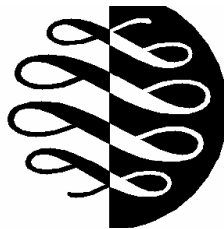


CGNU Life Assurance Limited

Registered office: 2 Rougier Street, York, YO90 1UU

**Annual FSA Insurance Returns for the year ended
31st December 2005**



Returns under the Accounts and Statements Rules

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Name of insurer **CGNU Life Assurance Limited**

Global Business

Financial year ended **31st December 2005**

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Name of insurer **CGNU Life Assurance Limited**

Global Business

Financial year ended **31st December 2005**

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

Global business

Financial year ended **31st December 2005**

Solo solvency calculation

R2	Company registration number 226742	GL/UK/CM GL	Period ended			Units £000
			day	month	year	
			31	12	2005	
			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	3566836	2391366
Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund	12	31022	54766
Capital resources available to cover long-term insurance business capital resources requirement (11+12)	13	3597858	2446132

Guarantee Fund

Guarantee Fund requirement	21	240973	238600
Excess (deficiency) of available capital resources to cover guarantee fund requirement	22	3356885	2207532

Minimum capital requirement (MCR)

Long-term insurance capital requirement	31	722920	715801
Resilience capital requirement	32	160384	
Base capital resources requirement	33	2030	2087
Individual minimum capital requirement	34	883304	715801
Capital requirements of regulated related undertakings	35		
Minimum capital requirement (34 + 35)	36	883304	715801
Excess (deficiency) of available capital resources to cover 50% of MCR	37	3156206	2088232
Excess (deficiency) of available capital resources to cover 75% of MCR	38	2935380	1909281

Enhanced capital requirement

With-profits insurance capital component	39	1062239	304541
Enhanced capital requirement	40	1945543	1020342

Capital resources requirement (CRR)

Capital resources requirement (greater of 36 and 40)	41	1945543	1020342
Excess (deficiency) of available capital resources to cover long-term insurance business CRR (13-41)	42	1652315	1425790

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 **CGNU Life Assurance Limited**

Global business

Financial year ended **31st December 2005**

.....

P J R SNOWBALL
Chief Executive

.....

K W ABERCROMBY
Director

.....

J R LISTER
Director

30 March 2006

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

Global business

Financial year ended **31st December 2005**

	Company registration number	GL/UK/CM	Period ended			Units
			day	month	year	
R3	226742	GL	31	12	2005	£000
	General insurance business 1	Long-term insurance business 2	Total as at the end of this financial year 3		Total as at the end of the previous year 4	

Core tier one capital

Permanent share capital	11		250	250	250
Profit and loss account and other reserves	12		31233	31233	57603
Share premium account	13				
Positive valuation differences	14		1722503	1722503	
Fund for future appropriations	15		1898277	1898277	2456679
Core tier one capital in related undertakings	16				
Core tier one capital (sum of 11 to 16)	19		3652263	3652263	2514532

Tier one waivers

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

Other tier one capital

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

Total tier one capital before deductions (19+24+25+26+27+28)	31		3652263	3652263	2514532
Investments in own shares	32				
Intangible assets	33				
Amounts deducted from technical provisions for discounting	34				
Other negative valuation differences	35				19248
Deductions in related undertakings	36				
Deductions from tier one (32 to 36)	37				19248
Total tier one capital after deductions (31-37)	39		3652263	3652263	2495284

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

Global business

Financial year ended **31st December 2005**

	Company registration number	GL/UK/CM	Period ended			Units
			day	month	year	
R3	226742	GL	31	12	2005	£000
	General insurance business 1	Long-term insurance business 2	Total as at the end of this financial year 3			Total as at the end of the previous year 4

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 **CGNU Life Assurance Limited**

Global business

Financial year ended **31st December 2005**

	Company registration number	GL/UK/CM	Period ended			Units	
			day	month	year		
	R3	226742	GL	31	12	2005	£000
	General insurance Business 1	Long-Term insurance Business 2	Total as at the end of this financial year 3	Total as at the end of the previous year 4			

Total capital resources

Positive adjustments for regulated non-insurance related undertakings	71				
Total capital resources before deductions (39+69+71)	72		3652263	3652263	2495284
Inadmissible assets other than intangibles and own shares	73		42960	42960	49152
Assets in excess of market risk and counterparty limits	74		11445	11445	
Deductions for related ancillary services undertakings	75				
Deductions for regulated non-insurance related undertakings	76				
Deductions of ineligible surplus capital	77				
Total capital resources after deductions (72-73-74-75-76-77)	79		3597858	3597858	2446132

Available capital resources for PRU tests

Available capital resources for guarantee fund requirement	81		3597858	3597858	2446132
Available capital resources for 50% MCR requirement	82		3597858	3597858	2446132
Available capital resources for 75% MCR requirement	83		3597858	3597858	2446132

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				

Calculation of general insurance capital requirement - premiums amount and brought forward amountName of insurer **CGNU Life Assurance Limited**

Global business

Financial year ended **31st December 2005**

Long-term insurance business

	Company registration number	GL/UK/CM	Period ended			Units
			day	month	year	
R11	226742	GL	31	12	2005	£000
		This financial year 1		Previous year 2		
Gross premiums written	11		19589			30198
Premium taxes and levies (included in line 11)	12					
Premiums receivable net of taxes and levies (11-12)	13		19589			30198
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		19589			30198
Gross premiums earned	21		1781			30198
Premium taxes and levies (included in line 21)	22					
Premiums earned net of taxes and levies (21-22)	23		1781			30198
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		1781			30198
Sub-total I (higher of sub-total A and sub-total H)	30		19589			30198
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	3526			5436
		Excess (if any) over 50M EURO x 0.02				
Sub-total J (32-33)	34		3526			5436
Claims paid in period of 3 financial years	41		410			40945
Claims outstanding carried forward at the end of the 3 year period		For insurance business accounted for on an underwriting year basis				
		For insurance business accounted for on an accident year basis	74			16563
Claims outstanding brought forward at the beginning of the 3 year period		For insurance business accounted for on an underwriting year basis				
		For insurance business accounted for on an accident year basis				2744
Sub-total C (41+42+43-44-45)	46		484			54764
Amounts recoverable from reinsurers in respect of claims included in Sub-total C	47					34778
Sub-total D (46-47)	48		484			19986
Reinsurance ratio (Sub-total D / sub-total C or, if more, 50% or, if less, 100%)	49		100.00			50.00
Premiums amount Sub-total J x reinsurance ratio	50		3526			2718
Provisions for claims outstanding (before discounting and net of reinsurance)	51		74			11893
Brought forward amount (12.43.2 x 51.1 / 51.2 or, if less, 12.43.2)	52		32			5205
Greater of lines 50 and 52	53		3526			5205

Calculation of general insurance capital requirement - claims amount and result

Name of insurer **CGNU Life Assurance Limited**

Global business

Financial year ended **31st December 2005**

Long-term insurance business

	Company registration number	GL/UK/CM	Period ended			Units
			day	month	year	
R12	226742	GL	31	12	2005	£000
			This financial year 1		Previous year 2	
Reference period (No. of months) See PRU7.2.63R		11	12		36	
Claims paid in reference period		21	410		40945	
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	74		16563	
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			2744	
Claims incurred in reference period (21+22+23-24-25)		26	484		54764	
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	484		54764	
Sub-total F - Conversion of Sub-total E to annual figure (Multiply by 12 and divide by number of months in reference period)		31	484		18255	
Division of sub-total F (gross adjusted claims amount)	X 0.26	32	126		4746	
	Excess (if any) over 35M EURO x 0.03	33				
Sub-total G (32 - 33)		39	126		4746	
Claims amount Sub-total G x reinsurance ratio (11.49)		41	126		2373	
Higher of premiums amount and brought forward amount (11.53)		42	3526		5205	
General insurance capital requirement (higher of lines 41 and 42)		43	3526		5205	

Analysis of admissible assetsName of insurer **CGNU Life Assurance Limited**

Global business

Financial year ended **31st December 2005**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	226742	GL	31	12	2005	£000	1
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 dependants	shares			21				
	debts and loans			22				
Other insurance dependants	shares			23				
	debts and loans			24				
Non-insurance dependants	shares			25				
	debts and loans			26				
Other group undertakings	shares			27				
	debts and loans			28				
Participating interests	shares			29				
	debts and loans			30				
Other financial investments								
Equity shares				41				44698
Other shares and other variable yield participations				42				
Holdings in collective investment schemes				43				
Rights under derivative contracts				44				
Fixed interest securities	Approved			45				
	Other			46				
Variable interest securities	Approved securities			47				
	Other			48				
Participation in investment pools				49				
Loans secured by mortgages				50				
Loans to public or local authorities and nationalised industries or undertakings				51				
Loans secured by policies of insurance issued by the company				52				
Other loans				53				
Bank and approved credit & financial institution deposits	One month or less withdrawal			54				
	More than one month withdrawal			55				
Other financial investments				56				

Analysis of admissible assets

Name of insurer **CGNU Life Assurance Limited**

Global business

Financial year ended **31st December 2005**

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	226742	GL	31	12	2005	£000	1
							As at the end of this financial year 1	As at the end of the previous year 2
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				
Debtors and salvage								
Direct insurance business		Policyholders		71				
		Intermediaries		72				
Salvage and subrogation recoveries				73				
Reinsurance		Accepted		74				
		Ceded		75				
Dependants		Due in 12 months or less		76				
		Due in more than 12 months		77				
Other		Due in 12 months or less		78		6200		3895
		Due in more than 12 months		79				
Other assets								
Tangible assets				80				
Deposits not subject to time restriction on withdrawal with approved institutions				81		25112		9915
Cash in hand				82				
Other assets (particulars to be specified by way of supplementary note)				83				
Accrued interest and rent				84				
Deferred acquisition costs (general business only)				85				
Other prepayments and accrued income				86				
Deductions from the aggregate value of assets				87				
Grand total of admissible assets after deduction of market risk and counterparty limits (11 to 86 less 87)				89		31312		58508

Analysis of admissible assets

Name of insurer **CGNU Life Assurance Limited**

Global business

Financial year ended **31st December 2005**

Category of assets **Total other than long term insurance business assets**

R13	Company registration number	GL/UK/CM	Period ended			Units	Category of assets
			day	month	year		
	226742	GL	31	12	2005	£000	1

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

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

Total admissible assets after deduction of market risk and counterparty limits (as per line 89 above)	91	31312	58508
Assets in excess of market and counterparty limits	92	461	
Capital resources requirement deduction of regulated related undertakings	93		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	94		
Inadmissible assets of regulated related insurance undertakings	95		
Book value of related ancillary services undertakings	96		
Other differences in the valuation of assets (other than for assets not valued above)	97		
Deferred acquisition costs excluded from line 89	98		
Reinsurers' share of technical provisions excluded from line 89	99		
Other asset adjustments (may be negative)	100	87	
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 100)	101	31860	

Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	102	3079	
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Analysis of admissible assets

