

Fidelity Life Assurance Limited

Registered office: 8 Surrey Street, Norwich, Norfolk, NR1 3NG

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 **Fidelity Life Assurance Limited**

Global Business

Financial year ended **31st December 2004**

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Statement of solvency - long-term insurance businessName of insurer **Fidelity Life Assurance Limited**

Global business

Financial year ended **31st December 2004**

Solo solvency calculation

	Company registration number	GL/UK/CM	Period ended			Units	
			day	month	year		
	R2	869405	GL	31	12	2004	£000
			As at end of this financial year		As at end of the previous year		
			1		2		

Capital resources

Capital resources arising within the long-term insurance fund	11	323	
Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund	12	839	
Capital resources available to cover long-term insurance business capital resources requirement (11+12)	13	1162	

Guarantee Fund

Guarantee Fund requirement	21	557	
Excess (deficiency) of available capital resources to cover guarantee Fund requirement	22	605	

Minimum capital requirement (MCR)

Long-term insurance capital requirement	31	83	
Resilience capital requirement	32		
Base capital resources requirement	33	557	
Minimum capital requirement	34	557	
Excess (deficiency) of available capital resources to cover 50% of MCR	35	884	
Excess (deficiency) of available capital resources to cover 75% of MCR	36	744	

Enhanced capital requirement

With-profits insurance capital component	37		
Enhanced capital requirement	38	83	

Capital resources requirement (CRR)

Capital resources requirement (greater of 34 and 38)	41	557	
Excess (deficiency) of available capital resources to cover long-term insurance business CRR (13-41)	42	605	

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 **Fidelity Life Assurance Limited**

Global business

Financial year ended **31st December 2004**

..... **G N WITHERS**
Chief Executive

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

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

23 March 2005

Components of capital resourcesName of insurer **Fidelity Life Assurance Limited**

Global business

Financial year ended **31st December 2004**

	Company registration number	GL/UK/CM	Period ended			Units	
			day	month	year		
	R3	869405	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		1250	1250	
Profit and loss account and other reserves	12		(88)	(88)	
Share premium account	13				
Positive valuation differences	14				
Fund for future appropriations	15				
Core tier one in related undertakings	16				
Core tier one capital (sum of 11 to 16)	19		1162	1162	

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		1162	1162	
Investments in own shares	32				
Intangible assets	33				
Amounts deducted from technical provisions for discounting	34				
Other negative valuation differences	35				
Deductions in related undertakings	36				
Deductions from tier one (32 to 36)	37				
Total tier one capital after deductions (31-37)	39		1162	1162	

Components of capital resourcesName of insurer **Fidelity Life Assurance Limited**

Global business

Financial year ended **31st December 2004**

	Company registration number	GL/UK/CM	Period ended			Units	
			day	month	year		
	R3	869405	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 **Fidelity Life Assurance Limited**

Global business

Financial year ended **31st December 2004**

	Company registration number	GL/UK/CM	Period ended			Units
			day	month	year	
R3	869405	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		1162	1162	
Inadmissible assets other than intangibles and own shares	73				
Assets in excess of market risk and counterparty limits	74				
Deductions for related ancillary services undertakings	75				
Deductions for regulated non-insurance related undertakings	76				
Total deductions of ineligible surplus	77				
Total capital resources after deductions (72-73-74-76-77)	79		1162	1162	

Available capital resources for PRU tests

Available capital resources for guarantee fund requirement	81		1162	1162	
Available capital resources for 50% MCR requirement	82		1162	1162	
Available capital resources for 75% MCR requirement	83		1162	1162	

Financial engineering adjustments

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

Analysis of admissible assetsName of insurer **Fidelity Life Assurance 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	869405	GL	31	12	2004	£000	1
						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			
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 **Fidelity Life Assurance 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	869405	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		871		899
			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		452		545
		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			1323		1444	

