
	Equity shares	32	10812	4159	7718				
	Land	33							
	Currencies	34			1512				
	Other	35							
Adjustments for variation margin		41	2053	31	(1512)				
Total (11 to 41)		49	39405	27187	47965	15399			

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

Global business

Insurance Business **Long term**Financial year ended **31st December 2004**Category of assets **Commercial Union Life Fund**

		Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
		R17	79678	GL	31	12	2004	£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	2185	2659	747				
	Equity shares	12							
	Land	13							
	Currencies	14	37352	14159	39367	8296			
	Other	15			125	36			
Options	Fixed-interest securities	21							
	Equity shares	22			18				
	Land	23							
	Currencies	24							
	Other	25			125	114			
Contracts for differences	Fixed-interest securities	31							
	Equity shares	32	10812	4159	7718				
	Land	33							
	Currencies	34			1512				
	Other	35							
Adjustments for variation margin		41	2053	31	(1512)				
Total (11 to 41)		49	39405	27187	47965	15399			

With-profits insurance capital component for the fundName of insurer **Commercial Union Life Assurance Company Limited**

Global business

Financial year ended **31st December 2004**With-profits fund **With Profit 1**

	Company registration number	GL/UK/CM	Period ended			Units
			day	month	year	
R18	79678	GL	31	12	2004	£000
			As at end of this financial year		As at end of the previous year	
			1		2	

Regulatory excess capital

Regulatory value of assets	Long-term admissible assets of the fund	11	14974144	
	Implicit items allocated to the fund	12		
	Mathematical reserves in respect of non-profit insurance contracts written in the fund	13	1780973	
	Long-term admissible assets of the fund covering the long-term insurance capital requirement allocated in respect of non-profit insurance contracts written in fund	14	92815	
	Long-term admissible assets of the fund covering the resilience capital requirement allocated in respect of non-profit insurance contracts written in fund	15		
	Total (11+12-(13+14+15))	19	13100356	
Regulatory value of liabilities	Mathematical reserves (after distribution of surplus) in respect of the fund's with-profits insurance contracts	21	10628457	
	Regulatory current liabilities of the fund	22	451572	
	Total (21+22)	29	11080029	
Long-term insurance capital requirement in respect of the fund's with-profits insurance contracts		31	432036	
Resilience capital requirement in respect of the fund's with-profits insurance contracts		32		
Sum of regulatory value of liabilities, long-term insurance capital requirement and resilience capital requirement (29+31+32)		39	11512065	
Regulatory excess capital (19-39)		49	1588291	

Realistic excess capital

Realistic excess capital	51	1190033	
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Excess assets allocated to with-profits insurance business

Excess (deficiency) of assets allocated to with-profits insurance business in fund (49-51)	61	398258	
Face amount of capital instruments attributed to the fund and included in the capital resources (unstressed)	62		
Realistic amount of capital instruments attributed to the fund and included in the capital resources (stressed)	63		
With-profits insurance capital component for fund (if 62 exceeds 63, greater of 61+62-63 and zero; else greater of 61 and zero)	64	398258	

Realistic balance sheetName of insurer **Commercial Union Life Assurance Company Limited**

Global business

Financial year ended **31st December 2004**With-profits fund **With Profit 1**

R19	Company registration number 79678	GL/UK/CM GL	Period ended			Units £000
			day	month	year	
			31	12	2004	

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

Realistic value of assets available to the fund

Regulatory value of assets	11	13100355	
Implicit items allocated to the fund	12		
Value of shares in subsidiaries held in the fund (regulatory)	13	11412	
Excess admissible assets	21	9980	
Present value of future profits (or losses) on non-profit insurance contracts written in the fund	22	372648	
Value of derivatives and quasi-derivatives not already reflected in lines 11 to 22	23		
Value of shares in subsidiaries held in the fund (realistic)	24	11412	
Prepayments made from the fund	25		
Realistic value of assets of the fund (11+21+22+23+24+25-(12+13))	26	13482983	
Support arrangement assets	27		
Assets available to the fund (26+27)	29	13482983	

Realistic value of liabilities of fund

With-profits benefits reserve	31	10386083	
Future policy related liabilities	Past miscellaneous surplus attributed to with-profits benefits reserve	32	
	Past miscellaneous deficit attributed to with-profits benefits reserve	33	
	Planned enhancements to with-profits benefits reserve	34	
	Planned deductions for the cost of guarantees, options and smoothing from with-profits benefits reserve	35	
	Planned deductions for other costs deemed chargeable to with-profits benefits reserve	36	33621
	Future costs of contractual guarantees (other than financial options)	41	517192
	Future costs of non-contractual commitments	42	192692
	Future costs of financial options	43	178448
	Future costs of smoothing (possibly negative)	44	26235
	Financing costs	45	
	Any other liabilities related to regulatory duty to treat customers fairly	46	
	Other long-term insurance liabilities	47	147479
	Total (32+34+41+42+43+44+45+46+47-(33+35+36))	49	1028425
Realistic current liabilities of the fund	51	451572	
Realistic value of liabilities of the fund (31+49+51)	59	11866080	

Realistic balance sheetName of insurer **Commercial Union Life Assurance Company Limited**

Global business

Financial year ended **31st December 2004**With-profits fund **With Profit 1**

R19	Company registration number 79678	GL/UK/CM GL	Period ended			Units £000
			day	month	year	
			31	12	2004	
			As at end of this financial year 1		As at end of the previous year 2	

Realistic excess capital and additional capital available

Value of relevant assets before applying the most adverse scenario other than present value of future profits arising from business outside with-profits funds	62	12292950	
Amount of present value of future profits (or losses) on long-term insurance contracts written outside the fund included in the value of relevant assets before applying most adverse scenario	63		
Value of relevant assets before applying the most adverse scenario (62+63)	64	12292950	
Risk capital margin for fund (62-59)	65	426870	
Realistic excess capital for fund (26-(59+65))	66	1190033	
Realistic excess available capital for fund (29-(59+65))	67	1190033	
Working capital for for fund (29-59)	68	1616903	
Working capital ratio for fund (68/29)	69	0.12	

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

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

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

Global business

Ordinary insurance business

Financial year ended **31st December 2004**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	2004	£000	OB	99	0
Items to be shown net of reinsurance ceded						The financial year	Previous year		
						1	2		
Earned premiums					11	676625	794461		
Investment income receivable before deduction of tax					12	620078	636700		
Increase (decrease) in the value of non-linked assets brought into account					13	375908	(441474)		
Increase (decrease) in the value of linked assets					14	32608	2132		
Other income					15				
Total income (11 to 15)					19	1705219	991819		
Claims incurred					21	1264295	974190		
Expenses payable					22	103377	126757		
Interest payable before deduction of tax					23	3463	10005		
Taxation					24	72079	51786		
Other expenditure					25				
Transfer to (from) non technical account					26	25551	33284		
Total expenditure (21 to 26)					29	1468765	1196022		
Increase (decrease) in fund in financial year (19-29)					39	236454	(204203)		
Fund brought forward					49	12236230	12440433		
Fund carried forward (39+49)					59	12472684	12236230		

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

Global business

Ordinary insurance business

Financial year ended **31st December 2004**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	2004	£000	OB	1	99
Items to be shown net of reinsurance ceded						The financial year	Previous year		
						1	2		
Earned premiums					11	675590	792338		
Investment income receivable before deduction of tax					12	614406	631250		
Increase (decrease) in the value of non-linked assets brought into account					13	375177	(438289)		
Increase (decrease) in the value of linked assets					14	32608	2132		
Other income					15				
Total income (11 to 15)					19	1697781	987431		
Claims incurred					21	1251724	966469		
Expenses payable					22	102572	127574		
Interest payable before deduction of tax					23	3341	10003		
Taxation					24	71264	50751		
Other expenditure					25				
Transfer to (from) non technical account					26	25551	33284		
Total expenditure (21 to 26)					29	1454452	1188081		
Increase (decrease) in fund in financial year (19-29)					39	243329	(200650)		
Fund brought forward					49	12166101	12366751		
Fund carried forward (39+49)					59	12409430	12166101		

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

Global business

Ordinary insurance business

Financial year ended **31st December 2004**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	2004	£000	OB	2	0
Items to be shown net of reinsurance ceded						The financial year	Previous year		
						1	2		
Earned premiums					11	1035	2123		
Investment income receivable before deduction of tax					12	5672	5450		
Increase (decrease) in the value of non-linked assets brought into account					13	731	(3185)		
Increase (decrease) in the value of linked assets					14				
Other income					15				
Total income (11 to 15)					19	7438	4388		
Claims incurred					21	12571	7721		
Expenses payable					22	805	(817)		
Interest payable before deduction of tax					23	122	2		
Taxation					24	815	1035		
Other expenditure					25				
Transfer to (from) non technical account					26				
Total expenditure (21 to 26)					29	14313	7941		
Increase (decrease) in fund in financial year (19-29)					39	(6875)	(3553)		
Fund brought forward					49	70129	73682		
Fund carried forward (39+49)					59	63254	70129		

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 2004**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	2004	£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		280521			280521		
		Regular premium	12		163584	871	162713			
	Pension business contracts	Single premium	13		189019	49375	139644			
		Regular premium	14		138998	55531	83467			
	Permanent health contracts	Single premium	15							
		Regular premium	16		13469	3741	9728			
	Other contracts	Single premium	17		552		552			
		Regular premium	18							
	Total premiums	Single premium	19		470092	49375	420717			
		Regular premium	29		316051	60143	255908			
Total premiums at lines 19 and 29 attributable to	UK contracts	31		719867	109518	610349				
	Overseas contracts	32		66276		66276				
Expenses payable in the financial year	Commission payable in connection with acquisition of business		41		25990		25990			
	Other commission payable		42		8923	1020	7903			
	Management expenses in connection with acquisition of business		43		13397		13397			
	Management expenses in connection with maintenance of business		44		39668		39668			
	Other management expenses		45		16419		16419			
	Total expenses (41 to 45)		49		104397	1020	103377			
	Total expenses at line 49 attributable to	UK contracts	51		104037	1020	103017			
		Overseas contracts	52		360		360			

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 2004**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	2004	£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		280521			280521		
		Regular premium	12		163584		871	162713		
	Pension business contracts	Single premium	13		189019		49375	139644		
		Regular premium	14		138998		55531	83467		
	Permanent health contracts	Single premium	15							
		Regular premium	16		8693			8693		
	Other contracts	Single premium	17		552			552		
		Regular premium	18							
	Total premiums	Single premium	19		470092		49375	420717		
		Regular premium	29		311275		56402	254873		
Total premiums at lines 19 and 29 attributable to	UK contracts	31		715091		105777	609314			
	Overseas contracts	32		66276			66276			
Expenses payable in the financial year	Commission payable in connection with acquisition of business		41		25990			25990		
	Other commission payable		42		8787			8787		
	Management expenses in connection with acquisition of business		43		13389			13389		
	Management expenses in connection with maintenance of business		44		37992			37992		
	Other management expenses		45		16414			16414		
	Total expenses (41 to 45)		49		102572			102572		
	Total expenses at line 49 attributable to	UK contracts	51		102212			102212		
Overseas contracts		52		360			360			

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 2004**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				
R41	79678	GL	31	12	2004	£000	OB	2	0	
						Gross	Payable to or recoverable from reinsurers	Net of reinsurance (1-2)		
						1	2	3		
Earned premiums in the financial year	Life assurance and general annuity contracts	Single premium	11							
		Regular premium	12							
	Pension business contracts	Single premium	13							
		Regular premium	14							
	Permanent health contracts	Single premium	15							
		Regular premium	16		4776		3741		1035	
	Other contracts	Single premium	17							
		Regular premium	18							
	Total premiums	Single premium	19							
		Regular premium	29		4776		3741		1035	
Total premiums at lines 19 and 29 attributable to	UK contracts	31		4776		3741		1035		
	Overseas contracts	32								
Expenses payable in the financial year	Commission payable in connection with acquisition of business		41							
	Other commission payable		42		136		1020		(884)	
	Management expenses in connection with acquisition of business		43		8				8	
	Management expenses in connection with maintenance of business		44		1676				1676	
	Other management expenses		45		5				5	
	Total expenses (41 to 45)		49		1825		1020		805	
	Total expenses at line 49 attributable to	UK contracts	51		1825		1020		805	
Overseas contracts		52								

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 2004**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	2004	£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	138095	710	137385						
	By way of lump sums on maturity	12	133041		133041						
	By way of annuity payments	13	6118	37	6081						
	By way of payments arising from other insured events	14									
	On surrender or partial surrender	15	624319	6228	618091						
	Total life assurance and annuity claims (11 to 15)	19	901573	6975	894598						
Pension business contracts	On death	21	9011	1326	7685						
	By way of lump sums on vesting	22	92521	18532	73989						
	By way of vested annuity payments	23	96464		96464						
	On surrender or partial surrender	24	232691	55220	177471						
	Total pension business claims (21 to 24)	29	430687	75078	355609						
Permanent health contracts	By way of lump sums	31									
	By way of periodical payments	32	14119	31	14088						
	Total permanent health claims (31+32)	39	14119	31	14088						
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	1346379	82084	1264295						
Total claims at line 59 attributable to	UK contracts	61	1321260	81990	1239270						
	Overseas contracts	62	25119	94	25025						

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 2004**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	2004	£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	138095		710	137385		
	By way of lump sums on maturity			12	133041			133041		
	By way of annuity payments			13	6118		37	6081		
	By way of payments arising from other insured events			14						
	On surrender or partial surrender			15	624319		6228	618091		
	Total life assurance and annuity claims (11 to 15)			19	901573		6975	894598		
Pension business contracts	On death			21	9011		1326	7685		
	By way of lump sums on vesting			22	92521		18532	73989		
	By way of vested annuity payments			23	96464			96464		
	On surrender or partial surrender			24	232691		55220	177471		
	Total pension business claims (21 to 24)			29	430687		75078	355609		
Permanent health contracts	By way of lump sums			31						
	By way of periodical payments			32	1517			1517		
	Total permanent health claims (31+32)			39	1517			1517		
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	1333777		82053	1251724		
Total claims at line 59 attributable to	UK contracts			61	1308658		81959	1226699		
	Overseas contracts			62	25119		94	25025		

Valuation report – IPRU (INS) Appendix 9.4 – Life Fund

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

Global business

Financial year ended **31 December 2004**

- 1 The investigation was made at 31 December 2004.
- 2 The date to which the previous investigation related was 31 December 2003.
- 3 The valuation has been made in conformity with PRU 7.3.10R
- 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 – IPRU (INS) Appendix 9.4 – Life Fund

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

Financial year ended **31 December 2004**

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	£44.40	£3.35	£1.45
Not contracted out	£38.30	£2.90	£1.45

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 – IPRU (INS) Appendix 9.4 – Life Fund

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

Financial year ended **31 December 2004**

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 – IPRU (INS) Appendix 9.4 – Life Fund

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

Financial year ended **31 December 2004**

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.

Unitised with profit benefits arise under With Profit Bond policies issued by this Company.

Single premiums may be paid. The death benefit is the greater of the single premium less any withdrawals, and 101% of the bid value of units. In addition, the Company may pay a final bonus on death in accordance with the final bonus scales, if any, applicable at the date of cancellation.

For policies written prior to 26 January 2004, up to 100% of premiums may be applied to purchase units in the implicitly charged Unitised With Profit Life Fund or the implicitly charged Unitised With Profit Income Fund of the Company. No annual management charge is applied to the implicitly charged Unitised With Profit Life Fund and implicitly charged Unitised With Profit Income Fund. Expenses are taken into account when calculating the bonus rates applicable to the funds.

For policies written on or after 26 January 2004, up to 100% of premiums may be applied to purchase units in the explicitly charged Unitised With Profit Life Fund or the explicitly charged Unitised With Profit Income Fund of the Company. An annual management charge, currently 1%pa, is applied to the explicitly charged Unitised With Profit Life Fund and explicitly charged Unitised With Profit Income Fund. The annual management charge will be deducted by the Company on the first day of every month following the commencement date and is calculated in respect of each fund in which units are held as a percentage of the number of units held in that fund. For all explicitly charged funds, the charges in the first 5 years are higher because we take an extra yearly charge of 1%pa (reduced to 0.5%pa for investments over £10,000) to cover some of our set up costs. This is called the limited administration charge.

(i) Deductions from identifiable current benefit

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 per policy year and is applied to the amount withdrawn that exceeds 10% according to the following scale:

Year	Early Redemption Charge (implicitly charged funds)	Early Redemption Charge (explicitly charged funds)
1	8%	8%
2	7%	6%
3	5%	5%
4	3%	3%
5	1%	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) No Market Value Reduction has been applied 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. For Unitised With Profit Life Fund, the profits are distributed by increasing the unit price of the policy each day in line with the prevailing regular bonus rate. For 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 total regular bonus rate.

There is a guaranteed first anniversary bonus, paid on 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 between 1 August 2002 and 24

Valuation report – IPRU (INS) Appendix 9.4 – Life Fund

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

Financial year ended **31 December 2004**

January 2004, 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. For policies written on or after 26 January 2004 the bonus varies from 0% up to 1.25% for investment over £100,000. An additional bonus of 2.0% is paid for policies written between 26 January 2004 and 16 April 2004, for all investment amounts. An additional bonus of between 0.5% and 1.5%, depending upon investment amount, is paid for policies written between 17 May 2004 and 30 July 2004. An additional bonus of 2.0% is paid for policies written between 6 September 2004 and 5 February 2005, for all investment amounts.

For policies invested in the implicitly charged funds, 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 sixth anniversary, and every subsequent yearly anniversary. The Loyalty bonus is paid by adding extra units.

- (iv) In the case of investments in the implicitly charged Unitised With Profit Life Funds 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.

In the case of investments in the explicitly charged Unitised With Profit Life Fund there are money back guarantees on the fifth and tenth anniversaries 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 Funds.

- (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 Funds.

For certain regular withdrawals from the Unitised With Profit Life Funds there is a guarantee not to apply either a surrender charge or a Market Value Reduction. For the implicitly charged fund, 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 the explicitly charged fund, this applies provided the withdrawal is less than 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.

Reassurance from Norwich Union International Limited

From 30 September 2002 the Company was the accepting reinsurer for the With Profit Bond contract and from 19 January 2004 the Company was the accepting reinsurer for the Core Funds Bond contract. These contracts are written by Norwich Union International Limited, a company incorporated in the Dublin International Financial Services Centre (referred to in the returns as the NU International With-Profit Bond and the NU International Core Funds Bond). The treaty is on a quota share basis with 45% being reassured to the company. The contract terms are as follows. The With Profit Bond is a whole life assurance plan. The Core Funds Bond can be either whole life assurance or Capital Redemption, which has a fixed term providing payment on maturity. Both With Profit Bond and Core Funds Bond are 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).

Valuation report – IPRU (INS) Appendix 9.4 – Life Fund

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

Financial year ended **31 December 2004**

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) The price of units in the Unitised With Profits Pension Fund is guaranteed never to fall.
- (iii) 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. For the Capital Redemption version of the Core Funds Bond, the bond will mature 99 years after the start date. The maturity value will be reduced for any withdrawals taken over the term of the bond and will be the greater of 1.01*(investment - any withdrawals) or the cash-in value of the bond.
- (iv) 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.

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.

Valuation report – IPRU (INS) Appendix 9.4 – Life Fund

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

Financial year ended **31 December 2004**

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 coverage's 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.

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.

Valuation report – IPRU (INS) Appendix 9.4 – Life Fund

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

Financial year ended **31 December 2004**

- 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 reassurance 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.

(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
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Valuation report – IPRU (INS) Appendix 9.4 – Life Fund

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

Financial year ended **31 December 2004**

Term of policy (years)	10	20	30	10	20	30
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.

- (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

Valuation report – IPRU (INS) Appendix 9.4 – Life Fund

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

Financial year ended **31 December 2004**

- (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.
- (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.

Valuation report – IPRU (INS) Appendix 9.4 – Life Fund

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

Financial year ended **31 December 2004**

- (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.