Name of insurer **CGNU Life Assurance Limited**

Global business

Financial year ended **31st December 2005**

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	226742	GL	31	12	2005	£000	10
Investments					As at the end of this financial year 1		As at the end of the previous year 2	
Land and buildings				11	1666208		1404997	
Investments in group undertakings and participating interests								
UK insurance dependants	shares			21				
	debts and loans			22				
Other insurance dependants	shares			23				
	debts and loans			24				
Non-insurance dependants	shares			25	240875		171710	
	debts and loans			26	98687		106104	
Other group undertakings	shares			27				
	debts and loans			28	63913			
Participating interests	shares			29				
	debts and loans			30				
Other financial investments								
Equity shares				41	7279613		5727684	
Other shares and other variable yield participations				42				
Holdings in collective investment schemes				43	1116241		423806	
Rights under derivative contracts				44	76814		30681	
Fixed interest securities	Approved			45	2670316		3045124	
	Other			46	1736252		1261354	
Variable interest securities	Approved securities			47	40016		37905	
	Other			48	70195		18817	
Participation in investment pools				49				
Loans secured by mortgages				50	52506		96	
Loans to public or local authorities and nationalised industries or undertakings				51				
Loans secured by policies of insurance issued by the company				52	11327		12789	
Other loans				53	22603			
Bank and approved credit & financial institution deposits	One month or less withdrawal			54	12041			
	More than one month withdrawal			55				
Other financial investments				56				

Analysis of admissible assetsName of insurer **CGNU Life Assurance Limited**

Global business

Financial year ended **31st December 2005**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	226742	GL	31	12	2005	£000	10
						As at the end of this financial year 1		As at the end of the previous year 2
Deposits with ceding undertakings				57				
Assets held to match linked liabilities		Index linked		58				71
		Property linked		59		49040		1604
Reinsurers' share of technical provisions								
Provision for unearned premiums				60				
Claims outstanding				61				
Provision for unexpired risks				62				
Other				63				
Debtors and salvage								
Direct insurance business		Policyholders		71		71330		99876
		Intermediaries		72		103		1015
Salvage and subrogation recoveries				73				
Reinsurance		Accepted		74		2025		3093
		Ceded		75		5231		68404
Dependants		Due in 12 months or less		76				
		Due in more than 12 months		77				
Other		Due in 12 months or less		78		378187		272267
		Due in more than 12 months		79				
Other assets								
Tangible assets				80				
Deposits not subject to time restriction on withdrawal with approved institutions				81		60155		20793
Cash in hand				82				
Other assets (particulars to be specified by way of supplementary note)				83				
Accrued interest and rent				84		68743		71728
Deferred acquisition costs (general business only)				85				
Other prepayments and accrued income				86				
Deductions from the aggregate value of assets				87				
Grand total of admissible assets after deduction of market risk and counterparty limits (11 to 86 less 87)				89		15792421		12779918

Analysis of admissible assets

Name of insurer **CGNU Life Assurance Limited**

Global business

Financial year ended **31st December 2005**

Category of assets **Total long term insurance business assets**

R13	Company registration number	GL/UK/CM	Period ended			Units	Category of assets
			day	month	year		
	226742	GL	31	12	2005	£000	10

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

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

Total admissible assets after deduction of market risk and counterparty limits (as per line 89 above)	91	15792421	12779918
Assets in excess of market and counterparty limits	92	10984	
Capital resources requirement deduction of regulated related undertakings	93		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	94		
Inadmissible assets of regulated related insurance undertakings	95		
Book value of related ancillary services undertakings	96		
Other differences in the valuation of assets (other than for assets not valued above)	97		
Deferred acquisition costs excluded from line 89	98		
Reinsurers' share of technical provisions excluded from line 89	99	21581167	
Other asset adjustments (may be negative)	100	35186	
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 100)	101	37419758	

Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	102	96634	44423
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Analysis of admissible assets

Name of insurer **CGNU Life Assurance Limited**
 Global business
 Financial year ended **31st December 2005**
 Category of assets **Life and Annuity**

	Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
			day	month	year			
	R13	226742	GL	31	12	2005	£000	11
Investments						As at the end of this financial year 1		As at the end of the previous year 2
Land and buildings				11		1666208		1404997
Investments in group undertakings and participating interests								
UK insurance dependants	shares			21				
	debts and loans			22				
Other insurance dependants	shares			23				
	debts and loans			24				
Non-insurance dependants	shares			25		240875		171710
	debts and loans			26		98687		106104
Other group undertakings	shares			27				
	debts and loans			28		63913		
Participating interests	shares			29				
	debts and loans			30				
Other financial investments								
Equity shares				41		7279613		5727684
Other shares and other variable yield participations				42				
Holdings in collective investment schemes				43		1116241		423806
Rights under derivative contracts				44		76814		30681
Fixed interest securities	Approved			45		2670316		3017551
	Other			46		1736252		1261354
Variable interest securities	Approved securities			47		40016		37905
	Other			48		70195		18817
Participation in investment pools				49				
Loans secured by mortgages				50		52506		96
Loans to public or local authorities and nationalised industries or undertakings				51				
Loans secured by policies of insurance issued by the company				52		11327		12789
Other loans				53		22603		
Bank and approved credit & financial institution deposits	One month or less withdrawal			54		12041		
	More than one month withdrawal			55				
Other financial investments				56				

Analysis of admissible assetsName of insurer **CGNU Life Assurance Limited**

Global business

Financial year ended **31st December 2005**Category of assets **Life and Annuity**

	Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
			day	month	year			
	R13	226742	GL	31	12	2005	£000	11
						As at the end of this financial year 1		As at the end of the previous year 2
Deposits with ceding undertakings				57				
Assets held to match linked liabilities		Index linked		58				71
		Property linked		59		49040		1604
Reinsurers' share of technical provisions								
Provision for unearned premiums				60				
Claims outstanding				61				
Provision for unexpired risks				62				
Other				63				
Debtors and salvage								
Direct insurance business		Policyholders		71		71330		99876
		Intermediaries		72		103		316
Salvage and subrogation recoveries				73				
Reinsurance		Accepted		74		2025		3093
		Ceded		75		5231		67845
Dependants		Due in 12 months or less		76				
		Due in more than 12 months		77				
Other		Due in 12 months or less		78		378187		269850
		Due in more than 12 months		79				
Other assets								
Tangible assets				80				
Deposits not subject to time restriction on withdrawal with approved institutions				81		60155		7894
Cash in hand				82				
Other assets (particulars to be specified by way of supplementary note)				83				
Accrued interest and rent				84		68743		71543
Deferred acquisition costs (general business only)				85				
Other prepayments and accrued income				86				
Deductions from the aggregate value of assets				87				
Grand total of admissible assets after deduction of market risk and counterparty limits (11 to 86 less 87)				89		15792421		12735586

Analysis of admissible assetsName of insurer **CGNU Life Assurance Limited**

Global business

Financial year ended **31st December 2005**Category of assets **Life and Annuity**

R13	Company registration number	GL/UK/CM	Period ended			Units	Category of assets
			day	month	year		
	226742	GL	31	12	2005	£000	11

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

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

Total admissible assets after deduction of market risk and counterparty limits (as per line 89 above)	91	15792421	12735586
Assets in excess of market and counterparty limits	92	10984	
Capital resources requirement deduction of regulated related undertakings	93		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	94		
Inadmissible assets of regulated related insurance undertakings	95		
Book value of related ancillary services undertakings	96		
Other differences in the valuation of assets (other than for assets not valued above)	97		
Deferred acquisition costs excluded from line 89	98		
Reinsurers' share of technical provisions excluded from line 89	99	21581167	
Other asset adjustments (may be negative)	100	35186	
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 100)	101	37419758	

Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	102	96634	42012
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Analysis of admissible assetsName of insurer **CGNU Life Assurance Limited**

Global business

Financial year ended **31st December 2005**Category of assets **Permanent Health**

	Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
			day	month	year			
	R13	226742	GL	31	12	2005	£000	12
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 dependants	shares			21				
	debts and loans			22				
Other insurance dependants	shares			23				
	debts and loans			24				
Non-insurance dependants	shares			25				
	debts and loans			26				
Other group undertakings	shares			27				
	debts and loans			28				
Participating interests	shares			29				
	debts and loans			30				
Other financial investments								
Equity shares				41				
Other shares and other variable yield participations				42				
Holdings in collective investment schemes				43				
Rights under derivative contracts				44				
Fixed interest securities	Approved			45				27573
	Other			46				
Variable interest securities	Approved securities			47				
	Other			48				
Participation in investment pools				49				
Loans secured by mortgages				50				
Loans to public or local authorities and nationalised industries or undertakings				51				
Loans secured by policies of insurance issued by the company				52				
Other loans				53				
Bank and approved credit & financial institution deposits	One month or less withdrawal			54				
	More than one month withdrawal			55				
Other financial investments				56				

Analysis of admissible assets

Name of insurer **CGNU Life Assurance Limited**
 Global business
 Financial year ended **31st December 2005**
 Category of assets **Permanent Health**

	Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
			day	month	year			
	R13	226742	GL	31	12	2005	£000	12
							As at the end of this financial year 1	As at the end of the previous year 2
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				
Debtors and salvage								
Direct insurance business		Policyholders		71				
		Intermediaries		72				699
Salvage and subrogation recoveries				73				
Reinsurance		Accepted		74				
		Ceded		75				559
Dependants		Due in 12 months or less		76				
		Due in more than 12 months		77				
Other		Due in 12 months or less		78				2417
		Due in more than 12 months		79				
Other assets								
Tangible assets				80				
Deposits not subject to time restriction on withdrawal with approved institutions				81				12899
Cash in hand				82				
Other assets (particulars to be specified by way of supplementary note)				83				
Accrued interest and rent				84				185
Deferred acquisition costs (general business only)				85				
Other prepayments and accrued income				86				
Deductions from the aggregate value of assets				87				
Grand total of admissible assets after deduction of market risk and counterparty limits (11 to 86 less 87)				89				44332

Analysis of admissible assetsName of insurer **CGNU Life Assurance Limited**

Global business

Financial year ended **31st December 2005**Category of assets **Permanent Health**

R13	Company registration number	GL/UK/CM	Period ended			Units	Category of assets
			day	month	year		
	226742	GL	31	12	2005	£000	12

As at the end of this financial year 1	As at the end of the previous year 2
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Reconciliation to asset values determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting

Total admissible assets after deduction of market risk and counterparty limits (as per line 89 above)	91		44332
Assets in excess of market and counterparty limits	92		
Capital resources requirement deduction of regulated related undertakings	93		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	94		
Inadmissible assets of regulated related insurance undertakings	95		
Book value of related ancillary services undertakings	96		
Other differences in the valuation of assets (other than for assets not valued above)	97		
Deferred acquisition costs excluded from line 89	98		
Reinsurers' share of technical provisions excluded from line 89	99		
Other asset adjustments (may be negative)	100		
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 100)	101		

Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	102		2411
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Long term insurance business liabilities and marginsName of insurer **CGNU Life Assurance Limited**