Analysis of admissible assetsName of insurer **Fidelity Life Assurance 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	869405	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		1		
		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	584	486	
	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	11	7	
	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	596	493	
Grand total of admissible assets after deduction of market risk and counterparty limits (39+69+88)					89	1919	1937	
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	1919	1937	
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	1919	1937	
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance					100			

Analysis of admissible assetsName of insurer **Fidelity Life Assurance 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	869405	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			
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 **Fidelity Life Assurance 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	869405	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					
	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		1148		1057
		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		2614		2692	
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		3762		3749		

Analysis of admissible assetsName of insurer **Fidelity Life Assurance 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	869405	GL	31	12	2004	£000	10
Debtors							As at the end of this financial year	As at the end of the previous year
Other assets							1	2
Debtors arising out of direct insurance operations	Policyholders			71				
	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		2		1	
		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				3	
Prepayments and accrued income	Accrued interest and rent			84				3
	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		2		7	
Grand total of admissible assets after deduction of market risk and counterparty limits (39+69+88)			89		3764		3756	
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		3764		3756	
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		3764		3756	
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance			100					

Long term insurance business liabilities and marginsName of insurer **Fidelity Life Assurance 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	869405	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	2998	3008				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	2998	3008				See Instruction 5	
Claims outstanding which had fallen due for payment before the end of the financial year	Gross amount	15						
	Reinsurers' share	16						
	Net (15-16)	17						
Provisions for other risks and charges	Taxation	21						
	Other	22						
Deposits received from reinsurers	23							
Creditors and other liabilities	Arising out of insurance operations	Direct insurance business	31					
		Reinsurance accepted	32					
		Reinsurance ceded	33					
	Debenture loans	Secured	34					
		Unsecured	35					
	Amounts owed to credit institutions		36					
	Other creditors	Taxation	37	15	335			
		Other	38	428	198			
Accruals and deferred income	39							
Provision for "reasonably foreseeable adverse variations"	41							
Total other insurance and non-insurance liabilities (17 to 41)	49	443	533					
Excess of the value of net admissible assets	51	323	215				See Instruction 6	
Total liabilities and margins	59	3764	3756					
Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61	232	76					
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62	2614	2622					
Amount of any additional mathematical reserves included in line 51 which have been taken into account in the appointed actuary's certificate	63						See Instruction 7	

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

Global business

Financial year ended **31st December 2004**

		Company registration number	GL/UK/CM	Period ended			Units	
		R15	869405	GL	31	12	2004	£000
				As at the end of this financial year 1			As at the end of the previous year 2	
				day	month	year		
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			2		8
		Recommended dividend	48					
		Other	49			1078		1126
Accruals and deferred income			51					
Total (19 to 51)			59		1080		1134	
Provision for "reasonably foreseeable adverse variations"			61					
Cumulative preference share capital			62					
Subordinated loan capital			63					
Total (59 to 63)			69		1080		1134	
Amounts included in line 69 attributable to liabilities to related insurers, other than those under contracts of insurance or reinsurance			71		1071		1126	

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

Global business

Financial year ended **31st December 2004**

		Company registration number	GL/UK/CM	Period ended			Units	
		R16	869405	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				40 . 26		
Investment income	Income	14	76		48			
	Value re-adjustments on investments	15						
	Gains on the realisation of investments	16			35			
Investment charges	Investment management charges, including interest	17	16		14			
	Value re-adjustments on investments	18	28		61			
	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	32		8			
Tax on profit or loss on ordinary activities		31	(5)					
Profit or loss on ordinary activities after tax (29-31)		39	37		8			
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	37		8			
Dividends (paid and proposed)		51						
Profit or loss retained for the financial year (49-51)		59	37		8			

Long term insurance business : Revenue accountName of insurer **Fidelity Life Assurance Limited**