(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

Valuation report – IPRU (INS) Appendix 9.4 – Life Fund

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

Financial year ended **31 December 2004**

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			Year 2	see note	see note
First 10 years	100*	101*	Years 3 to 10	100	101
Thereafter	105	105	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 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*

Valuation report – IPRU (INS) Appendix 9.4 – Life Fund

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

Financial year ended **31 December 2004**

Thereafter	98	103	103	105	105
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* 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%.

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.

Valuation report – IPRU (INS) Appendix 9.4 – Life FundName of insurer **Commercial Union Life Assurance Company Limited**Financial year ended **31 December 2004****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.

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.

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

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- 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.

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.

Valuation report – IPRU (INS) Appendix 9.4 – Life Fund

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

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- (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.

- (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.

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

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- (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	£44.40	£3.35	£1.45
Not contracted out	£36.95	£2.90	£1.45

For AVC-only schemes charges are applied in respect of each member. The rate of charge is £4.05 for each member where there are 5 to 29 members, and £3.10 where there are 30 or more members (reduced to £1.45 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.

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.

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

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- 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 2004 from the following levels (other than AVC-only schemes).

	Scheme	Member	
		With Contribution	Without Contribution
Contracted out	£44.40	£3.35	£1.45
Not Contracted out	£38.30	£2.90	£1.45

For AVC-only schemes the charges were increased to £4.05 for each member where there are 5 to 29 members, and £3.10 where there are 30 or more members (reduced to £1.45 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.

(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

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

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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) In accordance with the valuation of liability principles, 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.

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.

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

Financial year ended **31 December 2004**

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 projects future benefits assuming future premiums cease and future bonuses are zero, except for policies with a guaranteed minimum bonus rate, where this guaranteed bonus is allowed for.

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 75% 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.

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)
- The company is a realistic basis life firm and as such is not required to include provision for discretionary benefits with regulatory reserves. Instead, allowance for discretionary benefits is included within the calculation of realistic reserves.

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

Financial year ended **31 December 2004**

- Full provision has been made for all guaranteed benefits, vested bonus and options available to policyholders.
- Where a type of contract can be surrendered for a cash payment, the mathematical reserves held are greater than the amount of the cash payments.
- 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.

(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 2010 or later. This assumption is consistent with PRU 7.3.10R(6). 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.

Valuation report – IPRU (INS) Appendix 9.4 – Life Fund

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

Financial year ended **31 December 2004**

Additional reserves are held to cover future anticipated expenses in excess of the allowances included in the reserves held for individual contracts.

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. For the purposes of the regulatory valuation these top up payments are treated as discretionary benefits and generally no reserve is held. However, the company has given an undertaking to policyholders that at least 3 years advance notice will be given of any change in practice regarding the amount of any top up payment and accordingly a reserve is held for the anticipated top up payments over the next 3.5 years.

- (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 PRU 9.10(c). Any additional reserves required for the purpose of the director'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 a different rate has been used during the deferred period of a deferred annuity. The rates used were 4.3% for with profits annuities and 4.0% for non profit annuities.

- (ii) **Mortality tables**
- The mortality tables are coded as follows:

Code		Table	Rating
A	Males: Females:	50 % AM92 Ultimate 50 % AF92 Ultimate	- -
B		DTA ACC CIC + adj +20%	- -
C	Males: Females:	AM92 Ultimate AF92 Ultimate	- -
F	Males: Females:	70% IM80adj 102% IF80adj	- -
N		LTA ACC CIC+adj+20%	
O	Males: Females:	AM92 Ultimate AF92 Ultimate	-2 ns +4 sm -2 ns +4 sm
P	Males: Females:	TM92 Ultimate TF92 Ultimate	75% for non-smokers, 150% for smokers 75% for non-smokers, 180% for smokers
Q	Males: Females:	TM92 Ultimate TF92 Ultimate	80% for non-smokers 165% for smokers 85% for non-smokers 190% for smokers
S	Males: Females:	81% PMA80adj (see 7(4)) 98% PFA80adj (see 7(4))	

Valuation report – IPRU (INS) Appendix 9.4 – Life Fund

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

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U	Males:	AM92 ultimate	Down 5 years
	Females:	AF92 ultimate	Down 5 years

B	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.

N	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 U has been used during the deferred period of the deferred annuity, with the standard table used while the annuity is in payment.

(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) Mortality is based on adjusted '80 Amounts' tables with prudent allowance for current experience, and adjustments for improving longevity.

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The mortality rates at 31 December 1995 have been determined by taking a percentage of the mortality rates of the C=2010 tables.

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.

The allowance for future mortality improvement has been determined by reference to published population mortality investigations and current mortality experience.

From 2003 the improvement rates are from CMI Working Paper 1 (December 2002), as follows:

For male lives, 100% of the Medium Cohort improvement rates, subject to a minimum of 1.5% p.a. at all ages and calendar years. For female lives, 75% of the Medium Cohort improvement rates, subject to a minimum of 1.0% p.a. at all ages and calendar years.

(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 10% with a 10% fall in equity income.
- property falls in value by 20% with a 10% fall in property income.
- fixed interest yields rise by 0.914 percentage point which is 20% of the UK 15 year gilt yield

Scenario 2

- equities fall in value by 10% with a 10% fall in equity income.
- property falls in value by 20% with a 10% fall in property income.
- fixed interest yields reduce by 0.914 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)

a) Under the most onerous scenario tested, the additional reserve required under PRU 4.2.10R was £-164,411,000. For the company as a whole there was no resilience capital requirement

b) The reduction in the aggregate amount of liabilities was £1,251,108,000.

c) The reduction in the aggregate value of the hypothecated assets was £1,086,697,000.

(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.

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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 PRU 7.3.38R 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 PRU 7.3.24R to 5PRU 7.3.91G.

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	130.75
Sterling Personal Pension Plan, Sterling Free-Standing AVC, Sterling Executive Pension Plan	Regular premium	38.75
	Single premium	38.75
Classic Investment Bond, Premier Bond	-	25.50

- Renewal and claims expenses are assumed to escalate at 3.5% per annum.
- Units were assumed to grow at 5.0% per annum for Life and 5.3% per annum for Pension before tax and other charges.
- Recurring Management Charge - as set out in the descriptions of linked contracts in section 5.
- Interest on reserves - 3.5% per annum, after tax, for Life Assurance business and 4.3% 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 £25.24 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 £25.88 per policy per annum for Equity Builder and £39.32 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 3.5% per annum and 4.3% 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 4.3% 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.

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- (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 2004 from implicit and explicit reserves for expenses is approximately £39,433,000.
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 2004.
 - In the case of term assurance contract valued on a gross premium basis, the allowance represents the assumed expenses during 2004.
 - In the case of annuities in payment, the expense allowance was re-expressed as an allowance for expenses during 2004 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 2004 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.
 - (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	10,200,633	850
US Dollar	938,432	
Australian Dollar	87,687	
Canadian Dollar	20,349	
Danish Krone	1,400	
Euro	875,310	
Hong Kong Dollar	51,117	
Japanese Yen	13,228	
Korean Dollar	37,484	
Norwegian Krone	7,088	
Malayan Ringitt	1,597	
Singapore Dollar	11,577	

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Swedish Krone	28,443	
Swiss Franc	70,762	
Taiwan Dollar	44,246	
Total	12,389,354	850

12 Reassurance 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	£362,008	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	£600,000	Closed
(vi)	Swiss Reinsurance Company (UK) Limited	Unconnected	£1,600,000	Open
(vii)	Munich Reinsurance Company, United Kingdom Life Branch.	Unconnected	£96,450	Open
(viii)	Munich Reinsurance Company, United Kingdom Life Branch.	Unconnected	£101,567	Open
(ix)	E R C Frankona Reinsurance Limited.	Unconnected	£171,957	Open
(x)	Munich Reinsurance Company, United Kingdom Life Branch.	Unconnected	£0	Closed
(xi)	Munich Reinsurance Company, United Kingdom Life Branch.	Unconnected	£0	Closed
(xii)	Pinnacle Insurance plc	Unconnected	£895,000	Open
(xiii)	NU Linked Life Assurance Limited	Connected	£39,875,630	Closed
(xiv)	Munich Reinsurance Company, United Kingdom Life Branch.	Unconnected	£0	Closed
(xv)	Hannover Life Reassurance (UK) Ltd	Unconnected	£0	Closed
(xvi)	Kolnische Ruckversicherungs-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 reassurers 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

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- 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.

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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	95384	580206	675590
Investment Income receivable before deduction of tax	12	14697	599709	614406
Increase (decrease) in the value of non-linked assets brought into account	13	(2482)	377659	375177
Increase (decrease) in the value of linked assets	14	0	32608	32608
Other income	15	0	0	0
Total income	19	107599	1590182	1697781
Claims incurred	21	22204	1229520	1251724
Expenses payable	22	2313	100259	102572
Interest payable before deduction of tax	23	0	3341	3341
Taxation	24	0	71264	71264
Other expenditure	25	0	0	0
Transfer to (from) technical account	26	0	25551	25551
Total expenditure	29	24517	1429935	1454452
Increase (decrease) in fund in financial year	39	83082	160247	243329
Fund brought forward	49	226634	11939467	12166101
Fund carried forward	59	309716	12099714	12409430

Investment income relating to linked assets is included in line 12 was £Nil for the stakeholder fund and £594 (£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	309716	12099714	12409430
Balance of surplus	13	0	0	0
Long term business fund carried forward	14	309716	12099714	12409430
Total other insurance and non-insurance liabilities	49	0	451572	451572
Excess of the value of net admissible assets	51	24433	2104709	2129142
Total liabilities and margins	59	334149	14655995	14990144

The increase in the value of non-linked assets during the year was -£2,482 (£000) for the Stakeholder Fund and £753,579 (£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 With Profits 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.

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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.

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- (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. Long term maturity payouts will average 100% of asset share with surrender payouts generally targeting 95%.

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.

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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.

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.

- (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 With Profits 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 – IPRU (INS) Appendix 9.4 – Life Fund

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

Financial year ended **31 December 2004**

15 **Particulars of the bonuses declared as at 31 December 2004**

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 2004, 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 2004.

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 2004 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 2004 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 2.5% per annum in 2004.

Reassurance accepted from CGNU Life

This applies to the Life contracts for which the Company is the accepting reinsurer. For Unitised With Profits implicitly charged contracts, the unit bid price for the With Profits Fund included declared bonus of 2.5% per annum in 2004. For the implicitly charged Unitised With Profits Income Fund – except for Bond 2000 declared bonus was 3.25% per annum and for the implicitly charged Unitised With Profits Income Fund – Bond 2000 declared bonus was 2.75% per annum in 2004. Income Fund bonuses are allotted by means of a monthly allocation of bonus units. Explicitly charged Life rates were 4.25% per annum for With Profits fund and 5.0% per annum for Unitised With Profits Income Fund.

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 2004 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 2004 was 3.50% per annum for policies with implicit charges and 5.0% per annum for policies with explicit charges. Income Fund bonuses are allotted by means of a monthly allocation of bonus units.

Reassurance accepted from Norwich Union International Limited

Valuation report – IPRU (INS) Appendix 9.4 – Life Fund

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

Financial year ended **31 December 2004**

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 5.0% per annum for Sterling Fund, and 4.75% per annum for Euro and Dollar Funds.

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 2004 the bonus allotted was at the annual rate of 1 unit 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 2004 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 2004. 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 2004 included declared bonus of 3.5% per annum, while for other Unitised With Profits contracts, the declared bonus was 3.0% per annum for implicitly charged contracts and 4.0% for explicitly charged contracts.

Sterling Group (Unitised) Plan

The unit bid price for the With Profits Fund included declared return of 4.00% per annum in 2004.

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 4.00% per annum on the amount of the accumulated cash sum (including allotted interest) at 31 December 2003 and on premiums, net of charges, paid during the year 2004.

Annuities

A simple regular bonus system is applied and vests on the following policy anniversary. At 31 December 2004 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 2005.

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 2005. 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

Valuation report – IPRU (INS) Appendix 9.4 – Life Fund

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

Financial year ended **31 December 2004**

Year of Commencement	Final Bonus
1975 or earlier	35.00%
1976	30.00%
1977	35.00%
1978	36.00%
1979	25.00%
1980	25.00%
1981	17.00%
1982	11.00%
1983	7.00%
1984	4.00%
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	12.00%
1988	13.00%
1989	13.00%
1990	14.00%
1991	14.00%
1992	15.00%
1993	15.00%
1994	15.00%
1995 and thereafter	14.00%

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	17.00%
1993	8.00%
1994	7.00%
1995	9.00%
1996	1.00%
1997 - 2002	0.00%
2003	8.00%
2004	4.00%

Reassurance accepted from CGNU Life, NUL(RBS) and Norwich Union International Limited

Life Assurance	Rates of Interim Bonus per cent per annum in 2005
Category A	
Series 6 (01.01.1982 – onwards)	0.50 of sum assured plus 1.00 of attaching bonus
Unitised With Profit , implicitly charged	
UK purchased since 1st February 1994 on policies written post October 1998	2.00 compound
Loyalty Fund post October 1998	2.50 compound
Joint Venture Bond	3.25 compound
Income Fund, except for Bond 2000 and	

Valuation report – IPRU (INS) Appendix 9.4 – Life Fund

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

Financial year ended **31 December 2004**

Joint Venture Bond	
Units purchased in 1998	4.50 compound
Units purchased in 1999	4.50 compound
Units purchased in 2000	2.50 compound
Units purchased in 2001	2.50 compound
Units purchased in 2002	3.00 compound
Units purchased in 2003	5.00 compound
Units purchased in 2004	4.00 compound
Units purchased in 2005	4.00 compound
Bond 2000 income fund *	
Units purchased in 2000	2.00 compound
Units purchased in 2001	2.00 compound
Units purchased in 2002	2.50 compound
Units purchased in 2003	4.50 compound
Units purchased in 2004	3.50 compound
Units purchased in 2005	3.50 compound
Joint Venture Bond, income fund	
Units purchased in 2002	3.00 compound
Units purchased in 2003	4.00 compound
Units purchased in 2004	3.00 compound
Units purchased in 2005	3.00 compound
Unitised With Profit , explicitly charged	
Life	4.25 compound
Joint Venture Bond	4.25 compound
Income Fund, except Joint Venture Bond	
Units purchased in 2003	5.50 compound
Units purchased in 2004	5.00 compound
Units purchased in 2005	5.00 compound
Joint Venture Bond, income fund	
Units purchased in 2003	5.50 compound
Units purchased in 2004	5.00 compound
Units purchased in 2005	5.00 compound

* This fund has an additional 0.5% charge pa that can only be taken via the final/additional bonus levels.

For implicitly charged contracts a Final bonus of 4% per annum is payable in respect of units purchased in 2004, 8% per annum for units purchased in 2003 and 0% for earlier years.

For explicitly charged contracts a Final bonus of 3% per annum is payable in respect of units purchased in 2004 and 5% per annum for units purchased in 2003.

Equity Builder

The interim bonus is 1.5 units for each 100 units secured by the periodic investment and any bonus units attaching to the contracts. No final bonus is payable.

Pension Assurances

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
1970 or earlier	108%	30%
1971	108%	24%
1972	108%	23%
1973	108%	29%
1974	108%	25%

Valuation report – IPRU (INS) Appendix 9.4 – Life Fund

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

Financial year ended **31 December 2004**

1975	310%	27%
1976	264%	22%
1977	145%	34%
1978	142%	31%
1979	87%	18%
1980	103%	8%
1981	70%	15%
1982	69%	7%
1983	42%	6%
1984	30%	6%
1985	24%	4%
1986	18%	2%
1987	9%	0%
1988	10%	0%
1989	7%	0%
1990 and thereafter	0%	0%

Unitised With Profits series

The rate of interim bonus for 2005 is 3.00% 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.

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).

For implicitly charged contracts a Final bonus of 4% per annum is payable in respect of units purchased in 2004, 9% per annum for units purchased in 2003, 2% for units purchased in 2002 and 0% for earlier years.

For explicitly charged contracts a Final bonus of 4% per annum is payable in respect of units purchased in 2004, 10% per annum for units purchased in 2003, 4% for units purchased in 2002 and 0% for earlier years.

For Stakeholder contracts a Final bonus of 4% per annum is payable in respect of units purchased in 2004, 10% per annum for units purchased in 2003, 4% for units purchased in 2002 and 0% for units purchased in 2001.

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 2004 and on premiums, net of charges, paid during the year 2005.

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

Annuities

The rate of interim bonus applicable after the policy anniversary in 2004 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.

(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.

Valuation report – IPRU (INS) Appendix 9.4 – Life Fund

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

Financial year ended **31 December 2004**

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	0.40%

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 Form 60 is appended.

Valuation Report IPRU (INS) Appendix 9.4

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

Financial year ended **31 December 2004**

- 1 The investigation was made at 31 December 2004.
- 2 The date to which the previous investigation related was 31 December 2003.
- 3 The valuation has been made in conformity with PRU 7.3.10R.

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.

Valuation Report IPRU (INS) Appendix 9.4

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

Financial year ended **31 December 2004**

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 Gross 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 office premiums on a per policy basis.

- (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) Negative reserves are set to zero on a per policy basis.
 - (d) There are no participating contracts.
 - (e) 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.
 - (f) There are no linked contracts.
 - (g) The reserves for fatal accident benefits and guaranteed insurability options are calculated using a cashflow projection assuming prudent mortality.
- (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 9.10 (c) 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:

Valuation Report IPRU (INS) Appendix 9.4

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

Financial year ended **31 December 2004**

- (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

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.

- **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.

(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.

Valuation Report IPRU (INS) Appendix 9.4

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

Financial year ended **31 December 2004**

- (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 10% with a 10% fall in equity income.
- property falls in value by 20% with a 10% fall in property income.
- fixed interest yields rise by 0.914 percentage point which is 20% of the UK 15 year gilt yield

Scenario 2

- equities fall in value by 10% with a 10% fall in equity income.
- property falls in value by 20% with a 10% fall in property income.
- fixed interest yields reduce by 0.914 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.
- (8)
- (a) Under the most onerous scenario tested under PRU rule 4.2.10R the additional reserve required was £-2,052,000. At a company level no resilience capital requirement was required.
- (b) The decrease in the aggregate amount of the long-term liabilities is £5,619,000.
- (c) The decrease in the aggregate amount of the assets allocated to match the liabilities is £3,566,000.
- (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 4.8% p.a.
- (2) The aggregate amount arising during 2004 from implicit and explicit reserves for expenses is approximately £1,792,714. The main sources are:

Valuation Report IPRU (INS) Appendix 9.4Name of Company **Commercial Union Life Assurance Limited – Permanent Health Fund**Financial year ended **31 December 2004**

- (i) Claims expense reserves implicitly held under the treaty with Swiss Reinsurance.
- (ii) 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	£26,584	Closed
(ii)	Swiss Reinsurance Company (UK) Limited	Unconnected	£28,000	Closed
(iii)	Munich Reinsurance Company, United Kingdom Life Branch.	Unconnected	£813,174	Closed
(iv)	Swiss Reinsurance Company (UK) Limited	Unconnected	£779,006	Closed
(v)	Munich Reinsurance Company, United Kingdom Life Branch.	Unconnected	£830,028	Closed
(vi)	Swiss Reinsurance Company (UK) Limited	Unconnected	£863,937	Closed
(vii)	Swiss Reinsurance Company (UK) Limited	Unconnected	N/A	Closed
(viii)	Munich Reinsurance Company, United Kingdom Life Branch.	Unconnected	£81,155	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	£363,554	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.
 - The excess in all risks exceeding £25,000 per annum on all other individual direct written contracts (excluding Well Being).

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

Financial year ended **31 December 2004**

- 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.

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

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

Financial year ended **31 December 2004**

(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 2004.

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 No Form 57 has been produced for Permanent Health Fund

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

23 Form 60 is appended.

Appendix 9.4A - CULAC

Abstract of valuation report for realistic valuation

Introduction

- 1.1. The valuation date is 31st December 2004
- 1.2. This is the first valuation under PSB.
- 1.3. No interim valuation has been completed under PSB.

Assets

- 2.1. Economic assumptions for valuation of non-profit business

Non-profit profits are valued using an earned rate equal to the risk free rate (weighted by guarantee term). Profits are discounted at risk free rate plus 0.5% to provide an additional margin. Tax on investment returns and tax relief on expenses is assumed to be 20% consistent with fixed-interest assets backing the non-profit liability.