Global business

Financial year ended **31st December 2005**Fund **With Profit**Units **£000**

			As at the end of this financial year 1	As at the end of the previous year 2
Mathematical reserves, after distribution of surplus		11	10719076	9644974
Cash bonuses which had not been paid to policyholders prior to end of the financial year		12		
Balance of surplus/(valuation deficit)		13	20	20
Long term insurance business fund carried forward (11 to 13)		14	10719096	9644994
Claims outstanding	Gross amount	15	121867	198320
	Reinsurers' share	16		
	Net (15-16)	17	121867	198320
Provisions	Taxation	21	303748	69050
	Other	22		506
Deposits received from reinsurers		23		
Creditors	Direct insurance business	31	144047	113676
	Reinsurance accepted	32		
	Reinsurance ceded	33	146242	5
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions		36		139
Creditors	Taxation	37	63459	33569
	Other	38	355930	267961
Accruals and deferred income		39	17553	18400
Provision for "reasonably foreseeable adverse variations"		41		
Total other insurance and non-insurance liabilities (17 to 41)		49	1152846	701626
Excess of the value of net admissible assets		51	3566816	2388966
Total liabilities and margins		59	15438758	12735586
Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance		61	45573	10674
Amounts included in line 59 attributable to liabilities in respect of property linked benefits		62	49040	1604
Total liabilities (11+12+49)		71	11871922	10346600
Increase to liabilities - DAC related		72		
Reinsurers' share of technical provisions		73		
Other adjustments to liabilities (may be negative)		74		
Capital and reserves and fund for future appropriations		75		
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (71 to 75)		76		

Long term insurance business liabilities and marginsName of insurer **CGNU Life Assurance Limited**

Global business

Financial year ended **31st December 2005**Fund **Stakeholder**Units **£000**

			As at the end of this financial year 1	As at the end of the previous year 2
Mathematical reserves, after distribution of surplus		11	353663	
Cash bonuses which had not been paid to policyholders prior to end of the financial year		12		
Balance of surplus/(valuation deficit)		13		
Long term insurance business fund carried forward (11 to 13)		14	353663	
Claims outstanding	Gross amount	15		
	Reinsurers' share	16		
	Net (15-16)	17		
Provisions	Taxation	21		
	Other	22		
Deposits received from reinsurers		23		
Creditors	Direct insurance business	31		
	Reinsurance accepted	32		
	Reinsurance ceded	33		
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions		36		
Creditors	Taxation	37		
	Other	38		
Accruals and deferred income		39		
Provision for "reasonably foreseeable adverse variations"		41		
Total other insurance and non-insurance liabilities (17 to 41)		49		
Excess of the value of net admissible assets		51		
Total liabilities and margins		59	353663	

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

Total liabilities (11+12+49)	71	353663	
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73		
Other adjustments to liabilities (may be negative)	74		
Capital and reserves and fund for future appropriations	75		
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (71 to 75)	76		

Long term insurance business liabilities and marginsName of insurer **CGNU Life Assurance Limited**

Global business

Financial year ended **31st December 2005**Fund **Permanent Health**Units **£000**

		As at the end of this financial year 1	As at the end of the previous year 2
Mathematical reserves, after distribution of surplus		11	27798
Cash bonuses which had not been paid to policyholders prior to end of the financial year		12	
Balance of surplus/(valuation deficit)		13	2380
Long term insurance business fund carried forward (11 to 13)		14	30178
Claims outstanding	Gross amount	15	
	Reinsurers' share	16	
	Net (15-16)	17	
Provisions	Taxation	21	116
	Other	22	
Deposits received from reinsurers		23	
Creditors	Direct insurance business	31	3
	Reinsurance accepted	32	
	Reinsurance ceded	33	
Debenture loans	Secured	34	
	Unsecured	35	
Amounts owed to credit institutions		36	
Creditors	Taxation	37	2657
	Other	38	11378
Accruals and deferred income		39	
Provision for "reasonably foreseeable adverse variations"		41	
Total other insurance and non-insurance liabilities (17 to 41)		49	14154
Excess of the value of net admissible assets		51	
Total liabilities and margins		59	44332
Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance		61	5833
Amounts included in line 59 attributable to liabilities in respect of property linked benefits		62	
Total liabilities (11+12+49)		71	41952
Increase to liabilities - DAC related		72	
Reinsurers' share of technical provisions		73	
Other adjustments to liabilities (may be negative)		74	
Capital and reserves and fund for future appropriations		75	
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (71 to 75)		76	

Long term insurance business liabilities and marginsName of insurer **CGNU Life Assurance Limited**

Global business

Financial year ended **31st December 2005****Fund Summary**Units **£000**

			As at the end of this financial year 1	As at the end of the previous year 2
Mathematical reserves, after distribution of surplus		11	11072739	9672772
Cash bonuses which had not been paid to policyholders prior to end of the financial year		12		
Balance of surplus/(valuation deficit)		13	20	2400
Long term insurance business fund carried forward (11 to 13)		14	11072759	9675172
Claims outstanding	Gross amount	15	121867	198320
	Reinsurers' share	16		
	Net (15-16)	17	121867	198320
Provisions	Taxation	21	303748	69166
	Other	22		506
Deposits received from reinsurers		23		
Creditors	Direct insurance business	31	144047	113679
	Reinsurance accepted	32		
	Reinsurance ceded	33	146242	5
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions		36		139
Creditors	Taxation	37	63459	36226
	Other	38	355930	279339
Accruals and deferred income		39	17553	18400
Provision for "reasonably foreseeable adverse variations"		41		
Total other insurance and non-insurance liabilities (17 to 41)		49	1152846	715780
Excess of the value of net admissible assets		51	3566816	2388966
Total liabilities and margins		59	15792421	12779918
Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance		61	45573	16507
Amounts included in line 59 attributable to liabilities in respect of property linked benefits		62	49040	1604
Total liabilities (11+12+49)		71	12225585	10388552
Increase to liabilities - DAC related		72		
Reinsurers' share of technical provisions		73	21581167	
Other adjustments to liabilities (may be negative)		74	1714729	
Capital and reserves and fund for future appropriations		75	1898277	
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (71 to 75)		76	37419758	

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

Global business

Financial year ended **31st December 2005**

R15	Company registration number 226742	GL/UK/CM GL	Period ended			Units £000	
			day	month	year		
			31	12	2005		
			As at the end of this financial year		1	As at the end of the previous year	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 gross technical provisions		16		
Total gross technical provisions (11 to 16)		19		

Provisions and creditors

Provisions	Taxation	21		
	Other risks and charges	22		
Deposits received from reinsurers		31		
Creditors	Direct insurance business	41		
	Reinsurance accepted	42		
	Reinsurance ceded	43		
Debenture loans	Secured	44		
	Unsecured	45		
Amounts owed to credit institutions		46		
Creditors	Taxation	47	5	92
	Recommended dividend	48		
	Other	49	285	3650
Accruals and deferred income		51		
Total (19 to 51)		59	290	3742
Provision for "reasonably foreseeable adverse variations"		61		
Cumulative preference share capital		62		
Subordinated loan capital		63		
Total (59 to 63)		69	290	3742

Amounts included in line 69 attributable to liabilities to related insurers, other than those under contracts of insurance or reinsurance	71	267	
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Reinsurers' share of DAC	81		
Amounts deducted from technical provisions for discounting	82		
Other adjustments (may be negative)	83	87	
Capital and reserves	84	31483	
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (69+81-82+83+84)	85	31860	3742

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

Global business

Financial year ended **31st December 2005**

R16	226742	GL	Period ended			Units
			GL/UK/CM	day	month	
			31	12	2005	£000

			This financial year	Previous year
			1	2
Transfer (to)/from the general insurance business technical account	From Form 20	11		
	Equalisation provisions	12		
Transfer from the long term insurance business revenue account		13	24934	21786
Investment income	Income	14	17	298
	Value re-adjustments on investments	15		9
	Gains on the realisation of investments	16	3382	
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		
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	28333	22093
Tax on profit or loss on ordinary activities		31	(54)	(32798)
Profit or loss on ordinary activities after tax (29-31)		39	28387	54891
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	28387	54891
Dividends (paid and proposed)		51	54786	58400
Profit or loss retained for the financial year (49-51)		59	(26399)	(3509)

Analysis of derivative contractsName of insurer **CGNU Life Assurance Limited**

Global business

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

		Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
		R17	226742	GL	31	12	2005	£000	10
		As at the end of this financial year			As at the end of the previous year				
		Assets 1	Liabilities 2	Assets 3	Liabilities 4				
Derivative contracts	Fixed-interest securities	11		2188					1753
	Equity shares	12							
	Land	13							
	Currencies	14	5008	16213	30402				11484
	Other	15							
Futures contracts	Fixed-interest securities	21	61454						
	Equity shares	22	7134						
	Land	23							
	Currencies	24							
	Other	25				11			11
Options	Fixed-interest securities	31							
	Equity shares	32	1453	7755					7714
	Land	33							
	Currencies	34		127					
	Other	35							
Contracts for differences	Fixed-interest securities	31							
	Equity shares	32	1453	7755					7714
	Land	33							
	Currencies	34		127					
	Other	35							
Adjustments for variation margin		41	1765	3923	268				24
Total (11 to 41)		49	76814	30206	30681				20986

Analysis of derivative contractsName of insurer **CGNU Life Assurance Limited**

Global business

Financial year ended **31st December 2005**Category of assets **Life and Annuity**

		Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
		R17	226742	GL	31	12	2005	£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	Fixed-interest securities	11		2188					1753
	Equity shares	12							
	Land	13							
	Currencies	14	5008	16213	30402				11484
	Other	15							
Futures contracts	Fixed-interest securities	21	61454						
	Equity shares	22	7134						
	Land	23							
	Currencies	24							
	Other	25				11			11
Options	Fixed-interest securities	31							
	Equity shares	32	1453	7755					7714
	Land	33							
	Currencies	34		127					
	Other	35							
Contracts for differences	Fixed-interest securities	31							
	Equity shares	32	1453	7755					7714
	Land	33							
	Currencies	34		127					
	Other	35							
Adjustments for variation margin		41	1765	3923	268				24
Total (11 to 41)		49	76814	30206	30681				20986

With-profits insurance capital component for the fund

Name of insurer **CGNU Life Assurance Limited**
 Global business
 Financial year ended **31st December 2005**
 With-profits fund **Life and Annuity 4**
 Units **£000**

	As at end of this financial year 1	As at end of the previous year 2
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Regulatory excess capital

Regulatory value of assets	Long-term admissible assets of the fund	11	15792422	12735586
	Implicit items allocated to the fund	12		
	Mathematical reserves in respect of non-profit insurance contracts written in the fund	13	978350	812924
	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	160856	139146
	Long-term admissible assets of the fund covering the resilience capital requirement allocated in respect of non-profit insurance contracts written in fund	15	14171	
	Total (11+12-(13+14+15))	19	14639045	11783516
Regulatory value of liabilities	Mathematical reserves (after distribution of surplus) in respect of the fund's with-profits insurance contracts	21	10094390	8832050
	Regulatory current liabilities of the fund	22	1152846	701624
	Total (21+22)	29	11247236	9533674
Long-term insurance capital requirement in respect of the fund's with-profits insurance contracts		31	562062	567288
Resilience capital requirement in respect of the fund's with-profits insurance contracts		32	146215	
Sum of regulatory value of liabilities, long-term insurance capital requirement and resilience capital requirement (29+31+32)		39	11955513	10100962
Regulatory excess capital (19-39)		49	2683532	1682554