Global business

Ordinary insurance business

Financial year ended **31st December 2004**Name and number of fund/Summary **Ordinary Long Term 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	869405	GL	31	12	2004	£000	OB	1	0
Items to be shown net of reinsurance ceded						The financial year	Previous year		
						1	2		
Earned premiums					11	9	9		
Investment income receivable before deduction of tax					12	133	140		
Increase (decrease) in the value of non-linked assets brought into account					13	(71)	(101)		
Increase (decrease) in the value of linked assets					14	189	313		
Other income					15				
Total income (11 to 15)					19	260	361		
Claims incurred					21	227	103		
Expenses payable					22	21	23		
Interest payable before deduction of tax					23				
Taxation					24	22	22		
Other expenditure					25				
Transfer to (from) non technical account					26				
Total expenditure (21 to 26)					29	270	148		
Increase (decrease) in fund in financial year (19-29)					39	(10)	213		
Fund brought forward					49	3008	2795		
Fund carried forward (39+49)					59	2998	3008		

Long term insurance business : Analysis of premiums and expenses

Name of insurer **Fidelity Life Assurance Limited**

Global business

Ordinary insurance business

Financial year ended **31st December 2004**Name and number of fund/Summary **Ordinary Long Term 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	869405	GL	31	12	2004	£000	OB	1	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		9				9	
	Pension business contracts	Single premium	13							
		Regular premium	14							
	Permanent health contracts	Single premium	15							
		Regular premium	16							
	Other contracts	Single premium	17							
		Regular premium	18							
	Total premiums	Single premium	19							
		Regular premium	29		9					9
Total premiums at lines 19 and 29 attributable to	UK contracts	31		9					9	
	Overseas contracts	32								
Expenses payable in the financial year	Commission payable in connection with acquisition of business		41							
	Other commission payable		42							
	Management expenses in connection with acquisition of business		43							
	Management expenses in connection with maintenance of business		44		21					21
	Other management expenses		45							
	Total expenses (41 to 45)		49		21					21
	Total expenses at line 49 attributable to	UK contracts	51		21					21
		Overseas contracts	52							

Long term insurance business : Analysis of claimsName of insurer **Fidelity Life Assurance Limited**

Global business

Ordinary insurance business

Financial year ended **31st December 2004**Name and number of fund/Summary **Ordinary Long Term 1**

		Company registration number	GL/UK/CM	Period ended			Units	OB/IB	No of fund/Summary	No of part of Fund	
		R42	869405	GL	31	12	2004	£000	OB	1	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	57		57						
	By way of lump sums on maturity	12									
	By way of annuity payments	13									
	By way of payments arising from other insured events	14									
	On surrender or partial surrender	15	170		170						
	Total life assurance and annuity claims (11 to 15)	19	227		227						
Pension business contracts	On death	21									
	By way of lump sums on vesting	22									
	By way of vested annuity payments	23									
	On surrender or partial surrender	24									
	Total pension business claims (21 to 24)	29									
Permanent health contracts	By way of lump sums	31									
	By way of periodical payments	32									
	Total permanent health claims (31+32)	39									
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	227		227						
Total claims at line 59 attributable to	UK contracts	61	227		227						
	Overseas contracts	62									

Long term insurance business : Aggregate revenue account for internal linked fundsName of insurer **Fidelity Life Assurance Limited**

Global business

Ordinary insurance business

Financial year ended **31st December 2004**Name and number of fund/Summary **Ordinary Long Term 1**

	Company registration number	GL/UK/CM	Period ended			Units	OB/IB	No of fund/Summary	No of part of Fund	
			day	month	year					
	R44	869405	GL	31	12	2004	£000	OB	1	0
Value of total creation of units						11				16
Investment income attributable to the funds before deduction of tax						12				71
Increase (decrease) in the value of investments in the financial year						13				194
Other income						14				
Total income (11 to 14)						19				281
Value of total cancellation of units						21				244
Charges for management						22				12
Charges in respect of tax on investment income						23				3
Taxation on realised capital gains						24				60
Increase (decrease) in amount set aside for tax on capital gains not yet realised						25				(29)
Other expenditure						26				
Total expenditure (21 to 26)						29				290
Increase (decrease) in funds in financial year (19-29)						39				(9)
Internal linked funds brought forward						49				2625
Internal linked funds carried forward (39+49)						59				2616

Valuation report for IPRU (INS) Appendix 9.4

Name of insurer **Fidelity Life Assurance Limited**

Global business

Financial year ended **31st December 2004**

1 The investigation relates to 31 December 2004.

2 The last investigation related to 31 December 2003.

3 The valuation has been made in conformity with PRU 7.3.10R.

4 (1) There are no remaining non-linked contracts.