The expense inflation assumption is the best-estimate assumption.

CULAC		31/12/2004
Earned Rate	Gross	4.66%
	Net	3.73%
Discount Rate		5.16%
Expense Inflation		3.77%

The LTICR and any RCR in respect of non-profit business within the fund are valued at face value. The profits in respect of the reinsurance treaty with NULL are the present value at the financing rate within the treaty.

- 2.2. Not applicable
- 2.3. Not applicable

With-Profits Benefits Reserve Liabilities

- 3.1. There are four main methods used to calculate the with-profits benefits reserve.
 - Asset share (individual) (retrospective)
 - Asset share (group) (retrospective)
 - Bonus Reserve Valuation (prospective).
 - Regulatory Reserve (prospective)

The majority of the with-profits benefits reserves are asset shares calculated on an individual policy (or increment) basis. They represent an accumulation of premiums plus investment return less charges and other sources of profit or loss in line with the fund's PPFM.

Where asset shares are not currently calculated, or where they are unreliable as a starting point for deriving future bonuses, then either bonus reserve valuations (BRVs) or regulatory reserves are used. BRVs are the discounted value of future expected benefits and expenses using risk-free earned and discount rates along best-estimate assumptions for other basis items such as lapses and mortality. BRVs are used for the following classes of business:

- Conventional PUPs (paid up policies) where historical premium payment information is not available.

- Conventional Whole Life policies over 25 years in duration where the asset share is not a reliable guide to future bonuses.

Regulatory reserves are used for remaining small classes of business where asset share or BRV calculations are not currently carried out.

CULAC @31/12/2004

Product Class	With-profit benefits reserve (£m)	Future Policy Related Liabilities (£m)	Total (£m)
Conventional Life		252	1,810
- <i>Asset Share (ind)</i>	1,481		
- <i>BRV</i>	77		
Conventional Pensions		234	610
- <i>Asset Share (ind)</i>	299		
- <i>Regulatory Reserve</i>	13		
- <i>BRV</i>	63		
UWP Life		4	1,200
- <i>Asset Share (ind)</i>	1,196		
UWP Pensions		96	1,251
- <i>Asset Share (ind)</i>	818		
- <i>Asset Share (group)</i>	151		
- <i>Regulatory Reserve</i>	186		
Reinsured-in UWP Life		252	5,155
- <i>Asset Share (ind)</i>	4,810		
- <i>Regulatory Reserve</i>	93		
Reinsured-in UWP Pensions		101	967
- <i>Asset Share (ind)</i>	797		
- <i>Regulatory Reserve</i>	69		
Reinsured-in UWP Stakeholder		8	340
- <i>Asset Share (ind)</i>	328		
- <i>Regulatory Reserve</i>	4		
Miscellaneous Other	0	82	82
Total	10,386	1,028	11,415

It is not straightforward to separate out the BRV used for conventional PUP policies, however, this represents a relatively small proportion of the With Profit Benefit Reserve for all classes other than whole life. The BRV figure of £77m for conventional life relates to the WPBR for the whole life policies which are predominantly BRV.

The majority of the CULAC with-profit benefit reserves are asset shares calculated on a per-policy basis. All direct-written CULAC asset shares are charged actual expenses. Investment returns from 1st October 1998 have been allocated to asset shares using the combined returns from CGNU Life and CULAC.

CULAC does not write any new business directly other than increments on existing contracts. New business has been reassured in on an original terms basis from CGNU Life from 1998 onwards. Currently 45% of UWP new business written by CGNU Life is reassured into CULAC.

Conventional Life consists mainly of conventional endowments and a small amount of whole life contracts (£77m). Conventional life also includes a small amount (£59m) of conventional endowments reassured in from CGNU Life. Conventional life endowment policies have guaranteed amounts at maturity equal to the basic sum assured plus any regular bonus accrued to date. Conventional whole life contracts provide a guaranteed payout on death of basic sum assured plus regular bonus accrued to date.

Conventional pensions provide a guaranteed basic sum assured at maturity plus accrued regular bonuses, plus any final bonus due. Conventional pensions consist of individual and group pensions that provide either for cash or for annuity at retirement. Cash schemes usually have a guaranteed minimum annuity payable at retirement. Annuity schemes usually have a guaranteed minimum cash value at retirement.

Conventional pensions are not now actively sold. £63m worth of the conventional Red Plan liability is valued on a discounted benefit basis (BRV).

UWP Life consists of unitised single premium bonds. There are no contractual no-MVR dates on CULAC Bonds.

UWP Pensions consists of individual and group unitised pension contracts. No-MVR guarantees apply at the selected retirement date and at age 75. UWP pension units purchased up to 31/12/1992 have a minimum guaranteed regular bonus of 4% p.a (with an asset share at 31st December 2004 of £337m).

Reinsured-in UWP business is the business that has been reinsured in from CGNU Life since 1st October 1998 in various proportions. The business has also been partially reinsured into NUL&P WP. The proportions are:

From:	CGNU Life	CULAC	NUL&P WP
1 st October 1998	50%	50%	-
1 st January 1999	25%	75%	-
2 nd October 2000	20%	60%	20%
1 st January 2002	45%	45%	10%
1 st January 2004	55%	45%	-

There is also the guarantee that MVRs will not apply on any automatic partial withdrawals selected from outset (subject to certain limits).

Reinsured-in UWP Life mainly consists of unitised bonds with a small amount of unitised endowments (£36m). UWP units increase in value at the declared regular bonus rates and cannot reduce at the contractual maturity dates or at contract-specific no-MVR dates. Any final bonus due is added at policy exit. The value on exit can be subject to an MVR if exit is not at one of the contractual no-MVR dates.

Here follows a table of the various no-MVR spot rate guarantees that apply to the CGNU Life written UWP bonds.

UWP Life Bonds	Date Sold	No-MVR Anniversary
CGU Portfolio Bond	1/10/98-2/10/2000	No MVR on 10 th 15 th 20 th etc
NU Portfolio Bond, Flexibond, Bond 2000	2/10/2000-24/6/01	No MVR on 10 th 15 th 20 th etc
NU Portfolio Bond, Flexibond, Bond 2000	25/6/01-16/1/02	No MVR on 10 th
NU Portfolio Bond, Flexibond, Bond 2000	16/1/02- 2/7/03	Money back on 10 th
NU Portfolio	3/7/03 – 8/2/04	Money back on 10 th
NU Portfolio	9/2/04 onwards	Money back on 5 th

Reinsured-in UWP Pensions consists mainly of individual and Group personal pensions and pension single premium bond. As for reinsured-in UWP Life, UWP units increase in value at the declared regular bonus rates and cannot reduce on death, at the selected retirement date and at age 75. Any final bonus due is added at policy exit. The value on exit can be subject to an MVR if not at the selected retirement date.

Reinsured in UWP Stakeholder policies have charges capped at 1% p.a. The 1% charge is taken through unit cancellation and is also allowed for in the final bonus rates. A no-MVR guarantee applies at the selected retirement age and at age 75.

'Miscellaneous other' consists of reserves held to cover other liabilities to the fund that cannot be assigned to certain product types such as Pension transfer review reserves and reserves for future development and audit fees.

With-profits benefits reserve – Retrospective method

4.1. Table of methods

Method	With-profit benefits reserve (%)
Asset Share (individual)	94
Asset Share (grouped)	1
BRV	1
Regulatory Reserve	4
Miscellaneous Other	0
Total	100

The table above shows the proportion of with profit benefit reserves calculated using each method.

The asset shares calculated on a grouped basis relate to two UWP pension contracts (Sterling Group plan – UWP and Deposit Admin variants). The asset shares are grouped as follows:

- Product
- Bid Value of Units by year of unit purchase

Factors have then been applied to each of these groupings based on asset share to BVU ratios for sample model points. Sample model points are representative of the policies within each group allowing for average premium size and age etc. The total number of individual policies at 31st December 2004 is 23,032. The number of sample model points used to derive the factors is 17 (one for each entry year).

4.2. Changes in valuation method

- (a) This is the first valuation under the PSB.
(b) N/A

4.3. Allocation of expenses

The text below sets out the treatment of charges made to asset shares with respect to expenses and commission. Broadly, some policies are charged sales and administration expenses incurred by the fund, some follow this approach but have the overall charge capped, and a third group has defined charges.

Other expenses, or the difference between the expense and the charge to asset share fall to the estate.

	£m	Charged to WPBR	Not-Charged to WPBR	Non-Profit expenses	Misc Expenses	Total
2004 Expenses and commission		64	32	-7	4	93
2004 Shareholder Transfers		19	7	0	0	26

The above table approximately splits out the expenses incurred over 2004.

Non-profit expenses are expenses relating to non-profit business within the fund. The result is negative because of clawback on commission. The amount of expenses and commission not charged to the WPBR is large because most relates to initial expenses from new UWP business where the expenses are not immediately recovered from the asset shares. The asset shares from this class of business are deducted policy charges which are largely fund-based charges rather than up-front, hence the initial expenses are recouped from the asset shares over the lifetime of the policy. Miscellaneous expenses relate to various expenses such as audit and development costs.

A reliable breakdown of the expenses charged to WPBR split between initial and renewal is not currently available.

Expenses charged to the with-profit funds

Per-policy expenses are charged to the with-profits funds based on expenses that are laid out in the Management Services Agreement (MSA). These cover fixed initial expenses and ongoing maintenance expenses. MSA charges inflate each calendar year at RPI + 1% for CULAC. The current MSA agreement is due for renewal in 2008.

Investment management expenses are charged to the funds in line with the Investment Management Agreement with the fund managers and are reviewed on at least an annual basis.

Commission and sales related expenses are also charged to the with-profits funds. Initial and renewal commission scales and uplifts depend on product type and the agreement with the particular sales channel.

The with-profit funds also incur other non policy-related expenses such as for development expenses, audit fees and mis-selling expenses. These are charged to the with-profit fund as laid out in each fund's PPFM.

Total expenses to each fund are reported and reviewed on a monthly basis.

Shareholder transfers are charged to the with-profits funds. Most conventional business is written on a 90/10 basis with transfers equal to 1/9th of the cost of bonus. Most UWP business written in CULAC and reinsured across from CGNU Life is written on a 90/10 basis, some more recent single premium bond new business reinsured from CGNU Life has been written on a 91/9 and 92/8 basis.

Expenses charged to the with-profits benefit reserves

The total expenses charged to with-profits benefit reserves over 2004 are approximately £64m plus £19m of shareholder transfers. The majority of this relates to renewal expenses, most new business is UWP business sold on a charges basis with the majority of the charges being the annual management charge which is charged to asset shares over the life time of the policy.

Deductions are made to the asset shares in respect of expenses and commission and shareholder transfers. The difference between expenses, commission and shareholder transfers incurred and charges made are a credit to or deduction from the estate.

Sales and policy administration expenses are charged to asset shares in three main ways:

- Actual expenses incurred
- Actual expenses incurred, subject to an overall cap
- Policy charges applied

Actual expenses apply to the following product groups:

- CGNU Life written conventional business
- CULAC UWP business
- CGNU Life UWP written implicit charge business sold prior to 1st October 2001 (implicit charge refers to bonuses being net of expenses)

In addition, all CGNU and CULAC written UWP Personal Pensions issued prior to 1st December 2000 have the deductions made in respect of expenses capped at 1% p.a. as part of the 'stakeholder promise'.

Asset shares are currently charged 100% of the MSA agreement. They are also charged the management investment fee and any custody fees. Any initial or renewal commission is deducted from the asset share. Shareholder transfers for CGNU and CULAC written business are also charged to the asset share.

Policy charges are applied to the following product groups:

- CGNU Life written UWP implicit charge business sold 1st October 2001 onwards (implicit charge refers to bonuses being net of expenses)
- CGNU Life written UWP explicit charge business (2000 onwards individual pensions, stakeholder pensions and 'Candid' bonds). (explicit charge bonuses are gross of expenses)

The asset share is deducted the actual charges on the policy, e.g. a 1% annual management charge applies for stakeholder pensions, and also e.g. the initial charge at the end of the first five policy years for CGNU written bonds. Also note that any surrender penalty would apply to the asset share on exit.

Expenses not charged to the with-profits benefits reserve

For UWP explicit charge business written in CGNU Life the difference between the actual expenses charged to the fund and the charges taken from the asset shares are accrued to the estate.

Any expenses on UWP Pensions business in excess of the stakeholder promise 1% cap is charged to the estate.

Additional tax on shareholder transfers for CGNU Life and CULAC written business is charged to the estate.

All development, regulatory and audit fees are not currently charged to asset shares, although this is reviewable in line with statements in the PPFMs.

4.4. Guarantee Charges

CGNU Life written business

No explicit deduction is made from the with-profits benefit reserves in respect of guarantees.

CULAC written business

No explicit deduction is made from the with-profits benefit reserves in respect of guarantees.

4.5. Non-Insurance Risk Charges

CGNU Life written business

No explicit deduction is made from the with-profits benefit reserves in respect of non-insurance risks.

CULAC written business

No explicit deduction is made from the with-profits benefit reserves in respect of non-insurance risks.

4.6. Claims ratios

Fund	Product Type	2002	2003
CULAC	Conventional	123%	118%
	UWP	109%	118%
CGNU Life – reinsured in	Conventional	128%	110%
	UWP	110%	110%

The figures for 2002 and 2003 are estimates.

Fund	Product Type	2004
CULAC	Conventional Life	99%
	Conventional Pensions	108%
	UWP Life	101%
CGNU Life – reinsured in	UWP Pensions	104%
	Conventional Life	99%
	UWP Life	108%

	UWP Pensions	105%
	UWP Stakeholder	98%

The figures above for 2004 are estimates based on actual maturity and surrender payouts for the period April to December 2004. The figures for CGNU Life reinsured-in business relate to all CGNU Life written business.

All entries for Form 19 lines 32 and 33 in respect of reserves for past miscellaneous surplus and any past miscellaneous deficit are zero.

4.7. Gross investment return allocated to WPBR

Gross returns allocated to asset shares over 2004

CGNU Life written business	11.55%
CULAC written business	11.55%

Asset shares for business written by CGNU Life and CULAC are credited investment returns based on the combined assets backing the asset shares of both funds. The rates quoted above are average rates that apply.

The PPFM explains that returns from fixed-interest are allocated to asset shares by matching the outstanding policy term to the outstanding term of the fixed-interest assets. Returns on this basis are similar to the levels above e.g. within a couple of percentage points, being lower for short duration outstanding policies.

In practice, consideration of 2005 final bonus was based on the average return rather than the duration specific return. This had no material implication on payouts in 2004 as a result of smoothing and guarantees.

With-profits benefits reserve – Prospective method

5.1. Prospective assumptions

Bonus reserve valuation (BRV) is used for 1% of the with-profit benefits reserve. This covers two classes of business, conventional whole life policies and conventional Red Plan policies (a pensions deferred annuity contract). The prospective assumptions are as follows:

Economic Assumptions

Future earned rate:	Whole Life	4.66%
	Red Plan	4.66%
Discount rate:	Whole Life	4.66%
	Red Plan	4.66%
Expense Inflation:		3.77%

Future Assumed Regular Bonus Rates

Product Class	2005+
Conventional Whole Life	0% SA/0.5% bonus
Conventional Red Plan	0

Future Expense Assumptions

Product Class	Renewal Expenses 2004
Conventional Whole Life	28.05
Conventional Red Plan	38.75

Future Assumed Lapse Rates

Product Class	Policy Duration										
	%	1	2	3	4	5	6	7	8	9	10+
Conventional Whole Life	0	0	0	0	0	0	0	0	0	0	0
Conventional Red Plan	8	10	12	12	10	9	8	7	6	5	

Future mortality assumptions

Conventional whole life: A67/70 (Ult) – 3 years to age
Red Plan : in-deferment: 80% AM80 Ult/AF80 Ult
in-payment: Based on % of standard table PMA80/PFA80 reflecting own experience.

Regulatory Reserves cover 4% of the with-profit benefits reserve. The classes of business covered by this are UWP Red Plan and some UWP business administered on ex-Norwich Union systems. The reserve held for the UWP Red Plan is simply bid value of units.

Regulatory reserves for remaining UWP business are calculated as:
 $\max(\min(\text{BVU}, \text{SV}), \text{BRV})$

Where:

BVU = Bid Value of Units
SV = Surrender Value (consistent with the PPFM)
BRV = Bonus Reserve Valuation

Statutory reserves are therefore a combination of retrospective and prospective reserving methods. The following section details the basis behind the BRV component of the statutory reserve calculation and also the basis behind the realistic BRV.

The prospective assumptions for the remaining UWP business are as follows:

Economic Assumptions

Discount rate:	
Life	3.7%
Pensions	4.3%
Expense Inflation	3.5%

Future Assumed Regular Bonus Rates

All future regular bonuses are assumed to be zero.

Future Expense Assumptions

Product Class	Renewal Expenses 2004
UWP Life	£15.25
UWP Pensions	£44.59
UWP Stakeholder	£11.48

Expenses are then assumed to inflate annually at the expense inflation assumption.

Future Assumed Lapse Rates

Product Class	Policy Duration						
	1	2	3	4	5	6	7+
UWP Life – Offshore Bond	1	1.5	2	3	4	18	6
UWP Pensions	1.5	1.5	1.5	1.5	1.5	1.5	1.5
UWP Stakeholder	1.5	1.5	1.5	1.5	1.5	1.5	1.5

Costs of guarantees, options and smoothing

6.2.

(a) The calculation of the cost of guarantees, options and smoothing and the cost of the mortgage promise has been performed using a stochastic model with a few exceptions. The cost of guaranteed annuity options and section 32 guaranteed minimum pensions have been valued using a market value replication technique – this is described in section 6.4.(b). The cost of the Pensions 1% promise is valued using a deterministic projection at policy level of future charges and expenses using the risk free rate. A description of the stochastic model is given below.

(b) *Grouping Basis*

All valuation methods use grouped policy data. Data has been divided as follows:

For conventional business:

- Product class (e.g. life endowment, conventional pensions)
- Entry Year
- Maturity Year

For unitised with-profit business:

- Product class (e.g. life bonds, individual pensions)
- Year of unit purchase
- Guarantee date (date at which a person is expected to take their guarantee, e.g. NRD for pensions, no-MVR date for bonds)

Guarantee costs are not calculated by projecting individual or grouped model points. Instead, the aggregate asset shares and guaranteed amounts are projected for each of the cohorts above.

Validations

The total guaranteed amounts are reconciled back to the Regulatory valuation results. The aggregate asset shares are reconciled to the totals in Form 19.

(c) Not applicable.

6.3. This is the first valuation under the PSB.

6.4. Description of guarantees, options or smoothing being valued

6.4.(a) Stochastic Model - Description of guarantees, options or smoothing

6.4.(a)(i) Here follows the cost and description of the guarantees, options and smoothing methods by product grouping.

Product Class	Planned Enhancements to WPBR	Planned Deductions to WPBR for other costs	Contractual Guarantee costs	Non-Contractual Commitments	Smoothing costs
Conventional Life	0	15	34	193	8
Conventional Pensions	0	0	37	0	18
Direct Written - UWP Life	0	7	5	0	0
Direct Written - UWP Overseas	0	0	0	0	0
Direct Written - UWP Pensions	0	4	90	0	0
Direct Written - UWP Stakeholder	0	0	0	0	0
Reinsured - UWP Life	0	7	246	0	0
Reinsured - UWP Pensions	0	3	99	0	0
Reinsured - UWP Stakeholder	0	-2	6	0	0

(Figures in £m)

CULAC Fund: 31/12/2004

The CULAC fund accepts reinsurance from the CGNU Life With Profits fund.

Planned Deductions to WPBR for other costs

This represents the reduction in guarantee costs from targeting long-term payouts at 99% of asset share rather than 100% asset share. 99% is the long-term target payout required to give broadly neutral smoothing costs allowing for the costs incurred to the valuation date.

Contractual Guarantee Costs

Conventional Life

This represents the cost of the basic sum assured plus any accrued bonuses to date exceeding 100% asset share under the stochastic projection.