Realistic excess capital

Realistic excess capital	51	1621293	1378013
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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	1062239	304541
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	1062239	304541

Realistic balance sheet

Name of insurer **CGNU Life Assurance Limited**
 Global business
 Financial year ended **31st December 2005**
 With-profits fund **Life and Annuity 4**
 Units **£000**

	As at end of this financial year 1	As at end of the previous year 2
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Realistic value of assets available to the fund

Regulatory value of assets	11	14639045	11783516
Implicit items allocated to the fund	12		
Value of shares in subsidiaries held in the fund (regulatory)	13		
Excess admissible assets	21	10984	
Present value of future profits (or losses) on non-profit insurance contracts written in the fund	22	506770	470352
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		
Prepayments made from the fund	25		
Realistic value of assets of the fund (11+21+22+23+24+25-(12+13))	26	15156799	12253868
Support arrangement assets	27		
Assets available to the fund (26+27)	29	15156799	12253868

Realistic value of liabilities of fund

With-profits benefits reserve	31	11074601	8969027	
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	19306	22096
	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		34840
	Future costs of contractual guarantees (other than financial options)	41	473809	404959
	Future costs of non-contractual commitments	42	229297	212364
	Future costs of financial options	43	21850	18412
	Future costs of smoothing (possibly negative)	44	(41263)	4525
	Financing costs	45		
	Any other liabilities related to regulatory duty to treat customers fairly	46		
	Other long-term insurance liabilities	47	173369	244562
	Total (32+34+41+42+43+44+45+46+47-(33+35+36))	49	876368	872078
Realistic current liabilities of the fund	51	1123999	701624	
Realistic value of liabilities of the fund (31+49+51)	59	13074968	10542729	

Realistic balance sheet

Name of insurer **CGNU Life Assurance Limited**
 Global business
 Financial year ended **31st December 2005**
 With-profits fund **Life and Annuity 4**
 Units **£000**

	As at end of this financial year 1	As at end of the previous year 2
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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	13535506	10875855
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	13535506	10875855
Risk capital margin for fund (62-59)	65	460538	333126
Realistic excess capital for fund (26-(59+65))	66	1621293	1378013
Realistic excess available capital for fund (29-(59+65))	67	1621293	1378013
Working capital for for fund (29-59)	68	2081831	1711139
Working capital ratio for fund (68/29)	69	13.74	13.96

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 **CGNU Life Assurance Limited**Name and number of fund/Summary **With Profit**Financial year ended **31st December 2005**Units **£000**

		Financial year	Previous year
		1	2
Income			
Earned premiums	11	1861228	712895
Investment income receivable before deduction of tax	12	564881	505045
Increase (decrease) in the value of non-linked assets brought into account	13	388338	373038
Increase (decrease) in the value of linked assets	14	82	(3)
Other income	15		
Total income	19	2814529	1590975
Expenditure			
Claims incurred	21	1259972	1067267
Expenses payable	22	147684	119596
Interest payable before deduction of tax	23	9173	6690
Taxation	24	67423	37029
Other expenditure	25		
Transfer to (from) non technical account	26	24934	21786
Total expenditure	29	1509186	1252368
Business transfers-in	31		
Business transfers-out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	1305343	338607
Fund brought forward	49	9413753	9306387
Fund carried forward (39+49)	59	10719096	9644994

Long-term insurance business : Revenue accountName of insurer **CGNU Life Assurance Limited**Name and number of fund/Summary **Stakeholder**Financial year ended **31st December 2005**Units **£000**

		Financial year	Previous year
		1	2
Income			
Earned premiums	11	137871	
Investment income receivable before deduction of tax	12	19565	
Increase (decrease) in the value of non-linked assets brought into account	13	(15633)	
Increase (decrease) in the value of linked assets	14		
Other income	15		
Total income	19	141803	
Expenditure			
Claims incurred	21	18149	
Expenses payable	22	1232	
Interest payable before deduction of tax	23		
Taxation	24		
Other expenditure	25		
Transfer to (from) non technical account	26		
Total expenditure	29	19381	
Business transfers-in	31		
Business transfers-out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	122422	
Fund brought forward	49	231241	
Fund carried forward (39+49)	59	353663	

Long-term insurance business : Revenue accountName of insurer **CGNU Life Assurance Limited**Name and number of fund/Summary **Permanent Health**Financial year ended **31st December 2005**Units **£000**

		Financial year	Previous year
		1	2
Income			
Earned premiums	11		6155
Investment income receivable before deduction of tax	12		1442
Increase (decrease) in the value of non-linked assets brought into account	13		879
Increase (decrease) in the value of linked assets	14		
Other income	15		
Total income	19		8476
Expenditure			
Claims incurred	21		4157
Expenses payable	22		2759
Interest payable before deduction of tax	23		
Taxation	24		3612
Other expenditure	25		
Transfer to (from) non technical account	26		
Total expenditure	29		10528
Business transfers-in	31		
Business transfers-out	32	30178	
Increase (decrease) in fund in financial year (19-29+31-32)	39	(30178)	(2052)
Fund brought forward	49	30178	32230
Fund carried forward (39+49)	59		30178

Long-term insurance business : Revenue accountName of insurer **CGNU Life Assurance Limited**Name and number of fund/Summary **Summary**Financial year ended **31st December 2005**Units **£000**

		Financial year	Previous year
		1	2
Income			
Earned premiums	11	1999099	719050
Investment income receivable before deduction of tax	12	584446	506487
Increase (decrease) in the value of non-linked assets brought into account	13	372705	373917
Increase (decrease) in the value of linked assets	14	82	(3)
Other income	15		
Total income	19	2956332	1599451
Expenditure			
Claims incurred	21	1278121	1071424
Expenses payable	22	148916	122355
Interest payable before deduction of tax	23	9173	6690
Taxation	24	67423	40641
Other expenditure	25		
Transfer to (from) non technical account	26	24934	21786
Total expenditure	29	1528567	1262896
Business transfers-in	31		
Business transfers-out	32	30178	
Increase (decrease) in fund in financial year (19-29+31-32)	39	1397587	336555
Fund brought forward	49	9675172	9338617
Fund carried forward (39+49)	59	11072759	9675172

Long term insurance business : Analysis of premiumsName of insurer **CGNU Life Assurance Limited**Total business/subfund **With Profit**Financial year ended **31st December 2005**Units **£000**

		UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
		1	2	3	4	5
Gross						
Regular premiums	11	504578	758464	18977	1282019	1088443
Single premiums	12	3254178	1474907	26289	4755374	3577393
Reinsurance - external						
Regular premiums	13	63100	2678	4120	69898	
Single premiums	14					
Reinsurance - intra-group						
Regular premiums	15	33806	728839	8264	770909	
Single premiums	16	2079029	1240568	15761	3335358	
Net of reinsurance						
Regular premiums	17	407672	26947	6593	441212	287099
Single premiums	18	1175149	234339	10528	1420016	425796
Total						
Gross	19	3758756	2233371	45266	6037393	4665836
Reinsurance	20	2175935	1972085	28145	4176165	3952941
Net	21	1582821	261286	17121	1861228	712895

Long term insurance business : Analysis of premiumsName of insurer **CGNU Life Assurance Limited**Total business/subfund **Stakeholder**Financial year ended **31st December 2005**Units **£000**

		UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
		1	2	3	4	5
Gross						
Regular premiums	11		83569		83569	
Single premiums	12		105976		105976	
Reinsurance - external						
Regular premiums	13					
Single premiums	14					
Reinsurance - intra-group						
Regular premiums	15		40686		40686	
Single premiums	16		10988		10988	
Net of reinsurance						
Regular premiums	17		42883		42883	
Single premiums	18		94988		94988	
Total						
Gross	19		189545		189545	
Reinsurance	20		51674		51674	
Net	21		137871		137871	

Long term insurance business : Analysis of premiumsName of insurer **CGNU Life Assurance Limited**Total business/subfund **Permanent Health**Financial year ended **31st December 2005**Units **£000**

		UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
		1	2	3	4	5
Gross						
Regular premiums	11					19596
Single premiums	12					1914
Reinsurance - external						
Regular premiums	13					
Single premiums	14					
Reinsurance - intra-group						
Regular premiums	15					
Single premiums	16					
Net of reinsurance						
Regular premiums	17					6096
Single premiums	18					59
Total						
Gross	19					21510
Reinsurance	20					15355
Net	21					6155

Long term insurance business : Analysis of premiumsName of insurer **CGNU Life Assurance Limited**Total business/subfund **Summary**Financial year ended **31st December 2005**Units **£000**

		UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
		1	2	3	4	5
Gross						
Regular premiums	11	504578	842033	18977	1365588	1108039
Single premiums	12	3254178	1580883	26289	4861350	3579307
Reinsurance - external						
Regular premiums	13	63100	2678	4120	69898	
Single premiums	14					
Reinsurance - intra-group						
Regular premiums	15	33806	769525	8264	811595	
Single premiums	16	2079029	1251556	15761	3346346	
Net of reinsurance						
Regular premiums	17	407672	69830	6593	484095	293195
Single premiums	18	1175149	329327	10528	1515004	425855
Total						
Gross	19	3758756	2422916	45266	6226938	4687346
Reinsurance	20	2175935	2023759	28145	4227839	3968296
Net	21	1582821	399157	17121	1999099	719050

Long term insurance business : Analysis of claimsName of insurer **CGNU Life Assurance Limited**Total business/subfund **With Profit**Financial year ended **31st December 2005**Units **£000**

		UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
		1	2	3	4	5
Gross						
Death or disability lump sums	11	358136	15710	2700	376546	319149
Disability periodic payments	12	146	363	2	511	692
Surrender or partial surrender	13	2027794	1030954	101117	3159865	2106707
Annuity payments	14	873	40815		41688	40134
Lump sums on maturity	15	72900	104443	6131	183474	190663
Total	16	2459849	1192285	109950	3762084	2657345
Reinsurance - external						
Death or disability lump sums	21	24786	893		25679	
Disability periodic payments	22					
Surrender or partial surrender	23			32254	32254	
Annuity payments	24					
Lump sums on maturity	25					
Total	26	24786	893	32254	57933	
Reinsurance - intra-group						
Death or disability lump sums	31	167965	10780	211	178956	
Disability periodic payments	32	26	103	2	131	
Surrender or partial surrender	33	1344171	833190	25488	2202849	
Annuity payments	34					
Lump sums on maturity	35	298	58273	3672	62243	
Total	36	1512460	902346	29373	2444179	
Net of reinsurance						
Death or disability lump sums	41	165385	4037	2489	171911	115417
Disability periodic payments	42	120	260		380	538
Surrender or partial surrender	43	683623	197764	43375	924762	769615
Annuity payments	44	873	40815		41688	40134
Lump sums on maturity	45	72602	46170	2459	121231	141563
Total	46	922603	289046	48323	1259972	1067267