5 (1)

(a) Flexible Investment Bond, American Growth Bond, Trust of Trusts Bond

(b) These are similar without profits whole life insurance contracts.

(c) The contracts were purchased by single premium.

(d) The benefit on death is the bid value of units multiplied by a factor depending upon age at the date of death. The factors are:

Age at Death	Factor
40 and under	1.6
41 - 50	1.3
51 - 60	1.1
61 - 65	1.05
66 - 70	1.03
71 and above	1.01

(e) There are no guaranteed investment returns.

(f) The margins available for expenses and policy benefits are:

- (i) A bid/offer spread of 5% plus rounding, modified by the investment allocation proportion.
- (ii) An annual management charge of 0.5% of the value of the fund.

(g) The charges are fixed.

(h) The bonds may be surrendered for the bid value of units.

(i) Benefits are wholly determined by investment in one of the Company's internal linked funds.

(j) None.

(k) These contracts are closed to new business.

(l) Not applicable.

(a) Flexible Investment Plan, Secured Investment Plan, Top Ten Plan, Trust Managers Plan, Trust of Trusts Plan

(b) These are similar without profits whole life insurance contracts.

(c) Premiums are payable monthly or yearly; several contracts have been made paid up.

(d) The benefit on death is the greater of a guaranteed sum assured or the bid value of units.

(e) There are no guaranteed investment returns.

Valuation report for IPRU (INS) Appendix 9.4

Name of insurer **Fidelity Life Assurance Limited**

Global business

Financial year ended **31st December 2004**

- (f) The margins available for expenses and policy benefits are:
 - (i) A low investment allocation for a designated period.
 - (ii) A bid/offer spread of 5% plus rounding.
 - (iii) An annual management charge of 0.5% of the value of the fund.
 - (iv) A service charge of £3 pa if premiums are payable monthly.
- (g) The charges are fixed.
- (h) The plans may be surrendered for the bid value of units.
- (i) Benefits are wholly determined by investment in one of the Company's internal linked funds.
- (j) Certain policies have continuing guarantees. Those identified with suffix (a) in Form 53 guarantee a return of premiums on surrender. The value shown in column 7 is the guaranteed amount on the 2004 policy anniversary. Those identified with suffix (b) in Form 53 guarantee a return of premiums for the month following each quinquennial policy anniversary. The value of column 7 is the equivalent guarantee applying at the 2004 policy anniversary.
- (k) These contracts are closed to new business.
- (l) Not applicable.

5 (4) Allocation and creation of units

The Company operates one pool of assets for each internal linked fund.

Asset units are created and cancelled at either the asset offer price or the asset bid price depending upon the prevailing basis of the fund and using the most recently available price. The pricing basis is set depending upon the short and medium term expectation of whether the associated internal linked fund will be in a net inflow or outflow position.

Where an instruction, payment or all our requirements are received for a transaction before 9:00am on a business day, then units are allocated at the unit price based upon market movements up to 11:00pm on the previous business day. Where the instruction, payment or all our requirements are received after 9:00am then units are allocated at the next available unit price. The Company reserves the right to defer any transaction to a subsequent valuation point.