Stochastic Reserve = £34m

Best-estimate = £8m
Option value = 78%

Conventional life guarantees are reasonably out of the money.

Conventional Pensions

This represents the cost of the basic sum assured plus any accrued bonuses to date exceeding 100% asset share under the stochastic projection. The costs of providing for any guaranteed annuity options is covered in section 6.4.b under the cost of financial options.

Stochastic Reserve = £21m
Best-estimate = £16m
Option value = 27%

Conventional pension guarantees are reasonably in the money.

Direct Written UWP Life

This represents the cost of the payouts exceeding 100% asset share due to no-MVR guarantee under the stochastic projection for business written directly in the CU fund. Note that this includes the cost of smoothing final bonus.

Year of Unit Purchase	BVU (£m)	Asset Share / BVU (%)
1992	177	129%
1993	61	111%
1994	73	114%
1995	168	112%
1996	253	102%
1997	189	100%
1998	198	91%
1999	0	96%
2000	0	0%
2001	0	0%
2002	0	0%
2003	0	0%
2004	0	0%
	1,120	107%

This table shows the ratio of asset share over bid value of units for the majority of the CULAC written UWP Life business as at 31st December 2004. This gives an indication of the extent of in or out of the money which varies by year of entry.

Direct Written UWP Pensions

This represents the cost of the payouts exceeding 100% asset share due to no-MVR guarantee under the stochastic projection for business written directly into the CU fund. Note that this includes the cost of smoothing final bonus and the cost of any guaranteed bonus rates. This also includes the cost of the stakeholder promise whereby we have promised to deduct no more than the equivalent of 1% p.a. annual management charge to cover expenses on all unitised personal pensions from 1st April 2001.

Year of Unit Purchase	BVU (£m)	Asset Share / BVU (%)
1990	122	97%
1991	88	104%
1992	117	109%
1993	116	100%
1994	75	97%
1995	55	98%
1996	73	94%
1997	86	87%
1998	78	83%
1999	49	81%
2000	44	79%
2001	31	92%
2002	28	104%
2003	25	108%
2004	22	98%
	1,008	96%

This table shows the ratio of asset share over bid value of units for the majority of the CULAC written UWP Pensions business as at 31st December 2004. This gives an indication of the level of current guarantee costs

Reinsured in - UWP Life

This represents the cost of the payouts exceeding 100% asset share due to no-MVR guarantee under the stochastic projection for the business reassured in from CGNU Life. Note that this includes the cost of smoothing final bonus. The table below compares asset share to BVU for all policies written in the CGNU fund (not just those that have been reinsured to CU).

Year of Unit Purchase	BVU (£m)	Asset Share / BVU (%)
1990	6	129%
1991	80	114%
1992	159	125%
1993	119	111%
1994	98	110%
1995	190	107%
1996	232	97%
1997	337	95%
1998	448	88%
1999	930	81%
2000	2,303	77%
2001	2,937	88%
2002	1,917	101%
2003	582	108%
2004	479	105%
	10,816	91%

Reinsured in - UWP Pensions

This represents the cost of the payouts exceeding 100% asset share due to no-MVR guarantee under the stochastic projection for the business reassured in from CGNU Life. Note that this includes the cost of smoothing final bonus. The table below compares asset share to BVU for all policies written in the CGNU fund (not just those that have been reinsured to CU).

Year of Unit Purchase	BVU (£m)	Asset Share / BVU (%)
1990	119	109%
1991	24	114%
1992	51	116%
1993	47	105%
1994	48	112%
1995	70	111%
1996	161	101%
1997	215	97%
1998	171	85%
1999	186	79%
2000	339	78%
2001	553	91%
2002	274	106%
2003	125	111%
2004	98	102%

Reinsured in - UWP Stakeholder

This represents the cost of the payouts exceeding 100% asset share due to no-MVR guarantee under the stochastic projection for the business reassured in from CGNU Life. Note that this includes the cost of smoothing. The table below compares asset share to BVU for all policies written in the CGNU fund (not just those that have been reinsured to CU).

Year of Unit Purchase	BVU (£m)	Asset Share / BVU (%)
2001	130	99%
2002	188	110%
2003	132	114%
2004	136	106%
	586	108%

Non-Contractual Commitments

Conventional Life

This represents the cost of the mortgage endowment promise from conventional endowments (plus a small cost from unitised endowments). The amount paid under the promise is the difference between the mortgage amount and policy payout if returns are 6% or more, or the amount as communicated to policyholders in other circumstances.

Payment of the mortgage promise is conditional on the investment earnings achieved on the estate. These must be sufficient to pay the shortfall amounts falling due each year. A stochastic projection of the future earnings arising on the estate implied that there were simulations when they would be insufficient to pay the costs of the promise in certain future years. The reduction is small in Scenario 1 but larger in the stress tests.

The projection of the ability to pay was made using the following assumptions:

- If we are unable to pay the full amount in one year we may still pay the full amount in subsequent years.
- The calculation of the earnings on the estate takes into account the earnings we have actually received since the promise was made (31/12/1999).

The payment of promise amounts also gives rise to additional transfers to shareholders.

Smoothing Costs

Conventional Life

This represents the cost of smoothing final bonus from the assumption that payouts based on 100% asset share will not move by more than 15% from year to year on similar termed products. This is consistent with statements in the PPFM.

Conventional Pensions

This represents the cost of smoothing final bonus from the assumption that payouts based on 100% asset share will not move by more than 15% from year to year on similar termed products. This is consistent with statements in the PPFM.

UWP

Smoothing costs for all the UWP business are included in the contractual guarantee costs.

6.4.(a)(ii) **Description of the asset model**

The distribution was calculated using the following assumptions:

Risk-free rate:

- Risk-free rate curve as shown below –

Outstanding term	Risk free annualised spot rate (%)
1	4.67
2	4.58
3	4.59
4	4.61
5	4.63
6	4.65
7	4.66
8	4.67
9	4.68
10	4.69
12	4.70
15	4.68
20	4.61
25	4.53
30	4.46

- The discount rate was set equal to the risk-free rate as above EXCEPT for the calculation of future profits on non-profit business. For this calculation the discount rate is increase by 0.5%. This is an adjustment to reflect risk and uncertainty on the non-profit business.
- All assets were expected to grow at the risk-free rate (ie risk neutral pricing was used).

Derivation of risk-free rate curve:

The risk free rate was based on governments bonds, increased for the element of the swap – gilt spread that could be ascribed to the “repo ability” of the gilts.

The swap – gilt spread varies between 25bp at the very long end to 42bp for short term stocks. The average and the spread for the 10-15year period is around 30bp.

Our decomposition of this spread is

Description	Bp
LIBOR – LIBMID (to get mid market)	6
LIBMID – repo at 3 months (credit spread)	9
Implied Repo ability	15
Total spread	30

This implies a gilt + 15 bp could be justified based on 31/12/2004 market conditions, however, we have used a gilt + 10bp approach because the market conditions at 31/12

are possibly the result of specific year end conditions (i.e. swaps and gilt rates are artificially because of thin trading) – gilt + 10bp has been appropriate earlier in the year.

Use of the curve:

A risk-free rate curve was used for most option-pricing purposes. However, some systems are unable to implement the curve structure and so an appropriate fixed rate was used for these deterministic projections.

The fixed rate chosen reflected the term of the liabilities being valued.

CGNU / CU written:

Main liabilities modelled with flat risk-free rate:

- Future profits on non-profit business
- Guaranteed annuity options
- Tax on shareholder transfers

Term of liabilities: 7-8 years

Risk free rate used: 4.66%

Annuity interest rate used: 4.5% (equal to the 8 into 15 year forward rate based on the full curve).

Form of probability distribution:

The lognormal model was assumed for the prices of all assets.

Derivation of Equity / Property volatility:

UK Equity

Market implied volatility (that is the Black-Scholes solution to observed option pricing given risk free rates that maintain “put call parity” – essentially swap rates) has been derived from various investment banks and other sources.

Term	Source 1	Source 2	Source 3
1	12.54	12.51	12.4
2	14.50	14.28	14.2
3	15.55	15.32	15.2
4	16.27	16.15	15.5
5	16.78	16.81	16.3
7		17.73	16.3
10		18.65	17.6

Consistency of market pricing drops away as term increases.

The table below set out the resultant extrapolated volatility from this data.

Term	Source 1	Source 2	Source 3
10	17.4	18.6	18.0
15	17.5	19.4	18.4

None of the above has any clear theoretical advantage over the others.

We have chosen 18.25% because the rate is consistent with the output for the 10-15 year period.

Overseas Equity

A similar process applies.

Property volatility

There are no meaningful option prices so a best estimate approach is used. The best estimate is 15.0%.

Derivation of bond volatility:

1) Traded bonds (assumed to be 1/6 of the bond portfolio)

Gilts:

Implied market volatility from swaption pricing gives yield volatility of something just less than 15% as at 31/12/2004. This covers all fixed interest durations.

The table below shows swaption implied volatility for an option term of 1 year, swap maturity as shown (source values derived from data supplied by investment banks)

Swap maturity	Implied volatility
1	15.29
5	14.19
10	12.92
15	12.41
20	11.90
25	11.80

Our model requires a price volatility assumption. Here the above table is converted to price volatility, and on average used based on average duration of the liability.

We use a 5.0% assumption in the model which includes a small margin to allow for inevitable approximations involved in the above approach. The assumption is not material though due to the low weight of these assets.

Corporate Bond and Overseas Bond volatility

Separate asset classes are set up for corporate and overseas bonds. These have different correlations with the returns on UK gilts.

There are spreads between swaps, corporate bonds, gilts and overseas bonds. These spreads move over time so one class of asset may be more or less volatile than the others.

Analysis of our own historic experience in this area has shown that in practice the price volatility levels are similar:

Asset class	Price volatility
Gilts	10.2
Corporates	9.1
Overseas	11.1

In view of the size and nature of the differences in observed historic volatility there does not seem to be strong evidence for assuming that future corporate bond volatility should be greater than that used for gilts. However, given the small proportion of assets involved we have used a 2% volatility margin over gilts to reflect the potential volatility in spread.

2) Non-traded bonds (held to maturity): assumed to be 5/6 of the fixed interest portfolio

We aim to allocate return from fixed interest to asset share according to the return earned on the stock of equivalent duration outstanding. For these bonds, if matching was perfect and if there were no future premiums to invest then the return earned and credited to asset share on the fixed interest from the valuation date to maturity date would be the redemption yield and intermediate volatility would have no impact. In practice return credited to asset share is likely to be based on bands of durations rather

than an exact process. In view of these impacts non-zero price volatility is used as set out below.

In summary the price volatility assumptions are

	CGNU/CULAC written
Traded gilts	5.0%
Traded non-gilts	7.0%
Non traded	3.0%

Correlation between different asset classes:

- Correlation between asset classes was taken from internal historic data. The table below shows the figures used at end 2004.

	UK Equity	Property	European Equity	US Equity	Japanese Equity	Pacific Equity	Emerging Mkt Equity	UK Gilts: Traded	Corp Bonds: Traded	Ov/S Bonds: Traded	Cash	Bonds: Not Traded
UK Equity	1.00	0.25	0.79	0.83	0.55	0.58	0.65	0.53	0.48	0.52	0.10	0.00
Property	0.25	1.00	0.22	0.05	0.55	0.11	0.15	0.07	0.03	-0.20	-0.33	0.00
Europe	0.79	0.22	1.00	0.91	0.48	0.55	0.58	0.37	0.28	0.69	-0.10	0.00
US	0.83	0.05	0.91	1.00	0.43	0.47	0.56	0.37	0.30	0.74	0.00	0.00
Japan	0.55	0.55	0.48	0.43	1.00	0.62	0.65	0.01	0.00	0.20	-0.17	0.00
Pacific Basin	0.58	0.11	0.55	0.47	0.62	1.00	0.87	0.25	0.37	0.53	0.00	0.00
Emerging Markets	0.65	0.15	0.58	0.56	0.65	0.87	1.00	0.08	0.16	0.47	0.18	0.00
UK govt bonds	0.53	0.07	0.37	0.37	0.01	0.25	0.08	1.00	0.97	0.50	0.11	0.00
Corporate Bonds	0.48	0.03	0.28	0.30	0.00	0.37	0.16	0.97	1.00	0.51	0.12	0.00
Global Bonds	0.52	-0.20	0.69	0.74	0.20	0.53	0.47	0.50	0.51	1.00	0.13	0.00
Cash	0.10	-0.33	-0.10	0.00	-0.17	0.00	0.18	0.11	0.12	0.13	1.00	0.00
Non-Traded Bonds	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.00

Asset mix / EBR management:

The initial asset mix was equal to that assigned to the asset shares of the With-Profits funds as at 31/12/2004. 5/6ths of each fixed interest class was assumed to be non-traded. The resulting asset mix is shown below, together with the volatility parameters for each class:

CGNU / CU

Class	% of asset share	Volatility parameter
UK Equity	43%	18.3%
Property	16%	15.0%
Europe	3%	19.8%
US	0%	19.2%
Japan	0%	19.7%
Pacific Basin	1%	19.7%
Emerging Markets	2%	19.7%
UK govt bonds	2%	5.0%
Corporate Bonds	2%	7.0%
Global Bonds	1%	7.0%
Cash	5%	0.0%
Non-Traded Bonds	24%	3.0%
Total	100%	

Management of the EBR within the stochastic return projector is discussed in more detail in 6.5.a.

6.4.(a)(iii) Option prices from asset model

ROW	Asset type	n	K= 0.75				K= 1				K= 1.5			
			5	15	25	35	5	15	25	35	5	15	25	35
		r	4.63%	4.68%	4.53%	4.40%	4.63%	4.68%	4.53%	4.40%	4.63%	4.68%	4.53%	4.40%
		p:												
1	Risk-free zero coupon bond		797,547	503,520	330,680	221,197	x	x	x	x	x	x	x	x
2	FTSE AllShare	1	49,685	135,334	195,416	244,069	161,347	275,366	348,440	409,269	538,863	646,032	727,183	794,371
3	FTSE AllShare	0.8	40,425	93,908	120,591	138,243	137,270	200,049	226,100	239,677	482,154	495,134	497,220	494,098
4	Property	1	34,215	95,744	145,233	186,563	134,285	225,616	287,410	339,588	524,846	596,905	660,794	714,783
5	Property	0.8	27,039	60,856	80,472	95,220	111,022	154,156	172,857	182,496	465,499	443,880	432,094	421,121
6	15 yr risk free ZCB	1	1,619	18,061	35,479	49,784	62,880	109,571	137,865	163,259	501,015	511,061	530,963	543,274
7	15 yr risk free ZCB	0.8	752	6,160	8,633	12,346	42,256	52,010	51,531	46,768	436,130	337,833	282,528	240,690
8	15 yr corporate	1	6,035	35,152	61,542	82,038	80,849	139,518	177,531	208,388	503,425	527,335	559,589	580,647
9	15 yr corporate	0.8	3,659	15,939	22,132	27,582	59,153	77,564	81,516	78,679	439,626	361,582	319,959	286,017
10	65% FTSE AllShare, 35% Property	1	28,691	87,173	134,420	172,526	126,533	213,017	271,421	322,501	517,175	584,423	643,171	696,537
11	65% FTSE AllShare, 35% Property	0.8	22,133	54,340	72,819	85,347	103,368	143,245	160,885	168,539	457,846	430,614	414,677	403,473
12	65% FTSE AllShare, 35% ZCB	1	24,490	78,710	122,917	157,932	119,813	202,709	258,704	306,207	514,690	575,508	632,864	679,193
13	65% FTSE AllShare, 35% ZCB	0.8	18,558	47,317	64,146	75,011	96,896	133,552	148,711	153,990	454,711	420,440	402,146	386,719
14	40% Eq, 15% prop, 22.5% ZCB, 22.5% corp	1	10,776	47,286	79,769	105,202	92,342	157,891	200,831	239,677	503,384	538,594	576,824	611,475
15	40% Eq, 15% prop, 22.5% ZCB, 22.5% corp	0.8	7,181	24,061	33,650	40,749	70,398	93,754	101,573	101,627	440,862	377,353	342,867	318,268
			L = 15				L = 20				L = 25			
16	Receiver swaptions		7.80%	8.28%	7.57%	6.98%	9.71%	10.16%	9.30%	8.80%	11.67%	12.12%	11.29%	10.39%

Notes on the table above:

Row 1 should be completed showing the value of cash payments of £1,000,000 due n years after the valuation date.

Rows 2 to 15 inclusive should be completed for the appropriate asset classes showing the value of a put option on a portfolio worth £1,000,000 on the valuation date exercisable n years after the valuation date with strike price of $K * £1,000,000 * (1+r*p)^n$.

All references to 15-year bonds mean rolling bonds traded to maintain the 15 year duration at all future dates. The corporate bonds should be assumed to be rolling AA rated zero coupon bonds.

Row 16 should be completed showing the value of sterling receiver swaptions with a strike of 5% exercisable n years after the valuation date with swap durations on exercise of L years. The values should be expressed as a percentage of nominal.

The property put options should be assumed to relate to a well diversified portfolio of UK commercial property.

A zero trend growth in property prices should be assumed where this is relevant.

In each case the options should be valued with reinvestment of any dividend income into the FTSE All Share index and reinvestment of any rental or other property income into UK property.

Tax should be ignored in all calculations.

All options should be assumed to be European-style.

Commentary on the results:

This is a combined table for 6.4.a.iii and 6.4.b.iii.

Our maturity value and no-MVR guarantees that are priced through this process have a discounted mean term of around 8 years. Results produced for guarantees longer than 20 years are of less relevance.

For GAOs our model is calibrated to the discounted mean term of the GAO liability and the strike price of the GAOs (around 9%). The results produced by the model at 5% strike are not relevant to our valuation of GAO.

For the gilt portfolio pricing we are asked to base these results on a 15-year rebalancing portfolio. Our philosophy is to hold fixed-interest assets with duration matching to the discounted mean term of the liability (i.e. the portfolio shortens over time). Similar to the comments above, results produced incorporating a 15-year rebalancing rule have little practical relevance to the cost of our guarantees.

6.4.(a)(iv) Initial Equity and Property Rental Yields

Not applicable. The model assumes risk-neutral approach with drift of the total expected return equal to the risk free rate.

6.4.(a)(v) UK risk free rates are applied throughout.

6.4.(a)(vi) **Duration of significant guarantees**

The following tables show the durations of significant guarantees and promises for the with-profits funds. Duration is calculated as weighted average of projected maturity years with weights equal to the cost of guarantees.

CULAC – Duration of guarantees

	Duration (yrs)	%																			2031+	
		2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2021-2030			
Conventional Life																						
Base guarantee / smoothing	6.1	3	10	11	15	11	7	11	6	4	2	4	6	2	1	0	2	2	2	2	-	100
Mortgage promise	12.7	0	0	0	0	0	1	2	5	7	6	8	11	12	13	10	5	6	12	0	100	
Conventional Pensions																						
Base guarantee / smoothing	10.8	1	2	2	4	4	6	6	8	8	7	7	7	6	6	4	5	3	14	0	100	
GAR option	9.0	4	7	6	9	7	7	6	6	5	5	4	5	4	4	4	3	3	11	1	100	
Unitised Life: Base guarantee																						
Direct	12.9	-	-	-	1	4	6	7	7	7	7	6	6	6	5	5	4	4	25	-	100	
Reinsured	5.5	5	4	4	3	19	34	19	1	1	2	4	2	0	0	0	0	0	1	-	100	
Unitised Pensions excl Stk: Base gtee																						
Direct	12.1	3	4	4	4	4	4	6	5	5	5	4	4	4	4	4	4	4	28	-	100	
Reinsured	2.8	43	24	3	4	13	2	2	2	1	1	1	1	1	1	1	0	0	2	-	100	
Stakeholder: base guarantee																						
Reinsured	10.6	-	3	5	6	7	7	7	8	6	6	5	4	4	4	3	3	3	18	-	100	

The reinsured figures above relate to the UWP business reassured in from CGNU Life.