Long term insurance business : Analysis of claimsName of insurer **CGNU Life Assurance Limited**Total business/subfund **Stakeholder**Financial year ended **31st December 2005**Units **£000**

		UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
		1	2	3	4	5
Gross						
Death or disability lump sums	11		1139		1139	
Disability periodic payments	12					
Surrender or partial surrender	13		25563		25563	
Annuity payments	14					
Lump sums on maturity	15		10074		10074	
Total	16		36776		36776	
Reinsurance - external						
Death or disability lump sums	21					
Disability periodic payments	22					
Surrender or partial surrender	23					
Annuity payments	24					
Lump sums on maturity	25					
Total	26					
Reinsurance - intra-group						
Death or disability lump sums	31		578		578	
Disability periodic payments	32					
Surrender or partial surrender	33		12913		12913	
Annuity payments	34					
Lump sums on maturity	35		5136		5136	
Total	36		18627		18627	
Net of reinsurance						
Death or disability lump sums	41		561		561	
Disability periodic payments	42					
Surrender or partial surrender	43		12650		12650	
Annuity payments	44					
Lump sums on maturity	45		4938		4938	
Total	46		18149		18149	

Long term insurance business : Analysis of claimsName of insurer **CGNU Life Assurance Limited**Total business/subfund **Permanent Health**Financial year ended **31st December 2005**Units **£000**

		UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
		1	2	3	4	5
Gross						
Death or disability lump sums	11					2057
Disability periodic payments	12					16213
Surrender or partial surrender	13					
Annuity payments	14					
Lump sums on maturity	15					
Total	16					18270
Reinsurance - external						
Death or disability lump sums	21					
Disability periodic payments	22					
Surrender or partial surrender	23					
Annuity payments	24					
Lump sums on maturity	25					
Total	26					
Reinsurance - intra-group						
Death or disability lump sums	31					
Disability periodic payments	32					
Surrender or partial surrender	33					
Annuity payments	34					
Lump sums on maturity	35					
Total	36					
Net of reinsurance						
Death or disability lump sums	41					620
Disability periodic payments	42					3537
Surrender or partial surrender	43					
Annuity payments	44					
Lump sums on maturity	45					
Total	46					4157

Long term insurance business : Analysis of claimsName of insurer **CGNU Life Assurance Limited**Total business/subfund **Summary**Financial year ended **31st December 2005**Units **£000**

		UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
		1	2	3	4	5
Gross						
Death or disability lump sums	11	358136	16849	2700	377685	321206
Disability periodic payments	12	146	363	2	511	16905
Surrender or partial surrender	13	2027794	1056517	101117	3185428	2106707
Annuity payments	14	873	40815		41688	40134
Lump sums on maturity	15	72900	114517	6131	193548	190663
Total	16	2459849	1229061	109950	3798860	2675615
Reinsurance - external						
Death or disability lump sums	21	24786	893		25679	
Disability periodic payments	22					
Surrender or partial surrender	23			32254	32254	
Annuity payments	24					
Lump sums on maturity	25					
Total	26	24786	893	32254	57933	
Reinsurance - intra-group						
Death or disability lump sums	31	167965	11358	211	179534	
Disability periodic payments	32	26	103	2	131	
Surrender or partial surrender	33	1344171	846103	25488	2215762	
Annuity payments	34					
Lump sums on maturity	35	298	63409	3672	67379	
Total	36	1512460	920973	29373	2462806	
Net of reinsurance						
Death or disability lump sums	41	165385	4598	2489	172472	116037
Disability periodic payments	42	120	260		380	4075
Surrender or partial surrender	43	683623	210414	43375	937412	769615
Annuity payments	44	873	40815		41688	40134
Lump sums on maturity	45	72602	51108	2459	126169	141563
Total	46	922603	307195	48323	1278121	1071424

Long term insurance business : Analysis of expensesName of insurer **CGNU Life Assurance Limited**Total business/subfund **With Profit**Financial year ended **31st December 2005**Units **£000**

		UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
		1	2	3	4	5
Gross						
Commission - acquisition	11	138543	61278	2465	202286	183485
Commission - other	12	11554	9572	220	21346	23346
Management - acquisition	13	53457	53534	4038	111029	127725
Management - maintenance	14	28863	20237	1019	50119	46522
Management - other	15	57341	23867	597	81805	36811
Total	16	289758	168488	8339	466585	417889
Reinsurance - external						
Commission - acquisition	21					
Commission - other	22	69	2		71	
Management - acquisition	23					
Management - maintenance	24					
Management - other	25					
Total	26	69	2		71	
Reinsurance - intra-group						
Commission - acquisition	31	106071	55540	1287	162898	
Commission - other	32	678	8045	64	8787	
Management - acquisition	33	44345	43565	2716	90626	
Management - maintenance	34	8003	4656	222	12881	
Management - other	35	22993	20141	504	43638	
Total	36	182090	131947	4793	318830	
Net of reinsurance						
Commission - acquisition	41	32472	5738	1178	39388	35386
Commission - other	42	10807	1525	156	12488	14662
Management - acquisition	43	9112	9969	1322	20403	26298
Management - maintenance	44	20860	15581	797	37238	31285
Management - other	45	34348	3726	93	38167	11965
Total	46	107599	36539	3546	147684	119596

Long term insurance business : Analysis of expensesName of insurer **CGNU Life Assurance Limited**Total business/subfund **Stakeholder**Financial year ended **31st December 2005**Units **£000**

		UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
		1	2	3	4	5
Gross						
Commission - acquisition	11					
Commission - other	12					
Management - acquisition	13					
Management - maintenance	14		1232		1232	
Management - other	15					
Total	16		1232		1232	
Reinsurance - external						
Commission - acquisition	21					
Commission - other	22					
Management - acquisition	23					
Management - maintenance	24					
Management - other	25					
Total	26					
Reinsurance - intra-group						
Commission - acquisition	31					
Commission - other	32					
Management - acquisition	33					
Management - maintenance	34					
Management - other	35					
Total	36					
Net of reinsurance						
Commission - acquisition	41					
Commission - other	42					
Management - acquisition	43					
Management - maintenance	44		1232		1232	
Management - other	45					
Total	46		1232		1232	

Long term insurance business : Analysis of expensesName of insurer **CGNU Life Assurance Limited**Total business/subfund **Permanent Health**Financial year ended **31st December 2005**Units **£000**

		UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
		1	2	3	4	5
Gross						
Commission - acquisition	11					
Commission - other	12					1633
Management - acquisition	13					51
Management - maintenance	14					1346
Management - other	15					10
Total	16					3040
Reinsurance - external						
Commission - acquisition	21					
Commission - other	22					
Management - acquisition	23					
Management - maintenance	24					
Management - other	25					
Total	26					
Reinsurance - intra-group						
Commission - acquisition	31					
Commission - other	32					
Management - acquisition	33					
Management - maintenance	34					
Management - other	35					
Total	36					
Net of reinsurance						
Commission - acquisition	41					
Commission - other	42					1558
Management - acquisition	43					51
Management - maintenance	44					1147
Management - other	45					3
Total	46					2759

Long term insurance business : Analysis of expensesName of insurer **CGNU Life Assurance Limited**Total business/subfund **Summary**Financial year ended **31st December 2005**Units **£000**

		UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
		1	2	3	4	5
Gross						
Commission - acquisition	11	138543	61278	2465	202286	183485
Commission - other	12	11554	9572	220	21346	24979
Management - acquisition	13	53457	53534	4038	111029	127776
Management - maintenance	14	28863	21469	1019	51351	47868
Management - other	15	57341	23867	597	81805	36821
Total	16	289758	169720	8339	467817	420929
Reinsurance - external						
Commission - acquisition	21					
Commission - other	22	69	2		71	
Management - acquisition	23					
Management - maintenance	24					
Management - other	25					
Total	26	69	2		71	
Reinsurance - intra-group						
Commission - acquisition	31	106071	55540	1287	162898	
Commission - other	32	678	8045	64	8787	
Management - acquisition	33	44345	43565	2716	90626	
Management - maintenance	34	8003	4656	222	12881	
Management - other	35	22993	20141	504	43638	
Total	36	182090	131947	4793	318830	
Net of reinsurance						
Commission - acquisition	41	32472	5738	1178	39388	35386
Commission - other	42	10807	1525	156	12488	16220
Management - acquisition	43	9112	9969	1322	20403	26349
Management - maintenance	44	20860	16813	797	38470	32432
Management - other	45	34348	3726	93	38167	11968
Total	46	107599	37771	3546	148916	122355

Long term insurance business : Linked funds balance sheetName of insurer **CGNU Life Assurance Limited**

Total business

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

		Financial year	Previous year
		1	2
Internal linked funds (excluding cross investment)			
Directly held assets (excluding collective investment schemes)	11	11390	580
Directly held assets in collective investment schemes of connected companies	12		
Directly held assets in other collective investment schemes	13		
Total assets (excluding cross investment) (11+12+13)	14	11390	580
Provision for tax on unrealised capital gains	15		
Secured and unsecured loans	16		
Other liabilities	17		
Total net assets (14-15-16-17)	18	11390	580
Directly held linked assets			
Value of directly held linked assets	21		
Total			
Value of directly held linked assets and units held (18+21)	31	11390	580
Surplus units	32		
Deficit units	33		
Net unit liability (31-32+33)	34	11390	580

Long term insurance business : Revenue account for internal linked fundsName of insurer **CGNU Life Assurance Limited**

Total business

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

		Financial year	Previous year
		1	2
Income			
Value of total creation of units	11	13316	555
Investment income attributable to the funds before deduction of tax	12		
Increase (decrease) in the value of investments in the financial year	13	82	(3)
Other income	14		
Total income	19	13398	552
Expenditure			
Value of total cancellation units	21	2588	1596
Charges for management	22		
Charges in respect of tax on investment income	23		
Taxation on realised capital gains	24		
Increase (decrease) in amount set aside for tax on capital gains not yet realised	25		
Other expenditure	26		
Total expenditure	29	2588	1596
Increase (decrease) in funds in financial year (19-29)	39	10810	(1044)
Internal linked fund brought forward	49	580	1624
Internal linked funds carried forward (39 + 49)	59	11390	580

Long term insurance business : Summary of new businessName of insurer **CGNU Life Assurance Limited**

Total business

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

		UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
		1	2	3	4	5
Number of new policyholders/scheme members for direct insurance business						
Regular premium business	11	2215	50379	1040	53634	
Single premium business	12	60605	45641	240	106486	
Total	13	62820	96020	1280	160120	
Amount of new regular premiums						
Direct insurance business	21	2391	212954	3444	218789	
External reinsurance	22					
Intra-group reinsurance	23	213			213	
Total	24	2604	212954	3444	219002	
Amount of new single premiums						
Direct insurance business	25	2221518	1314883	17289	3553690	
External reinsurance	26					
Intra-group reinsurance	27	107660			107660	
Total	28	2329178	1314883	17289	3661350	