(5) Provision for tax on realised and unrealised capital gains

The provision for tax is calculated on a daily basis from the movements in realised and unrealised gains or losses, using tax rates reflecting the expected tax payable or recoverable. The tax rate used will normally be the current standard rate of income tax. If the fund is in a loss position some credit for losses may be given. For unrealised gains on some funds this rate is discounted to allow for the anticipated turnover. Deemed disposal rules are allowed for in the calculation of provisions for unit trusts and other collective investments.

The suitability of the provision level and rate of tax applied are reviewed from time to time, as information on actual gains or losses becomes available. Assets are transferred between the internal linked funds and the Company to meet an appropriate share of the tax charge.

The following percentages were provided for during the year :-

	Overall Gains	Overall Losses
Realised: Loan Relationships	20%	20%

Valuation report for IPRU (INS) Appendix 9.4Name of insurer **Fidelity Life Assurance Limited**

Global business

Financial year ended **31st December 2004**

Other Unrealised:	20%	8.5 - 9.5%
Loan Relationships	20%	20%
Other	18.5%	18%

(6) Benefits from discounts, commission or other allowance

The Company derives no financial benefit in respect of collective investment fund units held by the internal linked funds. The Company's policy on receiving discount, commission or other allowance when purchasing, selling or holding units in collective investment funds is to pass the full benefit onto the fund.

6 (1) The unit liability has been taken as the bid value of units, together with non-unit reserves for mortality and future expenses, not supported by margins within the business.

(a) The Company holds no derivatives.

(f) 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.

(g) Although the guaranteed surrender values are well covered, an explicit reserve of 10% of the current guarantees is held.

7 (1) The mortality table used is A67/70 ultimate.

(5) The mortality basis is prudent and more than adequate to cover the AIDS mortality risks.

8 Not applicable.

9 (a) All units are accumulating, and hence none has been discounted.

The mortality risk on Flexible Investment Bond, American Growth Bond and Trust of Trusts Bond has been valued by discounting the excess of death benefit above bid value of units (based on fund values at 31 December 2004) for each future year, using a discount rate of 3%.

The mortality risk on Flexible Investment Plan, Secured Investment Plan, Top Ten Plan, Trust Managers Plan and Trust of Trusts Plan has been valued as the cost of providing one year's life cover.

(b) Future overhead expenses of £41,000 pa (gross) have been valued over the next 10 years and an expense reserve set up.

10 (1) Future inflation of 4% pa has been assumed.

(2) The amounts available for expenses during 2005, based on the fund values at 31 December 2004, are:

	£'000's
Annual management charge	13
Release of expense reserves (grossed up for tax)	41
	<u>54</u>

(3) The Company is not authorised to write new business.

Returns under the Accounts and Statements Rules

Valuation report for IPRU (INS) Appendix 9.4

Name of insurer **Fidelity Life Assurance Limited**

Global business

Financial year ended **31st December 2004**

- 11 Not applicable.
- 12 The Company has no reinsurance arrangements in force.
- 13,14 The Company has no with profits business.
- 15,16 The Company has no with profits business.
- 17 Form 46 follows.
- 18 Form 47 is not relevant.

- 19 Forms 48 and 49 follow.
- 20 Forms 53 and 55 follow.
- 21 Form 57 is not required.
- 22 Form 58 follows.
- 23 Form 60 follows.

Long term insurance business : Summary of changes in ordinary long term businessName of insurer **Fidelity Life Assurance 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	
		R46	869405		GL	day	month				year
						31	12				2004
		1	2	3	4	5	6	7	8		
		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	171	7								
New business and increases	12										
Net transfers and other alterations 'on'	13										
Total 'on' (12+13)	19										
Deaths	21	2									
Other insured events	22										
Maturities	23										
Surrenders	24	9									
Forfeitures	25										
Conversions to paid-up policies for reduced benefits	26										
Net transfers, expiries and other alterations 'off'	27										
Total 'off' (21 to 27)	29	11									
In force at end of year (11+19-29)	39	160	7								

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

Global business

Financial year ended **31st December 2004**Category of assets **Total long term insurance business assets**