6.4.(a)(vii) **Nature of validations of asset model**

The model projects total return credited to asset share, not income and gains on assets. Therefore no explicit comparison of the NPV of the projection of income / gains has been made. Instead, the table below shows the discounted value of £1 invested on the valuation date and projected forward t years (t=5, 10, 15, 20). For a risk-neutral model, the result would be 1. The table shows how the results depend on the number of simulations used.

t (years from valuation date)	5	10	15	20
100 Sims result	1.023	1.069	1.071	1.084
1000 Sims result	1.003	1.003	1.001	1.005
5000 Sims result	1.002	0.997	0.997	0.994
10000 Sims result	1.001	1.000	1.003	1.003
Distribution result	1.000	1.001	1.004	1.005

The final line shows the results based on using the actual distribution required by our matrix approach to the calculation of the costs of guarantees. This table implies that the number of simulations (as used by the model) is sufficient for convergence

Further validation involves comparing the results of the model with Black-Scholes prices.

The output of the matrix approach has been compared to that of the Black-Scholes pricing formula (given appropriate portfolio volatility levels). The output of the matrix approach will only do this when management action is not incorporated. A selection of the results is shown below:

ROW	t (Continuous)	p	K= 0.75				K= 1				K= 1.5			
			5	15	25	35	5	15	25	35	5	15	25	35
2	FTSE AllShare: matrix approach	1	49,685	135,334	195,416	244,069	161,347	275,366	348,440	409,269	538,863	646,032	727,183	794,371
2	FTSE AllShare: Black-Scholes valuation	1	49,486	135,468	196,844	245,756	161,679	276,219	351,790	410,694	541,600	647,420	728,897	795,260
	Difference / MV(0)		0.0%	0.0%	-0.1%	-0.2%	0.0%	-0.1%	-0.3%	-0.1%	-0.3%	-0.1%	-0.2%	-0.1%
4	Property: matrix approach	1	34,215	95,744	145,233	186,563	134,285	225,616	287,410	339,588	524,846	596,905	660,794	714,783
4	Property: Black-Scholes valuation	1	31,238	98,141	148,381	189,401	133,185	228,546	292,339	342,745	522,417	599,620	664,328	718,888
	Difference / MV(0)		0.3%	-0.2%	-0.3%	-0.3%	0.1%	-0.3%	-0.5%	-0.3%	0.2%	-0.3%	-0.4%	-0.4%
10	65% FTSE AllShare, 35% Property: matrix approach	1	28,691	87,173	134,420	172,526	126,533	213,017	271,421	322,501	517,175	584,423	643,171	696,537
10	65% FTSE AllShare, 35% Property: B-S valuation	1	26,667	88,136	135,130	173,787	125,383	215,386	275,794	323,680	518,020	587,178	646,980	697,991
	Difference / MV(0)		0.2%	-0.1%	-0.1%	-0.1%	0.1%	-0.2%	-0.4%	-0.1%	-0.1%	-0.3%	-0.4%	-0.1%

The table above shows that the model is capable of producing Black-Scholes prices. The table also implies that the number of simulations used and the width of the banding within the matrix approach do not distort the results.

	Put Option Price	Parameter – risk free rate	Parameter - volatility
Market Price	9.27	4.97%	16.8%
(1) adjust RFR	9.92	4.63%	16.8%
(2) adjust Volatility	10.96	4.63%	18.3%
NU Asset Model Price	10.96	4.63%	18.3%

The table above shows the actual market price and the price generated using our asset model (for a 5-year at the money put option). As demonstrated above, the model produces a higher price (18.3%) for this specimen contract because:

- We make a credit risk adjustment relative to the risk free rate that maintains put/call parity
- We calibrate volatility to around 12 years rather than 5.

- viii) 10,000 projections of asset share returns have been made to construct the probability distribution used to value the guarantees.

6.4.(b) Market costs of hedging - Description of guarantees, options or smoothing

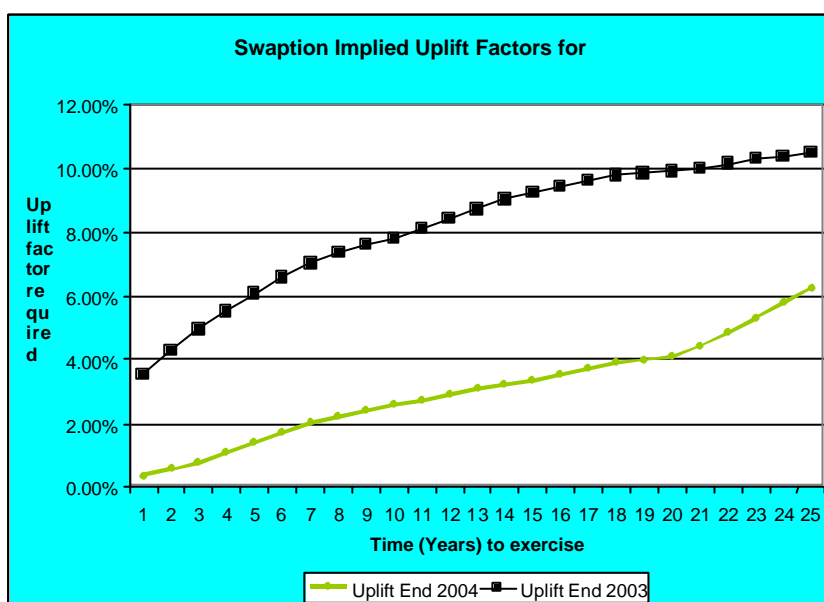
The approach used to value Guaranteed Annuity Options on conventional pensions increases the deterministic (intrinsic cost) of the option to allow for the limited option value. The increase is based on the implied option value of swaptions with similar characteristics to the liabilities.

Valuation of the GAO is based on the intrinsic value (i.e. the value implied from the forward risk-free rate curve) plus an uplift for option value (that is the value derived as the policyholder has an option not to take the GAO).

The option not to take the GAO is only worth something when interest rates rise to such an extent that the open market option could purchase a larger annuity stream.

Revision to the uplift factors has been considered at the end of 2004 to reflect the current option value of swaptions with similar characteristics.

The graphic below illustrates the uplift factors implied by swaptions at end 2003 and end 2004.



The graph implies that option value has decreased over the year; this is consistent with the observed fall in the swap curve.

In practice the uplift factor has been set at 10% at all points.

For CULAC a small reserve for Section 32 policies arises. The reserve has been calculated as the statutory provision with a 10% uplift. These costs have been included in the figures quoted in 6.4.a.i.

CULAC Fund: 31/06/2004

Costs of Financial Options

This represents the cost of the guaranteed annuity option (GAO) attaching to conventional deferred cash pensions. Contracts provide for a basic cash amount plus

accrued regular bonus and a final bonus. The policyholder then has the option to take this cash amount or to convert this into income at guaranteed rates written into the policy conditions.

The cost of the GMP guarantee on S32 policies is also shown below.

Cost of annuity rate guarantees	£m
Base GAO cost	103.5
Cost of transferred Red Plan	56.8
Uplift (10%)	16.0
Expense reserve	2.1
Total	178.4
Base cost of GMP gtee on S32	14.0
Uplift (10%)	1.4
Total	15.4

The duration of all guarantees is shown in the table given in 6.4.a.vi (where significant).

6.4.(c) **Deterministic projections - Description of guarantees, options or smoothing**

No guarantees, options or smoothing costs have been valued using this method.

6.5. **Management Actions**

- 6.5.(a) There are various allowances and limitations for management actions in the stochastic model. Details of the key decisions are set out below.

Projected Equity Backing Ratio

Management is assumed to intervene and carry out switches (in addition to any impact from market movements) of investments supporting asset shares when investment returns are particularly strong or weak.

The logic for this is that the main aim of investment policy is to provide the highest long-term returns given acceptable levels of solvency risk.

A substantial amount of our fixed interest portfolio is intended to be held to maturity. Therefore investment performance above or below expectation is largely a function of simulated performance for equity and property.

If equity/property performance is poor, then solvency would deteriorate, hence management action would be to reduce the equity/property. The converse is also true; however, increasing the EBR within the simulation is constrained to the extent that there are bonds held for trading to sell.

The table below sets out the EBR movement due to switching to apply within the simulation, based on the cumulative annualised return for the fund from the start of the simulation. Given the sizes of the fund the maximum switches are limited to 5%.

Lower Bound	Upper Bound	EBR movement
18.0%	(>18%)	5.0%
17.0%	18.0%	5.0%
16.0%	17.0%	5.0%
15.0%	16.0%	5.0%
14.0%	15.0%	5.0%
13.0%	14.0%	5.0%
12.0%	13.0%	4.0%
11.0%	12.0%	4.0%
10.0%	11.0%	4.0%
9.0%	10.0%	3.0%
8.0%	9.0%	3.0%
7.0%	8.0%	3.0%
6.0%	7.0%	2.0%
5.0%	6.0%	0.0%
4.0%	5.0%	0.0%
3.0%	4.0%	-1.0%
2.0%	3.0%	-2.0%
1.0%	2.0%	-3.0%
0.0%	1.0%	-4.0%
-1.0%	0.0%	-4.0%
-2.0%	-1.0%	-4.0%
-3.0%	-2.0%	-5.0%
-4.0%	-3.0%	-5.0%
-5.0%	-4.0%	-5.0%
-6.0%	-5.0%	-5.0%
(<-6%)	-6.0%	-5.0%

Maximum Cuts in payout

The model assumes bonus is reviewed annually (in practice reviewed at least semi-annually). Final bonus is set to deliver target payout ratio subject to change of no more than 15% in payout compared to equivalent policy maturing 1 year earlier. Annual bonus is pre-determined at outset to deliver sufficient final bonus margin, subject to gradual reduction to this level by limiting annual change by (generally) no more than 1%.

Target level of payout

Prospective individual payout targets at maturity are set at 99% of asset share. This results in a small but positive impact on the estate from future smoothing policy.

Regular Bonus Assumptions

In reality regular bonus rates would alter depending on achieved and prospective investment returns (as well as statutory solvency). The model used at present does not use dynamic bonus rates.

CWP regular bonus

	Declared 31/12/2004		Declared 31/12/2005 +	
	SA	Bonus	SA	Bonus
Business				
CGNU Endowments	0.5	1.0	0.5	1.0
CU Endowments	0.0	0.5	0.0	0.5
CU Pensions	0.0	0.0	0.0	0.0

Unitised regular bonus

Business	Applying 2005	Applying 2006	Applying 2007+
CGNU explicit Bond	4.25	4.25	4.25
CGNU explicit Pension	4.0	4.0	4.0
CGNU implicit Bond (pre 94 units)	3.0	3.0	3.0
CGNU implicit Bond (post 94 units on pre 98 policies)	2.5	2.5	2.5
CGNU implicit Bond (post 98 policies)	2.0	1.5	1.5
CGNU implicit Pension	3.0	2.0	2.0
CU Bond	2.5	2.5	2.5
CU Pensions	3.0	3.0	3.0

Rates broadly assume that bonus rates are reduced to levels that allow suitable final bonus margins to emerge.

Guarantee Charges on asset shares

The model uses no charge on CGNU Life and CULAC written business. Under the stress scenarios any change in guarantee charge is assumed to take effect from the valuation date.

Allocation of non-profit profits to asset share

It is assumed that future non-profit profits are allocated to asset shares in line with the current rates. That is:

- 0.5% p.a. for CGNU Life written business written pre-1st October 2000
- 0.125% p.a. for CULAC written business written pre-1st October 2000
- 0% p.a. for all CGNU Life and CULAC business written from 1st October 2000

Shareholder Transfers and tax

The model assumes that transfers to shareholders continue at the rate of 10% of the cost of bonus.

It is assumed that only the tax on Shareholder transfers will be charged to the estate for CGNU Life and CULAC written business. The shareholder transfers themselves will be charged to asset share.

Mortality costs

Mortality profits and losses are passed on to the asset shares in line with the PPFM. For implicit-charge business, the deduction made is sum at risk times actual proportion of deaths. The sum at risk is death benefit less asset share. The actual proportion is a proportion that varies by year of a standard mortality table. Explicit charge UWP business and implicit charge UWP business sold from 1st October 2001 deducts the actual policy charges made from the asset share.

Surrender costs

Conventional Business

Surrender profits and losses in the model are recycled to asset shares for business written by CGNU Life and CULAC.

UWP Business

Surrender profits and losses in the model are recycled to asset shares for business written by CGNU Life and CULAC.

6.5.(b) Best estimate of future proportions of assets backing the WPBR.

- The projection allows for future EBR management action as discussed earlier in this document. The results reflect an average of the simulated positions.
- Regular bonus rates quoted are those that have been assumed in the production of the central set of results for Form 19 (not for the stress tests). Assumptions

about regular bonus in the stress tests are quoted elsewhere in this document.
We have not considered how bonuses might be increased in upside scenarios.

6.5.(b)(i) Projection at risk free rate

UWP Bonus Rates

Product	31 December 2004	31 December 2009	31 December 2014
UWP Life (Direct Written):	2.50%	2.50%	2.50%
UWP Pensions (Direct Written):	3.00%	3.00%	3.00%
Reinsured business (from CGNU Life):			
UWP Life (Implicitly charged): Units purchased on policies written pre 1/10/1998	2.50%	2.50%	2.50%
UWP Life (Implicitly charged): Units purchased on policies written post 30/09/1998	2.00%	1.50%	1.50%
UWP Life (Explicitly charged):	4.25%	4.25%	4.25%
UWP Pensions (Implicitly charged):	3.00%	2.00%	2.00%
UWP Pensions (Explicitly charged):	4.00%	3.00%	3.00%
UWP Pensions (Stakeholder):	3.50%	2.50%	2.50%

Further notes on bonus rates:

Direct written business:

- Units purchased on Pensions policies before 1/1/1993 have a guaranteed regular bonus rate of 4% pa.

Reinsured business from CGNU Life:

- Units purchased on Life policies before 1/2/1994 have either
 - a) a guaranteed regular bonus rate of 3% pa
 - b) a guaranteed addition to regular bonus of 0.5% pa. Most policyholders fall into this second category.
- Units purchased on Pensions policies before 22/1/1996 have a guaranteed regular bonus rate of 4% pa.
- Policyholders in the Income-based Life products receive additional regular bonus (amount depends on entry-year).

Assets Backing With-Profit Benefits Reserve

6.5.(b)(ii) Projection at risk free rate plus 17.5%

Assets Backing With-Profit Benefits Reserve

Asset class	31 Dec 2004	31 Dec 2004	31 Dec 2009	31 Dec 2014
UK equities	5,464	48.4%	43.6%	39.3%
Overseas equities	1,174	6.7%	6.0%	5.4%
Land and buildings	1,212	11.2%	10.3%	9.3%
Approved fixed interest securities	2,396	24.4%	29.0%	33.3%
Other fixed interest securities	1,659	8.7%	10.3%	11.8%
All other assets	544	0.6%	0.7%	0.9%
Total assets	12,450	100.0%	100.0%	100.0%
EBR		66.3%	60.0%	54.0%

6.5.(b)(iii) Projection at risk free rate minus 17.5%

Assets Backing With-Profit Benefits Reserve

Asset class	31 Dec 2004	31 Dec 2004	31 Dec 2009	31 Dec 2014
UK equities	5,464	48.4%	41.5%	34.6%
Overseas equities	1,174	6.7%	5.7%	4.8%
Land and buildings	1,212	11.2%	9.8%	7.9%
Approved fixed interest securities	2,396	24.4%	31.1%	38.2%
Other fixed interest securities	1,659	8.7%	11.1%	13.6%
All other assets	544	0.6%	0.8%	1.0%
Total assets	12,450	100.0%	100.0%	100.0%
EBR		66.3%	57.0%	47.3%

6.6. Persistency and Mortality Assumptions

The lapse rates assumed in the projection of the asset shares and guaranteed benefits are based on own experience adjusted for anticipated trends.

CGNU Life – Lapse Rates		Policy Year												
Product Class		0	1	2	3	4	5	6	7	8	9	10	11	12+
Conventional Life Endowment	25-yr term	5	12	12	12	12	12	12	10	8	6	4	3	2
UWP Life Portfolio Bond no MVR gtee		1	1.5	2	3	4	16	7	7	7	7	75	7	7
UWP Life Mortgage Endowment		8	10	12	12	12	12	12	12	12	12	12	12	12
UWP Pensions (inc stjhldr)	Lapses	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
UWP Stakeholder	PUP	10	10	10	10	10	10	10	10	10	10	10	10	10
UWP Pensions (excl stkhldr)	PUP	13	13	13	13	13	13	13	13	13	13	13	13	13
UWP Pension Bonds		2	2	2	4	6	30	20	10	10	10	10	10	10

CULAC – Lapse Rates		Policy Year												
Product Class		0	1	2	3	4	5	6	7	8	9	10	11	12+
Conventional Whole Life		6.5	4.5	4.5	4.5	4	4	2.5	2	2	2	2	2	2
Conventional Life Endowment		6	4.5	6.5	8	8	8	8	8	8	6	4	3.5	3.5
Conventional Pensions		8	10	12	12	10	9	8	7	6	5	5	5	5
UWP Life Bond		1	2	3	3.5	4.5	16	8.5	8.5	8.5	7.5	7.5	7.5	7.5
UWP Pensions – Lapse Rates		1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
UWP Pensions – PUPs		13	13	13	13	13	13	13	13	13	13	13	13	13

At no-MVR date:

Assume 75% lapses at the first no-MVR date and 25% on the second.

Automatic partial withdrawals on bonds have no MVRs applied (subject to certain limits). The assumed Automatic Partial Withdrawal rates are 1.5% pa for CGNU and CULAC written business. A higher rate of 4% is assumed for the Life Income funds.

Mortality Assumptions

Mortality assumptions for the Realistic Balance sheet are generally the same as the Best-estimate assumptions.

Unitised With-Profit Mortality

Unitised pensions and life bonds - 80% AM80 Sel 2 / AF80 Sel 2

Unitised mortgage endowments based on percentages of AM80 Sel 2 / AF80 Sel 2

Conventional Assurance Mortality

CGNU Life endowments based on standard tables AM92 Sel2 and AF92 Sel 2 adjusted to allow for actual and expected experience. Policies with critical illness options have morbidity rates based on reinsurer's rates.

CULAC endowments - 65% AM80 Ult/70% AF80 Ult

CGNU Life Whole life based on percentages of TM92 Sel 5 and TF92 Sel 5.

For CGNU and CULAC, additional AIDS mortality is based on 25% of Projection R6B of the Institute of Actuaries working party with allowance for the continuance of the additional mortality rates at peak levels

Conventional Pensions

In deferment – CGNU Life 50%AM80/AF80 Ult
 CULAC 80% AM80/AF80 Ult
 In payment – see annuitant mortality.

Annuitant Mortality

For all CGNU Life and CULAC immediate annuities and deferred annuities in payment we use assumptions based on standard tables pma80, pfa80, im80, and if80. These tables have been substantially altered to reflect our experience with a considerable reduction to table mortality.

The proportions of the amended tables used for Regulatory valuation and best-estimate value purposes are as follows for CGNU Life and CULAC.

	Regulatory Valuation	Best-estimate
Males	81%	86%
Females	98%	103%

For the realistic balance sheet CULAC uses the best-estimate assumptions in the valuation of the GAO.

Guaranteed Annuity Option take-up rate

The following proportions of policyholders are assumed to take the GAO options attaching to their pensions. A fixed take up rate is assumed irrespective of how in the money the option is.

Fund	Take-up
CULAC	85%

Date of maturity: Age 65

6.7. Policyholder Actions

Policyholder actions are primarily covered by the static persistency and GAO take-up rates in the previous section. There is no dynamic linking of these decisions relative to the value of the options under each particular scenario.

Financing Costs

7. There are no financing costs.

Other long-term insurance liabilities

8.

CULAC @31/12/2004

Product Class	Any other liabilities related to treating customers fairly	Any other long-term insurance liabilities
Conventional Life	0	33
Conventional Pensions	0	1
UWP Life	0	5
UWP Pensions	0	10
Reinsured - UWP Life	0	12
Reinsured - UWP Pensions	0	5
Reinsured - UWP Stakeholder	0	0
Miscellaneous	0	82
Total	0	147

Any other liabilities related to treating customers fairly

No liability is held in respect of any other liabilities related to treating customers fairly.