Long term insurance business : Analysis of new businessName of insurer **CGNU Life Assurance Limited**

Total business

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

UK Life / Direct insurance business

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
100	Conventional whole life with-profits OB	1769	688	2	41
120	Conventional endowment with-profits OB savings	17	37		
325	Level term assurance	43	110		
330	Decreasing term assurance	37	193		12
360	Income protection non-profit (guaranteed premiums)	347	104		
400	Annuity non-profit (CPA)			4	95
415	Collective Life		1217		30487
500	Life UWP single premium			7528	186356
505	Life UWP whole life regular premium		7		
700	Life property linked single premium			53071	2004527
710	Life property linked whole life regular premium		32		
720	Life property linked endowment regular premium - target cash	2	3		

Long term insurance business : Analysis of new businessName of insurer **CGNU Life Assurance Limited**

Total business

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

UK Life / Reinsurance accepted intra-group

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
500	Life UWP single premium				11166
575	Miscellaneous UWP				96494
325	Level term assurance		135		
330	Decreasing term assurance		78		

Long term insurance business : Analysis of new businessName of insurer **CGNU Life Assurance Limited**

Total business

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

UK Pension / Direct insurance business

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
175	Group conventional deferred annuity with-profits	2	18	1	153
185	Group conventional pensions endowment with-profits	9	33	2	96
400	Annuity non-profit (CPA)			970	21261
410	Group Life	1	13		
525	Individual pensions UWP	2088	4437	941	18368
530	Individual pensions UWP - increments		2594		19241
535	Group money purchase pensions UWP	3808	9919	1434	4232
540	Group money purchase pensions UWP - increments		8005		15421
565	DWP National Insurance rebates UWP				11200
571	Trustee investment plan UWP				1465
575	Miscellaneous UWP		37		738
725	Individual pensions property linked	11386	28301	13585	560538

Long term insurance business : Analysis of new businessName of insurer **CGNU Life Assurance Limited**

Total business

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

UK Pension / Direct insurance business

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
730	Individual pensions property linked - increments		14347		245524
735	Group money purchase pensions property linked	33085	96843	28708	85242
740	Group money purchase pensions property linked - increments		48407		164800
745	DWP National Insurance rebates property linked				41041
755	Trustee investment plan				125563

Long term insurance business : Analysis of new businessName of insurer **CGNU Life Assurance Limited**

Total business

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

Overseas (France) / Direct insurance business

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
500	Life UWP single premium			11	284
700	Life property linked single premium			5	88

Long term insurance business : Analysis of new businessName of insurer **CGNU Life Assurance Limited**

Total business

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

Overseas (Sweden) / Direct insurance business

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
500	Life UWP single premium			68	3559
700	Life property linked single premium			14	37
715	Life property linked endowment regular premium - savings		1		

Long term insurance business : Analysis of new businessName of insurer **CGNU Life Assurance Limited**

Total business

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

Overseas (Ireland) / Direct insurance business

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
525	Individual pensions UWP	3	8		
725	Individual pensions property linked	4	7	2	14

Long term insurance business : Analysis of new businessName of insurer **CGNU Life Assurance Limited**

Total business

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

Overseas (Other) / Direct insurance business

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
100	Conventional whole life with-profits OB	7	3		
330	Decreasing term assurance		1		
360	Income protection non-profit (guaranteed premiums)	3	2		
400	Annuity non-profit (CPA)			11	1657
525	Individual pensions UWP	23	139	10	1980
530	Individual pensions UWP - increments		254		292
575	Miscellaneous UWP				40
725	Individual pensions property linked	1000	2399	119	8088
730	Individual pensions property linked - increments		630		1250

Long term insurance business : Non-linked assetsName of insurer **CGNU Life Assurance Limited**Category of assets **Total long term insurance business assets**Financial year ended **31st December 2005**Units **£000**

		Unadjusted assets	Economic Exposure	Expected income from assets in column 2	Yield before adjustment	Return on assets in financial year
		1	2	3	4	5
Assets backing non-profit liabilities and non-profit capital requirement						
Land and buildings	11					
Approved fixed interest securities	12	617307	617307	25171	4.08	
Other fixed interest securities	13	487030	487030	24609	5.05	
Variable interest securities	14					
UK listed equity shares	15					
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18					
Total	19	1104337	1104337	49780	4.51	
Assets backing with-profits liabilities and with-profits capital requirement						
Land and buildings	21	1666208	2647894	83446	4.74	21.31
Approved fixed interest securities	22	2087027	1760430	103967	3.77	9.4
Other fixed interest securities	23	1282834	1451618	75733	4.71	11.03
Variable interest securities	24	110734	161143	4085	2.95	7.71
UK listed equity shares	25	5170978	5315967	152837	4.04	22.01
Non-UK listed equity shares	26	1426638	2160749	42736	3.79	30.34
Unlisted equity shares	27	922872	393638	37	0.03	
Other assets	28	1971753	747605	15414	2.29	
Total	29	14639044	14639044	478255	3.95	18.63
Overall return on with-profits assets						
Post investment costs but pre-tax	31					18.8
Return allocated to non taxable 'asset shares'	32					17.89
Return allocated to taxable 'asset shares'	33					14.93

Long term insurance business : Non-linked assetsName of insurer **CGNU Life Assurance Limited**Category of assets **Life and Annuity**Financial year ended **31st December 2005**Units **£000**

		Unadjusted assets	Economic Exposure	Expected income from assets in column 2	Yield before adjustment	Return on assets in financial year
		1	2	3	4	5
Assets backing non-profit liabilities and non-profit capital requirement						
Land and buildings	11					
Approved fixed interest securities	12	617307	617307	25171	4.08	
Other fixed interest securities	13	487030	487030	24609	5.05	
Variable interest securities	14					
UK listed equity shares	15					
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18					
Total	19	1104337	1104337	49780	4.51	
Assets backing with-profits liabilities and with-profits capital requirement						
Land and buildings	21	1666208	2647894	83446	4.74	21.31
Approved fixed interest securities	22	2087027	1760430	103967	3.77	9.4
Other fixed interest securities	23	1282834	1451618	75733	4.71	11.03
Variable interest securities	24	110734	161143	4085	2.95	7.71
UK listed equity shares	25	5170978	5315967	152837	4.04	22.01
Non-UK listed equity shares	26	1426638	2160749	42736	3.79	30.34
Unlisted equity shares	27	922872	393638	37	0.03	
Other assets	28	1971753	747605	15414	2.29	
Total	29	14639044	14639044	478255	3.95	18.63
Overall return on with-profits assets						
Post investment costs but pre-tax	31					18.8
Return allocated to non taxable 'asset shares'	32					17.89
Return allocated to taxable 'asset shares'	33					14.93

Long term insurance business : Fixed and variable interest assetsName of insurer **CGNU Life Assurance Limited**Category of assets **Total long term insurance business assets**Financial year ended **31st December 2005**Units **£000**

		Value of assets	Mean term	Yield before adjustment	Yield after adjustment
		1	2	3	4
UK government approved fixed interest securities	11	2236931	9.70	3.93	3.93
Other approved fixed interest securities	21	140806	11.85	2.65	2.65
Other fixed interest securities					
AAA/Aaa	31	284481	7.66	4.54	4.45
AA/Aa	32	440701	8.04	4.91	4.63
A/A	33	585880	6.72	4.73	4.41
BBB/Baa	34	483748	7.52	4.95	4.28
BB/Ba	35	46798	6.00	6.06	4.38
B/B	36	50276	6.09	3.90	0.80
CCC/Caa	37	4746	8.54	4.28	
Other (including unrated)	38	42018	6.45	4.28	3.59
Total other fixed interest securities	39	1938648	7.32	4.80	4.31
Approved variable interest securities	41	40404	9.35	1.64	1.64
Other variable interest securities	51	120739	25.92	3.39	3.39
Total (11+21+39+41+51)	61	4477528	9.17	4.23	4.02

Long term insurance business : Fixed and variable interest assetsName of insurer **CGNU Life Assurance Limited**Category of assets **Life and Annuity**Financial year ended **31st December 2005**Units **£000**

		Value of assets	Mean term	Yield before adjustment	Yield after adjustment
		1	2	3	4
UK government approved fixed interest securities	11	2236931	9.70	3.93	3.93
Other approved fixed interest securities	21	140806	11.85	2.65	2.65
Other fixed interest securities					
AAA/Aaa	31	284481	7.66	4.54	4.45
AA/Aa	32	440701	8.04	4.91	4.63
A/A	33	585880	6.72	4.73	4.41
BBB/Baa	34	483748	7.52	4.95	4.28
BB/Ba	35	46798	6.00	6.06	4.38
B/B	36	50276	6.09	3.90	0.80
CCC/Caa	37	4746	8.54	4.28	
Other (including unrated)	38	42018	6.45	4.28	3.59
Total other fixed interest securities	39	1938648	7.32	4.80	4.31
Approved variable interest securities	41	40404	9.35	1.64	1.64
Other variable interest securities	51	120739	25.92	3.39	3.39
Total (11+21+39+41+51)	61	4477528	9.17	4.23	4.02

Long term insurance business : Summary of mathematical reservesName of insurer **CGNU Life Assurance Limited**Total business/subfund **With Profit**Financial year ended **31st December 2005**Units **£000**

		UK Life	UK Pension	Overseas	Total Financial Year	Total Previous Year
		1	2	3	4	5
Gross						
Form 51 - with-profits	11	2115615	205446	28032	2349093	1946046
Form 51 - non-profit	12	407461	589423	17342	1014226	885718
Form 52	13	9208940	2488942	634624	12332506	13016276
Form 53 - linked	14	5760941	8882664	172300	14815905	10831900
Form 53 - non-linked	15	(70809)	110875	5005	45071	(13659)
Form 54 - linked	16					71
Form 54 - non-linked	17					
Total	18	17422148	12277350	857303	30556801	26666352
Reinsurance - external						
Form 51 - with-profits	21	1309			1309	
Form 51 - non-profit	22	176825	6620	2296	185741	
Form 52	23					
Form 53 - linked	24					
Form 53 - non-linked	25					
Form 54 - linked	26					
Form 54 - non-linked	27					
Total	28	178134	6620	2296	187050	
Reinsurance - intra-group						
Form 51 - with-profits	31	21435		285	21720	
Form 51 - non-profit	32	33827	47	207	34081	
Form 52	33	4307900	755460	59362	5122722	
Form 53 - linked	34	5760686	8882664	123515	14766865	
Form 53 - non-linked	35	(176406)	85468	1104	(89834)	
Form 54 - linked	36					
Form 54 - non-linked	37					
Total	38	9947442	9723639	184473	19855554	
Net of reinsurance						
Form 51 - with-profits	41	2092871	205446	27747	2326064	1929514
Form 51 - non-profit	42	196809	582756	14839	794404	706958
Form 52	43	4901040	1733482	575262	7209784	6491438
Form 53 - linked	44	255		48785	49040	889
Form 53 - non-linked	45	105597	25407	3901	134905	105007
Form 54 - linked	46					71
Form 54 - non-linked	47					
Total	48	7296572	2547091	670534	10514197	9233877