Type of asset	Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
			day	month	year			
	R48	869405	GL	31	12	2004	£000	10
			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						
	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	1148		55		4.71	
	Not producing income	19	2					
Total (11 to 19)	29		1150		55		4.70	

Long term insurance business : Valuation summary of property linked contracts

Name of insurer **Fidelity Life Assurance Limited**

Global business

United Kingdom business

Financial year ended **31st December 2004**Type of business **Life Assurance & General Annuity Insurance Business**Category of surplus **Ordinary Long Term**Company
registration
number

GL/UK/CM

Period ended
day month year

Units

UK/OS

Type of
businessCategory
of surplus

R53	869405	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	
DIRECT WRITTEN INSURANCE BUSINESS Non-Profit Policies														
Whole life assurance - without guarantees :														
Flexible Investment Bond			28		522				FI	514	514	5		519
American Growth Bond			14		109				AG	107	107	1		108
Trust of Trusts Bond			2		57				T of T	55	55			55
Flexible Investment Plan			31		158				FI	158	158			158
Secured Investment Plan			8		54				FI	54	54			54
Top Ten Plan			1	5	104				FI	104	104			104
Trust Managers Plan			3		23				T of T	23	23			23
Trust of Trusts Plan			4	10	55				T of T	54	54			54
Whole life assurance - with guarantees :														
Flexible Investment Plan (a)			27	90	663	76	2		FI	663	663			663
Secured Investment Plan (a)			3	5	98	10			FI	98	98			98
Trust Managers Plan (b)			39	175	784	151	5		T of T	784	784			784
Additional reserves :														
Reserve for future overhead expenses not otherwise provided	3.00											350		350

Long term insurance business : Valuation summary of property linked contractsName of insurer **Fidelity Life Assurance Limited**

Global business

United Kingdom business

Financial year ended **31st December 2004**Type of business **Life Assurance & General Annuity Insurance Business**Category of surplus **Ordinary Long Term**Company
registration
number

GL/UK/CM

Period ended
day month year

Units

UK/OS

Type of
businessCategory
of surplus

R53	869405	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	
Maturity and surrender value guarantees												24	24	
Mortality reserve											4		4	
Sub total: Non-Profit Policies			160	285	2627	237	7			2614	2614	360	24	2998
Sub total: Direct Written Insurance Business			160	285	2627	237	7			2614	2614	360	24	2998
Net total: Life Assurance & General Annuity Insurance Business			160	285	2627	237	7			2614	2614	360	24	2998
Net total: United Kingdom Insurance Business			160	285	2627	237	7			2614	2614	360	24	2998

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 **Fidelity Life Assurance Limited**

(Sheet 1)

Global business

United Kingdom business

Financial year ended **31st December 2004**

Category of surplus **Ordinary Long Term**

Internal linked fund

		Company registration number		GL/UK/CM		Period ended			Units	UK/OS	Category of surplus	IL/DH
		R55	869405	GL	31	12	2004	£000	UK	11	ILH	
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				
Life Fidelity Flexible Investment	Ordinary	7.482869	212693	1592	1591	1			1			
Sub total: Life Fidelity Flexible Investment				1592	1591	1			1			
Life Fidelity American Growth	Ordinary	6.736936	16041	108	107	1			1			
Sub total: Life Fidelity American Growth				108	107	1			1			
Life Fidelity Trust of Trusts	Ordinary	9.344170	98049	916	916							
Sub total: Life Fidelity Trust of Trusts				916	916							
Flexible investment	Accumulation	7.524817	211391	1591		1591	1591					
Sub total: Flexible investment				1591		1591	1591					
American growth	Accumulation	6.655727	16136	107		107	107					
Sub total: American growth				107		107	107					
Trust of trusts	Accumulation	9.360440	97853	916		916	916					
Sub total: Trust of trusts				916		916	916					
Total: Ordinary Long Term				5230	2614	2616	2614		2			

Long term insurance business : Valuation result and distribution of surplusName of insurer **Fidelity Life Assurance Limited**