Any other long-term insurance liabilities

The product split gives a breakdown of the £65m held in respect of the future tax due on shareholder transfers which are charged to the estate.

The following liabilities are held under the miscellaneous category.

£16m is held in respect of future pension transfer review costs.

£5m is held in respect of the funding for the Aviva staff pension scheme deficit.

£37m is included for the cost of investigation and redress of mortgage endowment mis-selling complaints.

A reserve of £26m is held to cover future development expenses and audit/regulatory fees.

£54m is held in respect of the value of the potential subsidy for future new business. This represents the value of the future shareholder transfers on a 90/10 basis that may not be charged to asset shares.

Profits from non-profit business are assumed to be credited to asset shares in line with current practice. £13m is included from the present value of the future credits of 0.125% p.a. for CULAC direct written business.

A credit of £94m is held in respect of the difference between the present value of charges to be deducted from UWP asset shares on a charges basis versus the future renewal expenses charged to the fund. This credit implicitly includes an allowance for recovery of initial expenses already incurred on this business.

An additional liability of £25m is held as a contingency.

Realistic current liabilities

9.

The realistic current liabilities include the following:

- Provisions for deferred taxation
- Provisions for inter company transfers from internal reinsurance
- Outstanding Claims
- Other creditors
- Accruals and deferred income
- Unrealised Capital Gains tax provision

The realistic current liabilities at 31st December 2004 are £452m. The Regulatory and realistic balance sheet current liabilities are the same.

Risk Capital Margin

10.(a)

Fund	RCM (£m)
CULAC	427

10.(a)(i)

Changes in asset values under stress scenarios for equities and real estate (property)

Asset Class	Fall in market values
UK Equities	20%
OS Equities	22.5%

Property	12.5%
----------	-------

The overseas equity fall is set such that it has the same probability as UK equities falling 20%.

The fall in market values of equity and property is more onerous than the rise in market values. This is because of the knock-on increase in guarantee costs and the estates being partially invested in equities and property.

10.(a)(ii)

Asset Class	Rise in FI yields	Fall in FI yields
Nominal change in yields	+80bps	-80bps
long-term yield – level post-stress	5.46%	3.86%
long-term yield - % movement post-stress	+17.5%	-17.5%

The fall in fixed-interest yield scenarios are more onerous.

10.(a)(iii)

Fund	Average Increase in credit spread	Change in FI asset value
CULAC	0.29%	-2.28%

The average increase in credit spread is weighted by current market value of fixed interest.

The change in FI asset values is from the increase in credit spreads from the credit-risk test.

10.(a)(iv)

For the persistency test a 32.5% decrease in lapse rates is tested as this increases the fund's exposure to maturity guarantees.

p.a.% reduction in average lapse rate = 0.9%
 % increase in realistic liabilities = 1.6%

10.(a)(v) Not applicable

10.(b) **Management Actions under the stress tests**

The following changes in management actions are assumed to be made under the stress tests.

Guarantee Charges

Under the stress tests the guarantee charges will be assumed to change to:

- 0% for CGNU and CU UWP written new business sold from 1/1/2002, and 0.5% otherwise (including all conventional business).

Change in asset mix

Under the stress tests it is assumed that management would change the asset mix of the fund in line with the same investment management rules governing the projection of assets in the stochastic model.

Cuts in payouts

It is assumed that management would make additional cuts in payout where the payouts implied from the movements in asset shares under the stress tests exceeded the 15% maximum cut assumed in the central basis. Any cuts in excess of the 15% would assumed to be made over the two six-monthly bonus declarations following the valuation date with the same percentage cut in each.

It is assumed that the long-term payout target as a percentage of asset share would be such that the smoothing cost was neutral allowing for costs incurred to the valuation date.

Regular Bonuses

Following the asset value falls under the stress test, a 1% reduction in UWP annual bonus is assumed to better maintain final bonus margins. All future conventional regular bonus rates are assumed to be zero.

Business	Applying 2005	Applying 2006	Applying 2007+
CGNU explicit Bond	4.25	3.25	3.25
CGNU explicit Pension	4.0	3.0	3.0
CGNU implicit Bond	2.0	1.0	0.5
CGNU implicit Pension	3.0	2.0	1.0
CU Bond	2.5	1.5	1.5
CU Pensions	3.0	2.0	2.0
All conventional business	As central scenario	0	0

10.(c)(i) The assets backing the risk capital margin are set out in the following table

Assets backing RCM	£m	%
UK equities	73	17%
Overseas equities	26	6%
Land and buildings	0	0%
Approved fixed interest securities	288	68%
Other fixed interest securities	40	9%
All other assets	0	0%
Total	427	100%

10.(c)(ii) All assets backing the RCM are within the WP funds.

Tax

11.(i) Tax treatment in the with-profits benefit reserves

Asset shares are credited with net of tax investment returns allowing for actual tax rates.

For 2004 the tax rates are:

Income Tax	20%
Franked Income Tax	0%
Withholding Tax	15%

11.(ii) Tax treatment in future policy related liabilities

Current tax rates are assumed to continue in the future for all projections.

Corporation Tax	30%
Income Tax	20%
Franked Income Tax	0%
Withholding Tax	15%

Turnover Rates (for CGT calculation) as for the EV assumptions:

UK Equity	20%
Overseas Equity	40%
Property	12.5%
CGT indexation	1.85% (2/3rds of the RPI assumption)

Average BLAGAB tax rate applying to asset shares:

CGNU Life written	12.17%
CULAC written	12.21%

Average tax rate applying to non-profit liabilities = 20% assuming all backed by fixed-interest.

11.(iii) Tax treatment in the realistic current liabilities

The realistic and regulatory current liabilities are equal, hence the treatment of deferred tax liabilities is the same.

Derivatives

12.

Security	Value at 31/12/2004 (£m)
Equity futures	-421
Other futures	-359
Swaptions	0
Swaps	0

The exposure to futures is part of the company's portfolio management strategy.

Analysis of working capital

13. This is the first valuation under the PSB. Analysis of working capital will follow for future valuations.

Optional Disclosure

14. The split and determination of what is classified as contractual and non-contractual obligations are covered in section 6.

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 2004**

		Company registration number		GL/UK/CM	Period ended			Units	UK/OS	NL/LN	
		R46	79678		GL	day	month				year
						31	12				2004
		£000	UK	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	2002124	164833	858129	108357	142945	9339	2			
New business and increases	12	58126	178	112258	19287	529	51				
Net transfers and other alterations 'on'	13			284							
Total 'on' (12+13)	19	58126	178	112542	19287	529	51				
Deaths	21	19606	418	4068	119	59	7				
Other insured events	22	100	20			125	5				
Maturities	23	16420	5074	7177	713	25					
Surrenders	24	146509	11038	11069	894	60	8				
Forfeitures	25	36578	2507	824	81	15429	1114				
Conversions to paid-up policies for reduced benefits	26		1080		12677						
Net transfers, expiries and other alterations 'off'	27	12733	2151		10217	2047	266				
Total 'off' (21 to 27)	29	231946	22288	23138	24701	17745	1400				
In force at end of year (11+19-29)	39	1828304	142723	947533	102943	125729	7990	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 2004**

	Company registration number	GL/UK/CM	Period ended			Units	UK/OS	NL/LN	
			day	month	year				
	R46	79678	GL	31	12	2004	£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	115221	6	461417	63866				
New business and increases	12			2599	4701				
Net transfers and other alterations 'on'	13	1707		7609					
Total 'on' (12+13)	19	1707		10208	4701				
Deaths	21	1521		652	43				
Other insured events	22								
Maturities	23	20	1	3801	399				
Surrenders	24	12178		5454	2432				
Forfeitures	25			450					
Conversions to paid-up policies for reduced benefits	26				8348				
Net transfers, expiries and other alterations 'off'	27				363				
Total 'off' (21 to 27)	29	13719	1	10357	11585				
In force at end of year (11+19-29)	39	103209	5	461268	56982				

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 2004**

	Company registration number	GL/UK/CM	Period ended			Units	UK/OS	NL/LN	
			day	month	year				
	R46	79678	GL	31	12	2004	£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	11958	2154			1979	53		
New business and increases	12	2008	151					10	
Net transfers and other alterations 'on'	13					1	2		
Total 'on' (12+13)	19	2008	151			1	2	10	
Deaths	21	19	1			1			
Other insured events	22	2				2			
Maturities	23	42	16			2			
Surrenders	24	273	20						
Forfeitures	25	471	34			234	20		
Conversions to paid-up policies for reduced benefits	26		28						
Net transfers, expiries and other alterations 'off'	27	58	197						
Total 'off' (21 to 27)	29	865	296			239	20		
In force at end of year (11+19-29)	39	13101	2009			1741	35	10	

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 2004**Company
registration
number

GL/UK/CM

Period ended

day month year

Units

R47	79678	GL	31	12	2004	£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		96	92			
Sub total: Accumulating With-Profits Policies		96	92			
Non-Linked With-Profits Policies						
Endowment Assurance				1	8	68
Sub total: Non-Linked With-Profits Policies				1	8	68
Non-Linked Non-Profit Policies						
Term Assurance				1		24
Other Assurance						
Annuities	359	1682	906 pa			
Sub total: Non-Linked Non-Profit Policies	359	1682	906 pa	1		24
Other Linked Contracts						
Whole Life Assurance		18	17			
Sub total: Other Linked Contracts		18	17			

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 2004**Company
registration
number

GL/UK/CM

Period ended

day month year

Units

R47	79678	GL	31	12	2004	£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	359	1796	109 906 pa	2	8	92

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 2004**Company
registration
number

GL/UK/CM

Period ended

day month year

Units

R47	79678	GL	31	12	2004	£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	343	15571	15571	637	1659	30706
Sterling Group Plan (Deposit Administration)					309	1950
Sterling Group Plan (Unitised With Profits)					146	1589
Red Plan	66	35401	35401	35	1416	1416
Sub total: Accumulating With-Profits Policies	409	50972	50972	672	3530	35661
Non-Linked With-Profits Policies						
Group Deferred Annuity		1044	49 pa			
Pure Endowment				2	1	18
Sub total: Non-Linked With-Profits Policies		1044	49 pa	2	1	18
Non-Linked Non-Profit Policies						
Pure Endowment				1	1	10
Term Assurance				1	3	472
Group Life		156	36044			
Annuities	1355	40001	3255 pa			
Sub total: Non-Linked Non-Profit Policies	1355	40157	36044 3255 pa	2	4	482

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 2004**Company
registration
number

GL/UK/CM

Period ended

day month year

Units

R47	79678	GL	31	12	2004	£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		115	115			
Pure Endowment	822	26463	26463	1609	5750	131856
Group Pure Endowment					174	3823
Sub total: Other Linked Contracts	822	26578	26578	1609	5924	135679
Total: Pension Insurance Business	2586	118751	113594 3304 pa	2285	9459	171840
Total: UK Direct Written Insurance Business	2945	120547	113703 4210 pa	2287	9467	171932

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 2004**Company
registration
number

GL/UK/CM

Period ended

day month year

Units

R47	79678	GL	31	12	2004	£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						
NU Bond	2					
NU Flexibond	1					
NU Flexibond Additional		50	50			
NU Bond Level	21245	90487	90487			
NU Bond Step Down	19696	44019	44019			
NU Homemaker Plus				14	4	
NU Flexibond (LTC)	50	729	729			
Joint Venture Bond	8197	85301	85301			
Sub total: Accumulating With-Profits Policies	49191	220586	220586	14	4	
Non-Linked Non-Profit Policies						
Group Term Assurance	28042	530	45540	89286	1281	45843
NULL Term				6259	74	35312
NULL Mortgage Protection				2633	92	14204
Sub total: Non-Linked Non-Profit Policies	28042	530	45540	98178	1447	95359

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 2004**Company
registration
number

GL/UK/CM

Period ended

day month year

Units

R47	79678	GL	31	12	2004	£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	77233	221116	266126	98192	1451	95359

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 2004**

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
Pension Insurance Business						
Accumulating With-Profits Policies						
CGNU Personal Pension Scheme		164	164	981	579	
CGNU Personal Pension Scheme additional		1105	1105			
CGNU Free-Standing AVC Plan					6	
CGNU Free-Standing AVC Plan additional		3	3			
CGNU Self Invested Pension Plan additional		62	62			
CGNU Pension Transfer Plan		29	29			
CGNU Executive Pension Plan		285	285		75	
CGNU Group Pension Investment Bond		17	17			
CGNU Your Pension	36	26	26	195	198	
CGNU Your Pension additional		314	314			
NU Your Pension	274	636	636	1921	895	
NU Your Pension additional		2373	2373			
NU Your Pension Select	15	23	23	99	32	
NU Your Pension Select additional		84	84			
NU Optimiser Personal Pension		23	23		26	
NU Optimiser Personal Pension additional		222	222			
NU Executive Personal Pension	66	886	886	921	177	
NU Free Standing AVC Plan	8	18	18	90	5	

Company
registration
number

GL/UK/CM

Period ended

day month year

Units

R47

79678

GL

31

12

2004

£000

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 2004**

Type of insurance	Single premium contracts			Regular premium contracts			Units
	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	
NU Free Standing AVC Plan additional		7	7				
NU Personal Transfer Plan	283	1872	1872				
NU Self Invested Personal Pension	1517	2096	2096				
NU Self Invested Personal Pension additional		217	217				
NU Group Pension Investment Bond	444	493	493				
NU Designer Personal Pension	11521	1602	1602	20000	3356		
NU Designer Personal Pension additional		2313	2313				
Stakeholder NU Your Pension	17490	27854	27854	26858	7349		
Stakeholder NU Your Pension additional		16261	16261				
NU Your Pension Select (Post 6/4/01)	5126	5085	5085	8489	1304		
NU Your Pension Select (Post 6/4/01) additional		3909	3909				
Stakeholder NU Designer Personal Pension	6158	958	958	9505	1408		
Stakeholder NU Designer Personal Pension additional		642	642				
NU Group AVC	1027	36	36	651	232		
NU Variable Money Purchase Plan	4837	653	653	11562	1005		
Sub total: Accumulating With-Profits Policies	48802	70268	70268	81272	16647		
Total: Pension Insurance Business	48802	70268	70268	81272	16647		

Company
registration
number

GL/UK/CM

Period ended

day month year

R47

79678

GL

31

12

2004

£000

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 2004**

Type of insurance	Single premium contracts			Regular premium contracts			Units
	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	
Permanent Health Insurance Business							
Non-Linked Non-Profit Policies							
NULL Critical Illness - Term				173	27	5811	
NULL Critical Illness - Mortgage Protection				356	24	3520	
Sub total: Non-Linked Non-Profit Policies				529	51	9331	
Total: Permanent Health Insurance Business				529	51	9331	
Total: UK Reinsurance Accepted	126035	291384	336394	179993	18149	104690	

Company
registration
number

GL/UK/CM

Period ended

day month year

R47

79678

GL

31

12

2004

£000

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 2004**

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		50	50		36	
CGNU Personal Pension Scheme additional		53	53			
CGNU International Investment Plan					3	
CGNU International Investment Plan additional		122	122			
CGNU Executive Pension Plan		8	8		5	
CGNU Self Invested Pension Plan additional		10	10			
NU Optimiser Personal Pension	102	371	371	700	111	
NU Optimiser Personal Pension additional		67	67			
NU Executive and Directors Personal Pension	1	56	56	346	119	
NU International Investment Plan	33	1006	1006	6	1	
NU International Investment Plan additional		20	20			
NU Self Invested Personal Pension	3	32	32			
NU Self Invested Personal Pension additional		23	23			
NU International Bond	1048	52234	52234			
NU International Core Funds Bond	116	3557	3557			
Sub total: Accumulating With-Profits Policies	1303	57609	57609	1052	275	

Company
registration
number

GL/UK/CM

Period ended

day month year

Units

R47 79678 GL 31 12 2004 £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 2004**Company
registration
number

GL/UK/CM

Period ended

day month year

Units

R47	79678	GL	31	12	2004	£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	1303	57609	57609	1052	275	

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 2004**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	2004	£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		1321066	70809	5.36			
Fixed interest securities	Approved securities	12	3914036	201392	4.49			
	Other	13	1883136	105092	5.42			
Variable interest and variable yield securities (excluding items shown at line 16)	Approved securities	14	39534	913	1.91			
	Other	15	28746	1415	4.95			
Equity shares and holdings in collective investment schemes	16		7421801	278318	3.75			
Loans secured by mortgages	17							
All other assets	Producing income	18	181615	7882	4.34			
	Not producing income	19	266862					
Total (11 to 19)	29		15056796	665821	4.23			

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 2004**Category of assets **Commercial Union Life Fund**

	Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
			day	month	year			
	R48	79678	GL	31	12	2004	£000	11
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		1321066	70809	5.36			
Fixed interest securities	Approved securities	12	3815740	196785	4.49			
	Other	13	1883136	105092	5.42			
Variable interest and variable yield securities (excluding items shown at line 16)	Approved securities	14	39534	913	1.91			
	Other	15	28746	1415	4.95			
Equity shares and holdings in collective investment schemes	16		7421801	278318	3.75			
Loans secured by mortgages	17							
All other assets	Producing income	18	181615	7882	4.34			
	Not producing income	19	263708					
Total (11 to 19)	29		14955346	661214	4.23			

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 2004**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	2004	£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	98296	4607	4.44			
	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	3154					
Total (11 to 19)	29		101450	4607	4.30			

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 2004**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	2004	£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	118927	3.50	3407	Variable interest and variable yield approved securities excluding equities			
More than one year but not more than five years	12		231373	4.02			505	5.09	
More than five years but not more than ten years	13		289512	4.38					
More than ten years but not more than fifteen years	14		1351241	4.59			39029	1.87	
More than fifteen years but not more than twenty years	15		565488	4.60					
More than twenty years but not more than twenty five years	16		613510	4.63					
More than twenty five years	17		743969	4.48	358				
Irredeemable	18		16	4.69					
Total (11 to 18)	19		3914036	4.49	3765		39534	1.91	
One year or less	21	Other fixed interest securities	139773	4.58		Other variable interest and variable yield securities excluding equities			
More than one year but not more than five years	22		200467	4.81	17301		501	5.08	
More than five years but not more than ten years	23		439480	5.36	28380				
More than ten years but not more than fifteen years	24		267598	5.60	13586				
More than fifteen years but not more than twenty years	25		183259	5.19	23556				
More than twenty years but not more than twenty five years	26		154782	5.86	7291				
More than twenty five years	27		238552	5.64	2462		3122	2.04	
Irredeemable	28		259225	5.96	2814		25123	5.31	
Total (21 to 28)	29		1883136	5.42	95390		28746	4.95	

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 2004**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	2004	£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	111196	3.45	3407	Variable interest and variable yield approved securities excluding equities			
More than one year but not more than five years	12		191945	3.93			505	5.09	
More than five years but not more than ten years	13		274993	4.37					
More than ten years but not more than fifteen years	14		1344487	4.59			39029	1.87	
More than fifteen years but not more than twenty years	15		565488	4.60					
More than twenty years but not more than twenty five years	16		611542	4.63					
More than twenty five years	17		716073	4.48	358				
Irredeemable	18		16	4.69					
Total (11 to 18)	19		3815740	4.49	3765		39534	1.91	
One year or less	21	Other fixed interest securities	139773	4.58		Other variable interest and variable yield securities excluding equities			
More than one year but not more than five years	22		200467	4.81	17301		501	5.08	
More than five years but not more than ten years	23		439480	5.36	28380				
More than ten years but not more than fifteen years	24		267598	5.60	13586				
More than fifteen years but not more than twenty years	25		183259	5.19	23556				
More than twenty years but not more than twenty five years	26		154782	5.86	7291				
More than twenty five years	27		238552	5.64	2462		3122	2.04	
Irredeemable	28		259225	5.96	2814		25123	5.31	
Total (21 to 28)	29		1883136	5.42	95390		28746	4.95	

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 2004**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	2004	£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	7731	4.29		Variable interest and variable yield approved securities excluding equities			
More than one year but not more than five years	12		39428	4.46					
More than five years but not more than ten years	13		14519	4.51					
More than ten years but not more than fifteen years	14		6754	4.54					
More than fifteen years but not more than twenty years	15								
More than twenty years but not more than twenty five years	16		1968	4.45					
More than twenty five years	17		27896	4.40					
Irredeemable	18								
Total (11 to 18)	19		98296	4.44					
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 2004**