Long term insurance business : Summary of mathematical reservesName of insurer **CGNU Life Assurance Limited**Total business/subfund **Stakeholder**Financial year ended **31st December 2005**Units **£000**

		UK Life	UK Pension	Overseas	Total Financial Year	Total Previous Year
		1	2	3	4	5
Gross						
Form 51 - with-profits	11					
Form 51 - non-profit	12					
Form 52	13		697275		697275	599718
Form 53 - linked	14					
Form 53 - non-linked	15					
Form 54 - linked	16					
Form 54 - non-linked	17					
Total	18		697275		697275	599718
Reinsurance - external						
Form 51 - with-profits	21					
Form 51 - non-profit	22					
Form 52	23					
Form 53 - linked	24					
Form 53 - non-linked	25					
Form 54 - linked	26					
Form 54 - non-linked	27					
Total	28					
Reinsurance - intra-group						
Form 51 - with-profits	31					
Form 51 - non-profit	32					
Form 52	33		354934		354934	
Form 53 - linked	34					
Form 53 - non-linked	35					
Form 54 - linked	36					
Form 54 - non-linked	37					
Total	38		354934		354934	
Net of reinsurance						
Form 51 - with-profits	41					
Form 51 - non-profit	42					
Form 52	43		342341		342341	224500
Form 53 - linked	44					
Form 53 - non-linked	45					
Form 54 - linked	46					
Form 54 - non-linked	47					
Total	48		342341		342341	224500

Long term insurance business : Summary of mathematical reservesName of insurer **CGNU Life Assurance Limited**Total business/subfund **Permanent Health**Financial year ended **31st December 2005**Units **£000**

		UK Life	UK Pension	Overseas	Total Financial Year	Total Previous Year
		1	2	3	4	5
Gross						
Form 51 - with-profits	11					
Form 51 - non-profit	12					142988
Form 52	13					
Form 53 - linked	14					
Form 53 - non-linked	15					
Form 54 - linked	16					
Form 54 - non-linked	17					
Total	18					142988
Reinsurance - external						
Form 51 - with-profits	21					
Form 51 - non-profit	22					
Form 52	23					
Form 53 - linked	24					
Form 53 - non-linked	25					
Form 54 - linked	26					
Form 54 - non-linked	27					
Total	28					
Reinsurance - intra-group						
Form 51 - with-profits	31					
Form 51 - non-profit	32					
Form 52	33					
Form 53 - linked	34					
Form 53 - non-linked	35					
Form 54 - linked	36					
Form 54 - non-linked	37					
Total	38					
Net of reinsurance						
Form 51 - with-profits	41					
Form 51 - non-profit	42					27798
Form 52	43					
Form 53 - linked	44					
Form 53 - non-linked	45					
Form 54 - linked	46					
Form 54 - non-linked	47					
Total	48					27798

Long term insurance business : Summary of mathematical reservesName of insurer **CGNU Life Assurance Limited**Total business/subfund **Summary**Financial year ended **31st December 2005**Units **£000**

		UK Life	UK Pension	Overseas	Total Financial Year	Total Previous Year
		1	2	3	4	5
Gross						
Form 51 - with-profits	11	2115615	205446	28032	2349093	1946046
Form 51 - non-profit	12	407461	589423	17342	1014226	1028706
Form 52	13	9208940	3186217	634624	13029781	13615994
Form 53 - linked	14	5760941	8882664	172300	14815905	10831900
Form 53 - non-linked	15	(70809)	110875	5005	45071	(13659)
Form 54 - linked	16					71
Form 54 - non-linked	17					
Total	18	17422148	12974625	857303	31254076	27409058
Reinsurance - external						
Form 51 - with-profits	21	1309			1309	
Form 51 - non-profit	22	176825	6620	2296	185741	
Form 52	23					
Form 53 - linked	24					
Form 53 - non-linked	25					
Form 54 - linked	26					
Form 54 - non-linked	27					
Total	28	178134	6620	2296	187050	
Reinsurance - intra-group						
Form 51 - with-profits	31	21435		285	21720	
Form 51 - non-profit	32	33827	47	207	34081	
Form 52	33	4307900	1110394	59362	5477656	
Form 53 - linked	34	5760686	8882664	123515	14766865	
Form 53 - non-linked	35	(176406)	85468	1104	(89834)	
Form 54 - linked	36					
Form 54 - non-linked	37					
Total	38	9947442	10078573	184473	20210488	
Net of reinsurance						
Form 51 - with-profits	41	2092871	205446	27747	2326064	1929514
Form 51 - non-profit	42	196809	582756	14839	794404	734756
Form 52	43	4901040	2075823	575262	7552125	6715938
Form 53 - linked	44	255		48785	49040	889
Form 53 - non-linked	45	105597	25407	3901	134905	105007
Form 54 - linked	46					71
Form 54 - non-linked	47					
Total	48	7296572	2889432	670534	10856538	9486175

Long-term insurance business - analysis of valuation interest ratesName of insurer **CGNU Life Assurance Limited**Total business / subfund **With Profit**Financial year ended **31st December 2005**Units **£000**

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 L&GA WP Form 51	2034608	3.10	3.49	4.30
UK L&GA NP Form 51	187712	2.90	3.63	4.18
UK Pens WP Form 51	186523		3.90	4.30
UK Pens WP Form 51 Immediate Annuities	30027		2.00	4.30
UK Pens NP Form 51 Deferred Annuities	86101		3.60	4.18
UK Pens NP Form 51 Annuity in Payment	520594		4.20	4.35
UK L&GA WP Form 52	4805515	3.55	3.99	4.30
UK L&GA WP Form 52 NUIL	222976		4.15	4.30
UK Pens WP Form 52	1319238		4.15	4.30
UK Pens WP Form 52 SEDA	460748		3.90	4.30
OS WP Form 52	577192		4.15	4.30
UK L&GA NP Form 53	107946	3.20	4.00	4.18
UK Pens NP Form 53	26958		3.90	4.18
Misc	152938	n/a	n/a	
Total:	10719076	n/a	n/a	n/a

Long-term insurance business - analysis of valuation interest ratesName of insurer **CGNU Life Assurance Limited**Total business / subfund **Stakeholder**Financial year ended **31st December 2005**Units **£000**

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	353663		4.15	4.30
Total:	353663	n/a	n/a	n/a

Long term insurance business : distribution of surplusName of insurer **CGNU Life Assurance Limited**Total business/subfund **With Profit**Financial year ended **31st December 2005**Units **£000**

		Financial year	Previous year
		1	2
Valuation result			
Fund carried forward	11	10719096	9413753
Bonus payments in anticipation of a surplus	12	21837	18197
Transfer to non-technical account	13	24934	21786
Transfer to other funds/parts of funds	14		
Subtotal (11 to 14)	15	10765867	9453736
Mathematical reserves	21	10514197	9233877
Surplus including contingency and other reserves held towards the solvency margin (deficiency) (15-21)	29	251670	219859
Composition of Surplus			
Balance brought forward	31	20	20
Transfer from non-technical account	32		
Transfer from other funds/parts of funds	33		
Surplus arising since the last valuation	34	251650	219839
Total	39	251670	219859
Distribution of Surplus			
Bonus paid in anticipation of a surplus	41	21837	18197
Cash bonuses	42		
Reversionary bonuses	43	204879	179856
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	226716	198053
Net transfer out of fund/part of fund	47	24934	21786
Total distributed surplus (46+47)	48	251650	219839
Surplus carried forward	49	20	20
Total (48+49)	59	251670	219859
Percentage of distributed surplus allocated to policyholders			
Current year	61	90.09	90.09
Current year - 1	62	90.09	90.10
Current year - 2	63	90.10	90.07
Current year - 3	64	90.07	90.01

Long term insurance business : distribution of surplusName of insurer **CGNU Life Assurance Limited**Total business/subfund **Stakeholder**Financial year ended **31st December 2005**Units **£000**

		Financial year		Previous year	
		1		2	
Valuation result					
Fund carried forward	11	353663		231241	
Bonus payments in anticipation of a surplus	12	887		(93)	
Transfer to non-technical account	13				
Transfer to other funds/parts of funds	14				
Subtotal (11 to 14)	15	354550		231148	
Mathematical reserves	21	342341		224500	
Surplus including contingency and other reserves held towards the solvency margin (deficiency) (15-21)	29	12209		6648	
Composition of Surplus					
Balance brought forward	31				
Transfer from non-technical account	32				
Transfer from other funds/parts of funds	33				
Surplus arising since the last valuation	34	12209		6648	
Total	39	12209		6648	
Distribution of Surplus					
Bonus paid in anticipation of a surplus	41	887		(93)	
Cash bonuses	42				
Reversionary bonuses	43	11322		6741	
Other bonuses	44				
Premium reductions	45				
Total allocated to policyholders (41 to 45)	46	12209		6648	
Net transfer out of fund/part of fund	47				
Total distributed surplus (46+47)	48	12209		6648	
Surplus carried forward	49				
Total (48+49)	59	12209		6648	
Percentage of distributed surplus allocated to policyholders					
Current year	61	100.00		100.00	
Current year - 1	62	100.00		100.00	
Current year - 2	63	100.00		100.00	
Current year - 3	64	100.00		100.00	

Long term insurance business : distribution of surplusName of insurer **CGNU Life Assurance Limited**Total business/subfund **Permanent Health**Financial year ended **31st December 2005**Units **£000**

		Financial year	Previous year
		1	2
Valuation result			
Fund carried forward	11		30178
Bonus payments in anticipation of a surplus	12		
Transfer to non-technical account	13		
Transfer to other funds/parts of funds	14		
Subtotal (11 to 14)	15		30178
Mathematical reserves	21		27798
Surplus including contingency and other reserves held towards the solvency margin (deficiency) (15-21)	29		2380
Composition of Surplus			
Balance brought forward	31		2312
Transfer from non-technical account	32		
Transfer from other funds/parts of funds	33		
Surplus arising since the last valuation	34		68
Total	39		2380
Distribution of Surplus			
Bonus paid in anticipation of a surplus	41		
Cash bonuses	42		
Reversionary bonuses	43		
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46		
Net transfer out of fund/part of fund	47		
Total distributed surplus (46+47)	48		
Surplus carried forward	49		2380
Total (48+49)	59		2380
Percentage of distributed surplus allocated to policyholders			
Current year	61		
Current year - 1	62		
Current year - 2	63		
Current year - 3	64		

Long term insurance business : distribution of surplusName of insurer **CGNU Life Assurance Limited**Total business/subfund **Summary**Financial year ended **31st December 2005**Units **£000**