Global business

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

GL/UK/CM

Period ended

Units

Category
of surplusCategory of surplus **Ordinary Long Term**

R58	869405	GL	31	12	2004	£000	11
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Valuation result	Fund carried forward		11	2998
		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	2998
Mathematical reserves for accumulating with profit policies			17	
Mathematical reserves for other non linked contracts			18	
Mathematical reserves for property linked contracts			19	2998
Mathematical reserves for index linked contracts			20	
Total (17 to 20)			21	2998
Surplus including contingency and other reserves held towards the solvency margin (deficiency) (16-21)			29	
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	
Total (31+34+35)		39		
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	
Total (48+49)		59		
Percentage of distributed surplus allocated to policyholders of fund/part of fund			61	
Corresponding percentage at three immediately previous valuations	Latest	(year of valuation 2003)	62	
	Earlier	(year of valuation 2002)	63	
	Earliest	(year of valuation 2001)	64	

Long term insurance capital requirementName of insurer **Fidelity Life Assurance Limited**

Global business

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

GL/UK/CM

Period ended
day month year

Units

	R60	869405	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%					
Classes I, II and IX	12	0.15%			0.00		
Classes I, II and IX	13	0.3%					
Classes III, VII and VIII	14	0.3%	6	6	1.00		
Total	15		6	6			

Insurance health risk capital component

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

Insurance expense risk capital component

Classes I, II and IX	31	1%			0.00		
Classes III, VII and VIII (investment risk)	32	1%	1781	1781	1.00	18	
Classes III, VII and VIII (expenses fixed 5 yrs +)	33	1%	1217	1217	1.00	12	
Classes III, VII and VIII (other)	34	25%					
Class IV	35	1%			0.00		
Class V	36	1%					
Class VI	37	1%			0.00		
Total	38					30	

Insurance market risk capital component

Classes I, II and IX	41	3%			0.00		
Classes III, VII and VIII (investment risk)	42	3%	1781	1781	1.00	53	
Classes III, VII and VIII (expenses fixed 5 yrs +)	43	0%	1217	1217			
Classes III, VII and VIII (other)	44	0%					
Class IV	45	3%			0.00		
Class V	46	0%					
Class VI	47	3%			0.00		
Total	48		2998	2998		53	

Long term insurance capital requirement	51					83	83
--	-----------	--	--	--	--	----	----

Supplementary notesName of insurer **Fidelity Life Assurance Limited**Financial year ended **31st December 2004**

Code

5301 Unit linked definitions

Definitions in column 10 are as follows :-

Ref	Description
AG	American Growth Fund
FI	Flexible Investment Fund
T of T	Trust of Trust

5501 Valuation price per unit

The valuation prices in column 3 are stated in pounds.

5700 Form omitted

Mathematical reserves do not exceed £100 million, accordingly this form is not required.

Supplementary notes

Name of insurer **Fidelity Life Assurance Limited**

Financial year ended **31st December 2004**

Code

0204 Section 148 waivers

The FSA, on the application of the firm, made a direction in December 2003 under section 148 of the Act. The effect of the direction is to reduce the firm's minimum guarantee fund for its long-term insurance business from 3,000,000 Euro to 800,000 Euro.

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

	£'000
Net admissible assets	
Form 13 Line 89 (Long term business)	3,764
Form 13 Line 89 (Other than long term business)	1,919
Form 14 Lines 11, 12 and 49	(3,441)
Form 15 Line 69	(1,080)
	<hr/>
	1,162
Form 3, line 79	1,162

1301 Aggregate value of unlisted investments

1308

Not applicable.

1302 Value of hybrid securities

1309

Not applicable.

1304 Amounts set off

1310

Amounts set off have been applied in line with generally accepted accounting principles, where applicable.