Type of business **Life Assurance & General Annuity Insurance Business** Company registration number **R51** GL/UK/CM **GL** Period ended **31 12 2004** 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	3.4	C	5742	106716	863			69680	8742	7422	62258
Endowment	3.4	C	161705	2104397	82706			1522420	676591	626339	896081
Endowment - Bonus Builder	3.4	C	13617	52510	5049			49849	7774	7079	42770
Endowment - Low Cost	3.4	C	17162	306240	13516			221328	110385	104135	117193
Other Group (Endowment)			1	8832				8832			8832
Miscellaneous Assurance			135	6629	49			49899			49899
Sub total: With-Profits Policies			198362	2585324	102183			1922008	803492	744975	1177033
Non-Profit Policies											
Whole Life	3.2	C	13976	37176	946			25978	8677	6582	19396
Whole Life (Deposit Option)	3.2	C	821	1846				2146			2146
Endowment	3.2	C	17741	52190	149			42836	485	419	42417
Endowment - Bonus Builder	3.2	C	115	222	2			217	3	2	215
Term	3.2	P	17586	865700	2745			20299	17989	15374	4925
Convertible Term	3.2	P	11788	535512	1537			12594	8054	6459	6135
Decreasing Term	3.2	C	158702	2318667	7863			89960	67334	65828	24132
Mortgage Protection	3.2	Q	23198	455656	2753			12662			12662
Dependants Income Benefit	3.2	Q	1485	18348	126			431	466	413	18

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 2004**

Type of business **Life Assurance & General Annuity Insurance Business** Company registration number **R51** GL/UK/CM **GL** Period ended **31 12 2004** 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			1640	213180	567			3528			3528
Future claim instalments and other policy monies on deposit								440			440
Future Expenses for Assurances								6237			6237
In Payment	4.9	F	2672	2586 pa				17111			17111
In Payment Reversionary	4.9	F	31	28 pa				85			85
Group In Payment	4.9	F	2631	2691 pa				48049			48049
Group In Payment Reversionary	4.9	F	702	965 pa				5188			5188
Deferred	*4.0	*F	359	79 pa	15			1654			1654
Deferred Reversionary	*4.0	*F	590	199 pa	1			307	4	4	303
Group Deferred	*4.0	*F	1934	269 pa	293			4045			4045
Group Deferred Reversionary	*4.0	*F	53	9 pa				27			27
Further Expenses for Annuities								1101			1101
Miscellaneous Annuities				1541 pa				7706			7706
Adjustment for unprocessed movements								22608			22608
Sub total: Non-Profit Policies			256024	4498497 8367 pa	16997			325209	103012	95081	230128
Sub total: Direct Written Insurance Business			454386	7083821 8367 pa	119180			2247217	906504	840056	1407161

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 2004**

Type of business **Life Assurance & General Annuity Insurance Business** Company registration number **R51** GL/UK/CM **GL** Period ended **31 12 2004** 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	3.4	O	13955	113532	7367			78192	67755	65678	12514
Endowment with Critical Illness	3.4	N	7531	94258	4986			61010	60339	58575	2435
Extra Premiums								146			146
Sub total: With-Profits Policies			21486	207790	12353			139348	128094	124253	15095
Non-Profit Policies											
Term Assurance: Decreasing	3.2	O	6578	78506	131			3486	1510	1489	1997
Term Assurance: Decreasing with CI	3.2	N	7531	108773	254			8912	3160	3116	5796
Group Term Assurance: Decreasing	-	-	84456	83516				204			204
Group Term Assurance: By RSP	-	-	59358	97860				1114			1114
NULL Term : Level	3.2	P	91954	377964	523			19794	10576	4776	15018
NULL Term : Level with CI	3.2	N	31660	90056	199			2844	2349	1539	1305
NULL Term : Decreasing	3.2	Q	23021	69526	623			5768	7288	5359	409
NULL Term : Decreasing with CI	3.2	B	60771	136937	574			6053	7021	5228	825
Sub total: Non-Profit Policies			365329	1043138	2304			48175	31904	21507	26668
Sub total: Reassurance Accepted			386815	1250928	14657			187523	159998	145760	41763

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 2004**

Type of business **Life Assurance & General Annuity Insurance Business** Company registration number **R51** GL/UK/CM **GL** Period ended **31 12 2004** 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	3.4	C		1089	2			678	29	27	651
Sub total: With-Profits Policies				1089	2			678	29	27	651
Non-Profit Policies											
Whole Life	3.2	C		3262	225			2103	2414	1894	209
Term	3.2	P		32831	91			1493	988	956	537
Convertible Term	3.2	P		57599	86			1575	494	479	1096
Decreasing Term	3.2	C		1101	11			49			49
Miscellaneous Assurance				1287619	2582			1329			1329
In Payment	4.9	F		321 pa				1129			1129
Deferred Reversionary	*4.0	*F		2 pa				1			1
Group Deferred	*4.0	*F		2 pa				45			45
Adjustment for unprocessed movements								1			1
Sub total: Non-Profit Policies				1382412 325 pa	2995			7725	3896	3329	4396
Sub total: Reassurance Ceded				1383501 325 pa	2997			8403	3925	3356	5047

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 2004**

Type of business **Life Assurance & General Annuity Insurance Business** Company registration number **R51** GL/UK/CM **GL** Period ended **31 12 2004** 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			841201	6951248 8042 pa	130840			2426337	1062577	982460	1443877

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 2004**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	2004	£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	1560	60303	7			67346	24	18	67328
Pure Endowment	4.3	A	15969	526510	2427			446806	20746	17194	429612
Term	4.3	C	488	15219	11			627	57	54	573
Miscellaneous Assurance			7	2586	1			5465			5465
Group Deferred	*4.3	*S	826	5603 pa	19163			93621			93621
Unallocated Premiums								(600)			(600)
Sub total: With-Profits Policies			18850	604618 5603 pa	21609			613265	20827	17266	595999
Non-Profit Policies											
Whole Life		A	5	51				38			38
Endowment	4.0	A	275	3594				3530	1	1	3529
Pure Endowment	4.0	A	5262	12312	7			15805	35	30	15775
Term	4.0	C	6043	267413	855			9037	4461	3195	5842
Decreasing Term	4.0	C	1804	31765	94			430			430
Group Life			73	171375	864			778			778
Miscellaneous Assurance			3671	213724	1169			5944	7021	3138	2806
In Payment	4.9	S	25379	32830 pa				372914			372914

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 2004**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	4.9	S	2240	3430 pa				13246			13246
Group In Payment	4.9	S	25036	32043 pa				436544			436544
Group In Payment Reversionary	4.9	S	8685	12770 pa				77328			77328
Deferred	*4.0	*S	408	527 pa				8643			8643
Deferred Reversionary	*4.0	*S	110	35 pa				97			97
Group Deferred	*4.0	*S	16764	36019 pa	8478			355253			355253
Group Deferred Reversionary	*4.0	*S	12	10 pa				19			19
Deferred "Section 620"	*4.0	*S	46	21 pa				379			379
Deferred Reversionary "Section 620"	*4.0	*S	2	2 pa				6			6
Group Deferred "Section 620"	*4.0	*S	6305	5247 pa				60347			60347
Group Deferred Reversionary "Section 620"	*4.0	*S	1	1 pa				1			1
Further Expenses for Annuities								26377			26377
Adjustment for unprocessed movements								1625			1625
Miscellaneous Annuities			6584	128 pa				1540			1540
Future Expenses for Assurances								562			562
Excess Mortality								171			171
Sub total: Non-Profit Policies			108705	700234 123063 pa	11467			1390614	11518	6364	1384250

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 2004**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			127555	1304852 128666 pa	33076			2003879	32345	23630	1980249
REASSURANCE CEDED											
Non-Profit Policies											
Term	4.0	C		1728	6			49	27	26	23
Sub total: Non-Profit Policies				1728	6			49	27	26	23
Sub total: Reassurance Ceded				1728	6			49	27	26	23
Net total: Pension Insurance Business			127555	1303124 128666 pa	33070			2003830	32318	23604	1980226

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 2004**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	2004	£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	3.2			338324	816			17516	9350	8806	8710
Outstanding Claims								442			442
Sub total: Non-Profit Policies				338324	816			17958	9350	8806	9152
Sub total: Reassurance Ceded				338324	816			17958	9350	8806	9152
Net total: Permanent Health Insurance Business			104363	275642	1426			25539	16341	11848	13691

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 2004**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			1073121	8530022 136708 pa	165336			4455714	1111236	1017912	3437802

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 2004**

Type of business **Life Assurance & General Annuity Insurance Business** Company registration number **R51** GL/UK/CM **GL** Period ended **31 12 2004** 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	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											
With-Profits Policies											
Whole Life	3.4	C	9	383	4			197	64	61	136
Endowment	3.4	C	320	5815	117			4620	673	604	4016
Endowment - Low Cost	3.4	C	4	65	2			53	12	11	42
Miscellaneous Assurance			28	604	10			783			783
Sub total: With-Profits Policies			361	6867	133			5653	749	676	4977
Non-Profit Policies											
Whole Life	3.2	C	38	98	1			71	8	4	67
Endowment	3.2	C	27	88				79			79
Term	3.2	P	150	9401	26			182	123	104	78
Convertible Term	3.2	P	65	3887	11			92	49	41	51
Decreasing Term	3.2	C	157	2465	13			84	42	40	44
Dependants Income Benefit	3.2	Q	9	104	1			3	4	3	
Miscellaneous Assurance			49	17768	97			188			188
In Payment	4.9	F	20	57 pa				433			433
In Payment Reversionary	4.9	F	4	34 pa				92			92
Group In Payment	4.9	F	406	866 pa				10866			10866
Group In Payment Reversionary	4.9	F	132	357 pa				1572			1572

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 2004**

Type of business **Life Assurance & General Annuity Insurance Business** Company registration number **R51** GL/UK/CM **GL** Period ended **31 12 2004** 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	
Deferred Reversionary	*4.0	*F	3				1				1
Group Deferred	*4.0	*F	3	199 pa	41		2452				2452
Group Deferred Reversionary	*4.0	*F					1				1
Further Expenses for Annuities							230				230
Adjustment for unprocessed movements							933				933
Sub total: Non-Profit Policies			1063	33811 1513 pa	190		17279		226	192	17087
Sub total: Direct Written Insurance Business			1424	40678 1513 pa	323		22932		975	868	22064
REASSURANCE ACCEPTED With-Profits Policies											
Endowment Insurance	3.4	O	98	1301	79		895	722	706		189
Endowment with Critical Illness	3.4	N	43	935	50		612	612	598		14
Extra Premiums							3				3
Sub total: With-Profits Policies			141	2236	129		1510		1334	1304	206
Non-Profit Policies											
Hibernian Financial Reassurance							48328				48328

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 2004**

Type of business **Life Assurance & General Annuity Insurance Business** Company registration number **R51** GL/UK/CM **GL** Period ended **31 12 2004** 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	
Term Assurance: Decreasing	3.2	O	31	622	1			33	16	15	18
Term Assurance: Decreasing with CI	3.2	N	43	960	3			91	37	36	55
NULL Term : Level	3.2	P	771	4624	11			183	103	40	143
NULL Term : Level with CI	3.2	N	341	1282	2			40	21	13	27
NULL Term : Decreasing	3.2	Q	1141	4914	33			310	394	292	18
NULL Term : Decreasing with CI	3.2	B	1364	4553	16			181	191	151	30
Sub total: Non-Profit Policies			3691	16955	66			49166	762	547	48619
Sub total: Reassurance Accepted			3832	19191	195			50676	2096	1851	48825
REASSURANCE CEDED											
Non-Profit Policies											
Term	3.2	P		1078	2			11	5	5	6
Miscellaneous Assurance				835	3			3			3
Sub total: Non-Profit Policies				1913	5			14	5	5	9
Sub total: Reassurance Ceded				1913	5			14	5	5	9
Net total: Life Assurance & General Annuity Insurance Business			5256	57956 1513 pa	513			73594	3066	2714	70880

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 2004**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	4.0	N	341	1282	4			79	42	22	57
NULL Critical Illness - Mortgage Protection	4.0	B	1364	4553	28			298	314	242	56
NULL Critical Illness - Level on Mortgage Protection	4.0	B	1								
Sub total: Non-Profit Policies			1706	5835	32			377	356	264	113
Sub total: Reassurance Accepted			1706	5835	32			377	356	264	113
Net total: Permanent Health Insurance Business			1706	5835	32			377	356	264	113
Net total: Overseas Insurance Business			6962	63791 1513 pa	545			73971	3422	2978	70993

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

2004

£000

OS

PHI

11

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 2004**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		5291	22978 pa	542			10381	3372	2883	7498
Annual Premium Escalating Benefits	3.75		5248	28898 pa	717			11646	5265	4507	7139
Well-Being & Future Care Plan	4.0		3877	44561 pa	2809			73968	49179	33112	40856
Recurrent Single Premium - Unexpired Risk			104	55807 pa	1044			1070			1070
Claims in Payment - Annual Premium	4.0							13627			13627
Claims in Payment - Well-Being	4.0							3376			3376
Claims in Payment - Recurrent Single Premium	4.0							16702			16702
Miscellaneous			159	5734 pa	99			962	220	71	891
Sub total: Non-Profit Policies			14679	157978 pa	5211			131732	58036	40573	91159
Sub total: Direct Written Insurance Business			14679	157978 pa	5211			131732	58036	40573	91159
REASSURANCE ACCEPTED											
Non-Profit Policies											
CGNU Income Replacement Plan	3.75		2784	4848 pa	162			2299	1506	1117	1182
CGNU Term Assurance: Critical Illness	4.0		4007	233554	1418			22981	13260	12315	10666
Extra Premiums								49			49

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 2004**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			6791	233554 4848 pa	1580			25329	14766	13432	11897
Sub total: Reassurance Accepted			6791	233554 4848 pa	1580			25329	14766	13432	11897
REASSURANCE CEDED											
Non-Profit Policies											
Well-being & Future Care Plan	4.0			33173 pa	2060			54111	35489	24183	29928
Recurrent Single Premium - Unexpired Risk				24664 pa	626			626			626
Claims in Payment - Well-Being	4.0							2559			2559
Claims in Payment - Recurrent Single Premium	4.0							4312			4312
Miscellaneous				4587 pa	78			132	173	57	75
Treaty with Swiss Reinsurance								2358			2358
Sub total: Non-Profit Policies				62424 pa	2764			64098	35662	24240	39858
Sub total: Reassurance Ceded				62424 pa	2764			64098	35662	24240	39858
Net total: Permanent Health Insurance Business			21470	233554 100402 pa	4027			92963	37140	29765	63198

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 2004**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			21470	233554 100402 pa	4027			92963	37140	29765	63198

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****2004****£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 2004**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											
Miscellaneous			35	165 pa	3			56	15	14	42
Sub total: Non-Profit Policies			35	165 pa	3			56	15	14	42
Sub total: Direct Written Insurance Business			35	165 pa	3			56	15	14	42
REASSURANCE CEDED											
Non-Profit Policies											
Miscellaneous								6			6
Sub total: Non-Profit Policies								6			6
Sub total: Reassurance Ceded								6			6
Net total: Permanent Health Insurance Business			35	165 pa	3			50	15	14	36
Net total: Overseas Insurance Business			35	165 pa	3			50	15	14	36

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 2004**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	2004	£000	UK	L&GA	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 With Profit Bonds	3.7	C	679182	1131768	1131768	1131768				1068341	1068341			1068341
Sub total: Direct Written Insurance Business			679182	1131768	1131768	1131768				1068341	1068341			1068341
REASSURANCE ACCEPTED Income Fund	3.7	C	31096	550220	550220	550220				512960	512960			512960
Unitised With Profit	3.7	C	389792	4396853	4396853	4396853	9180			4090815	4090815			4090815
Joint Venture Bond Income Fund	3.7	C	4453	76690	76690	76690				71107	71107			71107
Joint Venture Bond Unitised With Profit	3.7	C	31715	356512	356512	356512				339274	339274			339274
Sub total: Reassurance Accepted			457056	5380275	5380275	5380275	9180			5014156	5014156			5014156
Net total: Life Assurance & General Annuity Insurance Business			1136238	6512043	6512043	6512043	9180			6082497	6082497			6082497

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 2004**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	2004	£000	UK	Pens	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
DIRECT WRITTEN INSURANCE BUSINESS														
Personal Pension Plans	4.3	C	321601	863561	863561	863561	29089			806387	806387			806387
Group Defined Benefit	4.3/4.3	S								268074	268074			268074
Sterling Group Plan (UWP)	4.3	C	178	49349	49349	49349	1224			49887	49887			49887
Sterling Group Plan (DA)	4.3	C	422	99668	99668	99668	3271			100613	100613			100613
Miscellaneous				4585	4585	4585	29					615		16575
Sub total: Direct Written Insurance Business			322201	1017163	1017163	1017163	33613			1224961	1224961	615		1241536
REASSURANCE ACCEPTED														
CGNU UWP - Individual Pensions	4.3	C	267655	652304	652304	652304	30611			622055	622055			622055
CGNU UWP - Group Pensions	4.3	C	76014	202726	202726	202726	2411			191172	191172			191172
Sub total: Reassurance Accepted			343669	855030	855030	855030	33022			813227	813227			813227
REASSURANCE CEDED														
WOP Reserve							589					471		471
Sub total: Reassurance Ceded							589					471		471

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 2004**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	2004	£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			665870	1872193	1872193	1872193	66046			2038188	2038188	144		2054292
Net total: United Kingdom Insurance Business			1802108	8384236	8384236	8384236	75226			8120685	8120685	144		8136789

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 2004**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****2004****£000****OS****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
REASSURANCE ACCEPTED														
CGNU UWP - Individual	4.3	C	6445	72073	72073	72073	1531			69289	69289			69289
CGNU UWP - Group	4.3	C	1286	3711	3711	3711	665			3626	3626			3626
NU International Bond	4.3	C	1814	92457	92457	92457				85995	85995			85995
NU Core Funds Bond	4.3	C	117	3740	3740	3740				3396	3396			3396
Sub total: Reassurance Accepted			9662	171981	171981	171981	2196			162306	162306			162306
Net total: Life Assurance & General Annuity Insurance Business			9662	171981	171981	171981	2196			162306	162306			162306

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 2004**Type of business **Other 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	2004	£000	OS	Other	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	
REASSURANCE ACCEPTED NU Core Fund Bond	4.3	C	10			537				493	493			493
Sub total: Reassurance Accepted			10			537				493	493			493
Net total: Other Insurance Business			10			537				493	493			493
Net total: Overseas Insurance Business			9672	171981	171981	172518	2196			162799	162799			162799

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 2004**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	2004	£000	UK	Pens	12
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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 - Stakeholder pensions	4.3	C	266868	300033	300033	300033	38642			300327	300327			300327
Sub total: Reassurance Accepted			266868	300033	300033	300033	38642			300327	300327			300327
Net total: Pension Insurance Business			266868	300033	300033	300033	38642			300327	300327			300327
Net total: United Kingdom Insurance Business			266868	300033	300033	300033	38642			300327	300327			300327

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 2004**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		R53		79678		GL		31 12 2004		£000		UK		L&GA		11	
Name of contract	Valuation basis		No of contracts	Amount of sums assured or annuities per annum, including vested reversionary bonuses			Amount of annual premiums		Category of unit link	Unit liability		Other liabilities		Amount of mathematical reserves			
	Rate of interest	Mortality or morbidity table		Guaranteed on death	Current on death/current payable per annum	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-Profits Policies																	
Equity Builder			58	162	1204	162	5		1	1192	1192						1192
Adjustment (see note 5303)																	(1066)
Sub total: With-Profits Policies			58	162	1204	162	5			1192	1192						126
Non-Profit Policies																	
With Profit Bonds			103151		81248				2	80844	80844	172					81016
Guaranteed Maturity Benefit													5				5
Sub total: Non-Profit Policies			103151		81248					80844	80844	172	5				81021
Sub total: Direct Written Insurance Business			103209	162	82452	162	5			82036	82036	172	5				81147
REASSURANCE CEDED Non-Profit Policies																	
With Profit Bonds					80844				2	80844	80844						80844
Sub total: Non-Profit Policies					80844					80844	80844						80844