1305 Counterparty limits

1311

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. The maximum exposure to individual counterparties is limited as follows:

Tier 1: A maximum of £1m

Tier 2: A maximum of £750,000

Tier 3: A maximum of £500,000

Tier 1 represents AAA rated institutions, Tier 2 represents institutions rated AA- or better whilst Tier 3 represents institutions rated A- or better.

There have been no breaches to the above limits during the year.

Supplementary notes

Name of insurer **Fidelity Life Assurance Limited**

Financial year ended **31st December 2004**

Code

1312 Counterparty exposure

At the end of the financial year, the following counterparty exposures were in excess of 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:

	Amount (£)
Nat West	273,578
Alliance & Leicester plc	202,941
Bank of Scotland plc	200,000
Royal Bank of Scotland	507,604
Coventry Building Society	200,000
Nationwide Building Society	106,440
Northern Rock plc	200,000
HSBC/Midland Bank	200,000
Lloyds Bank	300,000

1401 Provision for reasonably foreseeable adverse variations

1501

There is no provision for reasonably foreseeable adverse variations.

1402 Contingent liabilities

1502

There are no charges over any assets of the Company.

There is no provision for taxation on capital gains and no unprovided potential liability.

There are no contingent liabilities not included in this form.

There are no guarantees, indemnities or other contractual commitments effected other than in the ordinary course of business.

There are no other fundamental uncertainties.

1601 Rates of exchange

4005

Not applicable.

1700 Form omitted

No Form 17 has been prepared on the basis that the company has no derivative contracts.

4002 Other Income

Not applicable.

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

Connected Party	Norwich Union Life Services Ltd
Nature of relationship	Fellow group undertaking

Supplementary notesName of insurer **Fidelity Life Assurance Limited**Financial year ended **31st December 2004****Code**

Nature of transactions during the period	Expenses pursuant to note 4008
Value of transactions during the period	£0.015m (2003: £0.021 m)
Amounts unpaid at the end of the period	£0.015 m owed to Norwich Union Life Services Ltd (2003 £0.076 m)
Amounts written off in the period	Nil (2003: Nil)

4301 Basis of valuation in internal linked funds

Investments are stated at current value, listed investments are stated at mid-market value.

4302 Aggregate value of rights under derivative contracts

Not applicable.

4303 Accounting for variation margin

Not applicable.

4401 Brought forward amounts

Not applicable.

Returns under the Accounts and Statements Rules

Statement on derivatives required by IPRU (INS) 9.29

Name of insurer **Fidelity Life Assurance Limited**

Global business

Financial year ended **31st December 2004**

It is not the policy of the Company to use derivatives in the management of its funds. No derivatives were used during the financial year.

Returns under the Accounts and Statements Rules

Statement on controllers required by IPRU (INS) 9.30

Name of insurer **Fidelity Life Assurance 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.

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

Name of insurer **Fidelity Life Assurance 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 directors have, in preparing the return, taken and paid due regard to advice in preparing the return from every actuary appointed by the insurer to perform the actuarial function in accordance with SUP 4.3.13R.

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

..... **MN URMSTON**
Director

..... **JA NEWMAN**
Director

23 March 2005

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 **Fidelity Life Assurance 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, 13 to 16, 40 to 45, 48, 58 and 60 (including the supplementary notes) ("the Forms");
- the statement required by rule 9.29 ("the statement"); and
- 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").

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

- a) Forms 46, 53 and 55 (including the supplementary notes);
- b) The statement required by rule 9.30;
- c) the certificate signed in accordance with rule 9.34; and
- d) the valuation report required by rule 9.31(a) except as set out above.

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. The requirements of the Rules have been modified by a waiver issued under section 148 of the Act on 1 January 2004. Under rule 9.11 the Forms, the statement and the 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 prepared in accordance with rule 9.31 are required to reflect appropriately the requirements of PRU 7.3.

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 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 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 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 **Fidelity Life Assurance Limited**

Global Business

Financial year ended **31st December 2004**

Opinion

In our opinion:

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

Ernst & Young LLP
Registered Auditor
London
30 March 2005