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 2004**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	2004	£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					80844					80844	80844			80844
Net total: Life Assurance & General Annuity Insurance Business			103209	162	1608	162	5			1192	1192	172	5	303

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 2004**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	2004	£000	UK	Pens	11
------------	--------------	-----------	-----------	-----------	-------------	-------------	-----------	-------------	-----------

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					1114672		58078			1129525	1129525	24285		1153810
Sub total: Reassurance Ceded					1114672		58078			1129525	1129525	24285		1153810
Net total: Pension Insurance Business			439210		35754	15414	305			18034	18034	45813		63847
Net total: United Kingdom Insurance Business			542419	162	37362	15576	310			19226	19226	45985	5	64150

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 2004**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	2004	£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	4.9	S	210	63 pa				RPI	504	504				504
Reversionary Annuity	4.9	*S	104	30 pa				RPI	133	133				133
Future Expenses								RPI				49		49
Sub total: Non-Profit Policies			314	93 pa					637	637		49		686
Sub total: Direct Written Insurance Business			314	93 pa					637	637		49		686
Net total: Pension Insurance Business			314	93 pa					637	637		49		686
Net total: United Kingdom Insurance Business			314	93 pa					637	637		49		686

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 2004**

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	2004	£000	UK	11	ILH
					day	month	year				
Name of fund link or directly held asset 1	Name of unit type 2	Valuation price per unit or asset 3	Total actual number of units in force or directly held assets 4	Value of total actual units in force or directly held assets 5	Value of actual units held by other internal linked funds 6	Value of directly held assets and actual units in force excluding those held by other internal linked funds (5-6) 7	Value of units or directly held assets deemed allocated to contracts		Value of surplus units or directly held assets (7-8+9) 10		
							Gross 8	Reinsurance ceded 9			
Wholly Reinsured	Wholly Reinsured						1210369	1210369			
Sub total: Wholly Reinsured							1210369	1210369			
Total: With Profit							1210369	1210369			

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 2)

Global business

United Kingdom business

Financial year ended **31st December 2004**

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	18034295	18034		18034	18034		
Invesco UK Growth Fund	Equity Builder	0.847200	1407129	1192		1192	1192		

Long-term insurance business - analysis of valuation interest rates

Name of insurer **Commercial Union Life Assurance Company Limited**Financial year ended **31st December 2004**Category of surplus **With Profit**

Product group	Company registration number	GL/UK/CM	Period ended			Units	Category of surplus	
	R57	79678	GL	day	month	year	£000	11
	1	2	3	4	5			
UK L&GA WP Form 51	1136490		3.40				3.92	
UK L&GA NP Form 51	135506		3.20				3.57	
UK L&GA NP Form 51 Annuity in Payment	69305					4.90	4.91	
UK Pens WP Form 51	591481					4.30	4.39	
UK Pens NP Form 51	450299					4.00	4.46	
UK Pens NP Form 51 Annuity in Payment	900031					4.90	4.91	
Misc Form 51	229973							
UK L&GA WP Form 52	6238479		3.70				3.92	
UK Pens WP Form 52	2098827					4.30	4.39	
OS L&GA WP Form 52	168382					4.30	4.39	
Misc Form 52	16104							
UK Pens NP Form 53	45813					4.30	4.46	
Misc Form 53	177							
Misc Form 54	49							
Total: With Profit	12080916							

Long-term insurance business - analysis of valuation interest rates

Name of insurer **Commercial Union Life Assurance Company Limited**Financial year ended **31st December 2004**Category of surplus **Stakeholder Fund**

	Company registration number	GL/UK/CM	Period ended			Units	Category of surplus	
			day	month	year			
	R57	79678	GL	31	12	2004	£000	12
Product group		Net mathematical reserves	Net valuation interest rate			Gross valuation interest rate		Risk adjusted yield on matching assets
1		2	3			4		5
UK Pens WP Form 52		309716				4.30		4.39
Total: Stakeholder Fund		309716						

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 2004**Company
registration
number

GL/UK/CM

Period ended

day month year

Units

Category
of surplusCategory of surplus **With Profit**

R58	79678	GL	31	12	2004	£000	11
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Valuation result	Fund carried forward		11			12099714	
	Bonus payments made to policyholders in anticipation of a surplus		12			7730	
	Transfers out of fund/ parts of fund	Transfer to non-technical account	13			25551	
		Transfer to other funds/parts of funds	14				
	Net transfer out of funds/parts of funds (13+14)		15			25551	
	Total (11+12+15)		16			12132995	
	Mathematical reserves for accumulating with profit policies		17			8299588	
	Mathematical reserves for other non linked contracts		18			3508795	
	Mathematical reserves for property linked contracts		19			64150	
	Mathematical reserves for index linked contracts		20			686	
	Total (17 to 20)		21			11873219	
	Surplus including contingency and other reserves held towards the solvency margin (deficiency) (16-21)		29			259776	
Composition of surplus	Balance of surplus brought forward unappropriated from last valuation		31				
	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			259776	
	Total (31+34+35)		39			259776	
Distribution of surplus	Bonus payments made to policyholders in anticipation of a surplus		41			7730	
	Allocated to policyholders by way of	Cash bonuses	42				
		Reversionary bonuses	43			226495	
		Other bonuses	44				
		Premium reductions	45				
	Total allocated to policyholders (41 to 45)		46			234225	
	Net transfer out of fund/part of fund		47			25551	
	Total distributed surplus (46+47)		48			259776	
	Balance of surplus (including contingency and other reserves held towards the solvency margin) carried forward unappropriated		49				
Total (48+49)		59			259776		
Percentage of distributed surplus allocated to policyholders of fund/part of fund			61			90.16	
Corresponding percentage at three immediately previous valuations	Latest	(year of valuation 2003)	62			90.17	
	Earlier	(year of valuation 2002)	63			90.14	
	Earliest	(year of valuation 2001)	64			90.04	

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 2004**Company
registration
number

GL/UK/CM

Period ended

Units

Category
of surplus

Category of surplus

Stakeholder Fund

R58	79678	GL	31	12	2004	£000	12
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			Period ended			Units	Category of surplus
			day	month	year		
Valuation result	Fund carried forward		11			309716	
	Bonus payments made to policyholders in anticipation of a surplus		12			(211)	
	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			309505	
	Mathematical reserves for accumulating with profit policies		17			300327	
	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			300327	
	Surplus including contingency and other reserves held towards the solvency margin (deficiency) (16-21)		29			9178	
Composition of surplus	Balance of surplus brought forward unappropriated from last valuation		31				
	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			9178	
Total (31+34+35)		39			9178		
Distribution of surplus	Bonus payments made to policyholders in anticipation of a surplus		41			(211)	
	Allocated to policyholders by way of	Cash bonuses	42				
		Reversionary bonuses	43			9389	
		Other bonuses	44				
		Premium reductions	45				
	Total allocated to policyholders (41 to 45)		46			9178	
	Net transfer out of fund/part of fund		47				
	Total distributed surplus (46+47)		48			9178	
	Balance of surplus (including contingency and other reserves held towards the solvency margin) carried forward unappropriated		49				
Total (48+49)		59			9178		
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 2003)	62			100.00	
	Earlier	(year of valuation 2002)	63			100.00	
	Earliest	(year of valuation 2001)	64			100.00	

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 2004**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****2004****£000****13**

Valuation result	Fund carried forward		11	63254	
	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	63254	
	Mathematical reserves for accumulating with profit policies		17		
	Mathematical reserves for other non linked contracts		18	63234	
	Mathematical reserves for property linked contracts		19		
	Mathematical reserves for index linked contracts		20		
	Total (17 to 20)		21	63234	
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 capital requirementName of insurer **Commercial Union Life Assurance Company Limited**

Global business

Financial year ended **31st December 2004**Company
registration
number

GL/UK/CM

Period ended
day month year

Units

	R60	79678	GL	31	12	2004	£000
	LTICR factor	Gross reserves / capital at risk	Net reserves / capital at risk	Reinsurance factor	LTICR Financial year	LTICR Previous year	
	1	2	3	4	5	6	

Insurance death risk capital component

Classes I, II and IX	11	0.1%	337062	337062	0.825161	278	
Classes I, II and IX	12	0.15%					
Classes I, II and IX	13	0.3%	7574432	6191194		18750	
Classes III, VII and VIII	14	0.3%	509884	509884	1.000000	1530	
Total	15		8421378	7038140		20558	

Insurance health risk capital component

Class IV and supplementary classes 1 and 2	21					1697	
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Insurance expense risk capital component

Classes I, II and IX	31	1%	4017730	4012650	0.998736	40127	
Classes III, VII and VIII (investment risk)	32	1%	8360055	8317252	0.994880	83173	
Classes III, VII and VIII (expenses fixed 5 yrs +)	33	1%	1175326	63847	0.850000	9990	
Classes III, VII and VIII (other)	34	25%				1	
Class IV	35	1%	126062	77046	0.850000	1072	
Class V	36	1%					
Class VI	37	1%	498	498	1.000000	5	
Total	38					134368	

Insurance market risk capital component

Classes I, II and IX	41	3%	4017730	4012650	0.998736	120380	
Classes III, VII and VIII (investment risk)	42	3%	8360055	8317252	0.994880	249518	
Classes III, VII and VIII (expenses fixed 5 yrs +)	43	0%	1175326	63847			
Classes III, VII and VIII (other)	44	0%	82213	1369			
Class IV	45	3%	126062	77046	0.850000	3215	
Class V	46	0%					
Class VI	47	3%	498	498	1.000000	15	
Total	48		13761884	12472662		373128	

Long term insurance capital requirement	51					529751	477729
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Supplementary notesName of insurer **Commercial Union Life Assurance Company Limited**Financial year ended **31st December 2004****Code**

0001 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	15,196
United Kingdom Linked	105
Overseas Non-linked	228

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	51,266,000
13	33,305,000
14	389,000
15	18,000

4802 There were no assets where payment of interest is in default.

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	410,301
Form 53	2

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.

Supplementary notes

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

Financial year ended **31st December 2004**

Code

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 629,411 for Life Assurance business and 504,982 for Pensions business.

Certain contracts in Form 52 under the heading Reassurance 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.

Returns under the Accounts and Statements Rules

Supplementary notes – Permanent Health Fund

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

Global business

Financial year ended **31 December 2004**

Code

Code Note

0001 Some reinsurance accepted has been included with direct written business in Appendix 9.4. The amount of such business represents less than 0.5% of the net mathematical reserves.

4601 There are 104 group contracts in force at the end of the year.

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	1,148,000
13	0
14	0
15	0

4802 The fund did not have any assets where the payment of interest was in default.

5102 The liability shown for AP claims in payment relates to Annual Benefits of £2,127,001 p.a. which is included in the amount of Annual Benefit shown for AP Business.

5103 Aggregate liabilities and adjustments

Treaty with Swiss Reinsurance is described in paragraph 6.(c).

Supplementary notes

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

Financial year ended **31st December 2004**

Code

0201 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).

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

	£'000
i) Net admissible assets	
Form 13 Line 89 (Long term business)	15,075,594
Form 13 Line 89 (Other than long term business)	31,961
Form 14 Lines 11, 12 and 49	(12,953,786)
Form 15 Line 69	<u>(2,160)</u>
	2,151,609
ii) Components of capital resources that are treated as a liability	-
iii) Components of capital resources not included in ii) that arise as a result of a waiver and are not represented by admissible assets included in Form 13	-
iv) Any other items	
Capital resources requirement of regulated related undertaking	31,924
Total i) to iv) above	<u>2,183,533</u>
Form 3, line 79	

0307 Financial Reinsurance - accepted

The impact of the financial reinsurance shown at line 93 is to increase mathematical reserves by £48m. The amount of contingent asset for payments from cedants is £48m. The commutation value of the reinsurance arrangement at the end of the financial year is £48m.

0310 Calculation of valuation differences as required by instruction 9 to Form 3

	£'000
a) Positive valuation differences in respect of assets where valuation in PRU exceeds the valuation that the firm uses for external financial reporting purposes	-
b) Positive valuation differences in respect of liabilities where valuation in PRU is lower than the valuation that the firm uses for external financial reporting purposes This represents deferred tax on deferred acquisition costs	961
c) Negative valuation differences in respect of assets where valuation in PRU is lower than the valuation that the firm uses for external financial reporting purposes	-
d) Negative valuation differences in respect of liabilities where valuation in PRU exceeds the valuation that the firm uses for external financial reporting purposes This represents mathematical reserves	(25,559)
Net positive / (negative) valuation difference included in line 14 /(35)	<u>(24,598)</u>

Supplementary notes

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

Financial year ended **31st December 2004**

Code

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 £904.3m in unlisted securities and £14.7m 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 £306.8m in the Commercial Union Life Fund.

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 fund.

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

Supplementary notes

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

Financial year ended **31st December 2004**

Code

Overseas Bond Futures	5% of fund
Overseas Swaps and 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 sum of the insurer's base capital resources requirement and its long-term insurance liabilities, excluding property linked liabilities and net of reinsurance ceded.

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.

1401 Provision for reasonably foreseeable adverse variations

1501 Provision for reasonably foreseeable adverse variations

No provision for reasonably foreseeable adverse variations 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.

1502 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 £76m 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.

1404 Implicit provision required by PRU 4.3.17R(3)

Included in line 38 is £27m relating to provision required by PRU 4.3.17R(3).

1601 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 2004. Revenue items in currencies other than sterling have been translated into sterling at an average rate of exchange for the year.

Supplementary notes

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

Financial year ended **31st December 2004**

Code

1700 Form omitted

This form has been omitted for the Permanent Health Fund and the Other than Long Term Insurance Business Assets Fund as there are no derivatives in these funds.

1701 Variation margin

The aggregate amount of 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	2,053

No amounts included on Form 13 reflect the liability to repay any excess.

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.

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 sum of the insurer's base capital resources requirement and its long-term insurance liabilities, excluding property linked liabilities and net of reinsurance ceded 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 £308m
	Claims £536m
	Commission £14m

Supplementary notes

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

Financial year ended **31st December 2004**

Code

	Expenses	£15m
Amounts unpaid at the end of the period	£15m owed to 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.

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 2004**

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 not have significantly changed if contracts held had been exercised at the end of the financial year or at any point during the financial year.

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 £23.4m. 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 2004**

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 with-profits actuary required by IPRU (INS) 9.36

Name of insurer **Commercial Union Life Assurance Company Limited**
Global business
Financial year ended **31st December 2004**

In accordance with rule 9.36 of the Interim Prudential Sourcebook for Insurers, J Lister, the with-profits actuary of the Company, was requested to furnish and has provided the following information:

- (a) (1) An interest in 10,310 ordinary shares at 31 December 2004 in Aviva plc, and an interest in 6,461 ordinary shares at 31 December 2003.
- (2) 39,324 ordinary shares are held in the Aviva Long Term Incentive Plan and 23,962 ordinary shares are held in the Aviva Deferred Bonus Plan.
- (3) Options were held at 31 December 2004 to subscribe for 21,936 ordinary shares in Aviva plc under the Executive Share Option Scheme:

	No. of shares
Options held at 31 December 2003	30,524
Options granted during the year	-
Options exercised or lapsed during the year	8,588

- (b) Two low cost endowment policies with CGNU Life Assurance Limited, with aggregate sums assured of £56,000 and monthly premiums of £259. The actuary also holds a number of investment products managed by Norwich Union Investment Funds Limited. In addition the actuary held general insurance policies with subsidiaries of Aviva plc for which total premiums of £2,000 were paid in the year to 31 December 2004.
- (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 2004 was £161,561. Under the contract he was:

With-profits actuary of:-
Commercial Union Life Assurance Company Limited
CGNU Life Assurance Limited
Norwich Union Life (RBS) Limited
Norwich Union Linked Life Assurance Limited
Norwich Union Life & Pensions Limited
Norwich Union Annuity Limited
Fidelity Life Assurance Limited
TPFL Limited

And a director of:-
The General Practice Finance Corporation Limited
The General Practice Finance Corporation Property Management Limited
Norwich Union Commercial Finance Limited
Norwich Union Commercial Mortgages Limited
Norwich Union Mortgage Finance Limited
Norwich Union Mortgages (Life) Limited
Norwich Union Mortgage Holdings 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.

Certificate by the directors required by IPRU (INS) 9.34 and IPRU (INS) Appendix 9.6

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

Global business

Financial year ended **31st December 2004**

We certify that:

- 1 (a) the return has been properly prepared in accordance with the requirements in IPRU(INS) and PRU; and
- (b) the directors are satisfied that:
 - (i) throughout the financial year in question, the insurer has complied in all material respects with the requirements in SYSC and PRIN as well as the provisions of IPRU(INS) and PRU; and
 - (ii) it is reasonable to believe that the insurer has continued so to comply subsequently, and will continue so to comply in future.

- 2 (a) in the directors' opinion, premiums for contracts entered into during the financial year and the resulting income earned are sufficient, under reasonable actuarial methods and assumptions, and taking into account the other financial resources of the insurer that are available for the purpose, to enable the insurer to meet its obligations in respect of those contracts and, in particular, to establish adequate mathematical reserves;
- (b) the sum of the mathematical reserves and the deposits received from reinsurers as shown in Form 14, constitute proper provision at the end of the financial year in question for the long-term insurance business liabilities (including all liabilities arising from deposit back arrangements, but excluding other liabilities which had fallen due before the end of the financial year) including any increase in those liabilities arising from a distribution of surplus as a result of an actuarial investigation as at that date into the financial condition of the long-term insurance business;
- (c) the with-profits fund has been managed in accordance with the Principles and Practices of Financial Management, as established, maintained and recorded under COB 6.10; and
- (d) the directors have, in preparing the return, taken and paid due regard to:
 - (i) advice in preparing the return from every actuary appointed by the insurer to perform the actuarial function in accordance with SUP 4.3.13R; and
 - ii) if applicable, advice from every actuary appointed by the insurer to perform the with-profits actuary function in accordance with SUP 4.3.16R.

..... **GN WITHERS**
Chief Executive

..... **J A NEWMAN**
Director

..... **M N URMSTON**
Director

Returns under the Accounts and Statements Rules

Independent auditors' report 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 2004**

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

- Forms 2, 3, 11 to 19, 40 to 42, 48, 49, 56, 58 and 60 (including the supplementary notes) ("the Forms");
- the statement required by rule 9.29 ("the statement");
- the methods and assumptions determined by the insurer and used to perform the actuarial investigation as set out in the valuation report required by rule 9.31(a) ("the methods and assumptions included in the valuation report"); and
- the report required by rule 9.31(b) except for paragraph 4(6) ("the realistic valuation report").

We are not required to examine and do not express an opinion on the following ("the unaudited items"):

- a) Forms 46, 47, 51 to 55 and 57 (including the supplementary notes);
- b) the statements required by rules 9.30 and 9.36;
- c) the certificate signed in accordance with rule 9.34;
- d) the valuation report required by rule 9.31(a) except as set out above; and
- e) paragraph 4(6) of the realistic valuation report.

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

Respective responsibilities of the company and its auditors

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

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

Basis of opinion

We conducted our work in accordance with Practice Note 20 "The audit of insurers in the United Kingdom" and Bulletin 2004/5 "Supplementary guidance for auditors of insurers in the United Kingdom" issued by the Auditing Practices Board. Our work included examination, on a test basis, of evidence relevant to the amounts and disclosures in the Forms, the statement and the realistic valuation report and the methods and assumptions included in the valuation report. The evidence included that previously obtained by us relating to the audit of the financial statements of the insurer for the financial year on which we reported on 30 March 2005. It also included an assessment of the significant estimates and judgements made by the insurer in the preparation of the Forms, the statement and the realistic valuation report and in determining the methods and assumptions included in the valuation report.

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

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

Returns under the Accounts and Statements Rules

Independent auditors' report 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 2004**

Opinion

In our opinion:

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

Ernst & Young LLP
Registered Auditor
London
30 March 2005