		Financial year	Previous year
		1	2
Valuation result			
Fund carried forward	11	11072759	9675172
Bonus payments in anticipation of a surplus	12	22724	18104
Transfer to non-technical account	13	24934	21786
Transfer to other funds/parts of funds	14		
Subtotal (11 to 14)	15	11120417	9715062
Mathematical reserves	21	10856538	9486175
Surplus including contingency and other reserves held towards the solvency margin (deficiency) (15-21)	29	263879	228887
Composition of Surplus			
Balance brought forward	31	20	2332
Transfer from non-technical account	32		
Transfer from other funds/parts of funds	33		
Surplus arising since the last valuation	34	263859	226555
Total	39	263879	228887
Distribution of Surplus			
Bonus paid in anticipation of a surplus	41	22724	18104
Cash bonuses	42		
Reversionary bonuses	43	216201	186597
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	238925	204701
Net transfer out of fund/part of fund	47	24934	21786
Total distributed surplus (46+47)	48	263859	226487
Surplus carried forward	49	20	2400
Total (48+49)	59	263879	228887
Percentage of distributed surplus allocated to policyholders			
Current year	61	90.55	90.38
Current year - 1	62		
Current year - 2	63		
Current year - 3	64		

Long-term insurance business: With-profits payouts on maturity (normal retirement)Name of insurer **CGNU Life Assurance Limited**Original insurer **CGNU Life Assurance Limited**Date of maturity value/open market option **1st March 2006**

Category of with-profits policy	Original term (years)	Maturity value/ open market option	Terminal bonus	MVA	CWP/UWP	MVA permitted?	Death benefit
1	2	3	4	5	6	7	8
Endowment assurance	10	6956	574	N/A	CWP	N	6956
Endowment assurance	15	12497	0	N/A	CWP	N	12497
Endowment assurance	20	25226	3098	N/A	CWP	N	25226
Endowment assurance	25	51815	12561	N/A	CWP	N	51815
Regular premium pension	5	14087	1390	0	UWP	N	14087
Regular premium pension	10	30239	1904	0	UWP	N	30239
Regular premium pension	15	59800	5881	0	UWP	N	59800
Regular premium pension	20	110387	1295	N/A	CWP	N	110387
Single premium pension	5	12011	0	0	UWP	N	12011
Single premium pension	10	19755	2117	0	UWP	N	19755
Single premium pension	15	33144	4816	0	UWP	N	33144
Single premium pension	20	58982	2269	N/A	CWP	N	58982

Long-term insurance business: With-profits payouts on surrenderName of insurer **CGNU Life Assurance Limited**Original insurer **CGNU Life Assurance Limited**Date of surrender value **1st March 2006**

Category of with-profits policy	Duration at surrender (years)	Surrender value	Terminal bonus	MVA	CWP/UWP	MVA permitted?	Death benefit
1	2	3	4	5	6	7	8
Endowment assurance	5	2692	N/A	N/A	CWP	N	12764
Endowment assurance	10	5149	N/A	N/A	CWP	N	17328
Endowment assurance	15	11105	N/A	N/A	CWP	N	21247
Endowment assurance	20	21387	N/A	N/A	CWP	N	31550
With-profits bond	2	11392	1065	0	UWP	Y	11830
With-profits bond	3	12580	2156	0	UWP	Y	13067
With-profits bond	5	11645	0	0	UWP	Y	11762
With-profits bond	10	16680	642	0	UWP	Y	16847
Single premium pension	2	12322	1670	0	UWP	Y	12322
Single premium pension	3	13348	2408	0	UWP	Y	13348
Single premium pension	5	12011	0	0	UWP	Y	12011
Single premium pension	10	19755	2117	0	UWP	Y	19755

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

Global business

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

		LTICR factor	Gross reserves / capital at risk	Net reserves / capital at risk	Reinsurance factor	LTICR Financial year	LTICR Previous year
		1	2	3	4	5	6
Insurance death risk capital component							
Classes I, II and IX	11	0.1%	257361	16291	0.50	129	214
Classes I, II and IX	12	0.15%					
Classes I, II and IX	13	0.3%	26192399	7188902		39289	43853
Classes III, VII and VIII	14	0.3%	3023980	696708	0.50	4536	5333
Total	15		29473740	7901901		43954	49400
Insurance health risk capital component							
Class IV and supplementary classes 1 and 2	21					3526	5205
Insurance expense risk capital component							
Classes I, II and IX	31	1%	4563319	4319695	0.95	43197	36220
Classes III, VII and VIII (investment risk)	32	1%	13906180	7948997	0.85	118203	122607
Classes III, VII and VIII (expenses fixed 5 yrs +)	33	1%	3411894	15553	0.85	29001	20828
Classes III, VII and VIII (other)	34	25%				66	37
Class IV	35	1%	17882	17882	1.00	179	1250
Class V	36	1%					
Class VI	37	1%	1475	1475	1.00	15	6
Total	38					190661	180948
Insurance market risk capital component							
Classes I, II and IX	41	3%	4563319	4319695	0.95	129591	108660
Classes III, VII and VIII (investment risk)	42	3%	13906180	7948997	0.85	354608	367820
Classes III, VII and VIII (expenses fixed 5 yrs +)	43	0%	3411894	15553			
Classes III, VII and VIII (other)	44	0%	9699158	84392			
Class IV	45	3%	17882	17882	1.00	536	3750
Class V	46	0%					
Class VI	47	3%	1475	1475	1.00	44	18
Total	48		31599908	12387994		484779	480248
Long term insurance capital requirement	51					722920	715801

Supplementary notes

Name of insurer **CGNU Life Assurance Limited**
 Global business
 Financial year ended **31st December 2005**

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

	2005
	£000
i) Net admissible assets	
Form 13 Line 89 (Long term business)	15,792,421
Form 13 Line 89 (Other than long term business)	31,312
Form 14 Lines 11, 12 and 49	(12,225,585)
Form 15 Line 69	(290)
	3,597,858
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 insurance undertakings	-
Total i) to iv) above	3,597,858
Form 3, line 79	3,597,858

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

	2005
	£000
i) Positive valuation differences in respect of assets where valuation in PRU exceeds the valuation that the firm uses for external financial reporting purposes	-
ii) 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	1,722,503
iii) 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	-
iv) Negative valuation differences in respect of liabilities where valuation in PRU exceeds the valuation that the firm uses for external financial reporting purposes	-
Net positive valuation difference included in line 14 /(35)	1,722,503

The amounts included at line ii) and represent the differences in respect of technical provisions.

1201 Reference period

Line 11 uses a reference period of 12 months, since the category of business reported through Form 12 was not written in the Company prior to the current financial year. A reference period of 36 months would result in a distorted annualised claims figure in line 31.

1302 Aggregate value of hybrid securities**1309 Aggregate value of hybrid securities**

The company held hybrid securities of £350.4m in the Life and Annuity Fund.

1304 Statement of amounts set off**1310 Statement of amounts set off**

Amounts have been set off to the extent permitted by generally accepted accounting principles.

Supplementary notesName of insurer **CGNU Life Assurance Limited**

Global business

Financial year ended **31st December 2005****Code****1305 Counterparty limits during the year****1311 Counterparty limits during the year**

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 (or £100m if less) with 'Tier 1' counterparties, 1.5% of funds under management (or £75m if less) with 'Tier 2' counterparties and 0.5% of funds under management (or £50m if less) with '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.

The absolute limit for a particular counterparty holding at the end of the financial year was £100m for Tier 1, £75m for Tier 2 and £50m for Tier 3.

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 and bond futures	
-asset allocation	20% of fund
FX forwards	
-asset allocation	20% of fund
UK equity put options	0.1% of portfolio
Overseas equity put options (excl. Japanese Equities)	3% of relevant portfolio

1306 Counterparty exposure at the year end**1312 Counterparty exposure at the year end**

Exposure to any one counterparty at the end of the financial year did not exceed 5% of the sum of the company's base capital resources requirement and its long-term insurance liabilities, excluding property linked assets and net of reinsurance ceded.

1308 Aggregate value of unlisted investments, etc. - long term insurance business

The long-term fund held £814.9m in unlisted securities and £110.5m of units in unregulated collective investment schemes. There were no holdings in listed companies, which are not readily realisable, or reversionary interests or remainders in property.

1314 Tangible lease assets**1316 Tangible lease assets**

There are no tangible leased assets included in line 80.

Supplementary notesName of insurer **CGNU Life Assurance Limited**

Global business

Financial year ended **31st December 2005****Code****1318 Other asset adjustments**

	£'000
Premium debt restriction	42,960
Gross up of Derivatives	(7,774)
Other asset adjustments included in Form 13 line 100	35,186

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.

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 £304m comprising a full provision for potential capital gains tax on unrealised gains and run-off of tax acquisition expenses.

There are no contingent liabilities not included on the form.

There are no guarantees, indemnities, or other contractual commitments affected other than in the ordinary course of insurance business and in respect of related companies.

1404 Implicit provision for derivative contracts

Included in line 38 is £30,702k relating to provision required by PRU 4.3.17R(3)

1405 Other adjustments to liabilities

	£'000
Gross up of Derivatives	(7,774)
Technical provisions adjustment	1,722,503
Other adjustments to liabilities included in Form 14 line 74	1,714,729

1502 Contingent liabilities, etc.

There are no charges over any assets of the Company.

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

There are no contingent liabilities not included on the form.

There are no guarantees, indemnities, or other contractual commitments affected other than in the ordinary course of insurance business and in respect of related companies.

1507 Other adjustments

	£'000
Reclassification of Corporation tax liability	87
Other adjustments to liabilities included in Form 15 line 83	87

Supplementary notes

Name of insurer **CGNU Life Assurance Limited**

Global business

Financial year ended **31st December 2005**

Code

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 2005. Revenue items in currencies other than sterling have been translated into sterling at an average rate of exchange for the year.

1700 Form omitted

This form has been omitted for the Permanent Health Fund 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	942

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

4001 Differences between brought forward and carried forward amount

The previous year fund carried forward figure for both the With Profit and Stakeholder sub-funds is not equal to the current year fund brought forward figure. The difference of £231,241,000 is due to separate reporting of the Stakeholder sub-fund in the current year, which was previously reported within the With Profit fund.

4004 Business transfers out

On 1st January 2005, the company transferred its PHI sub-fund to a fellow group undertaking, Norwich Union Life and Pensions Ltd. The transfer was undertaken in order to improve and simplify the fund structure within the Norwich Union Life Holdings group of companies.

4006 Apportionment of items between different long term 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.

Supplementary notesName of insurer **CGNU Life Assurance Limited**

Global business

Financial year ended **31st December 2005****Code****4009 Related party transactions**

Related party transactions exceeding 5% of the sum of the company's base capital resources requirement and its long-term insurance liabilities, excluding property linked assets and net of reinsurance ceded were as follows:

1)	Connected Party	Norwich Union Life & Pensions Limited
	Nature of relationship	Fellow group undertaking
	Nature of transactions during the period	Reinsurance ceded
	Value of transactions during the period	Premiums £3,940m
		Claims £1,629m
		Commission £170m
		Expenses £129m
	Nature of transactions during the period	Reinsurance accepted
	Value of transactions during the period	Premiums £238m
		Claims £32m
		Commission 1m
	Nature of transactions during the period	Reinsurance previously ceded was recaptured through a single premium received
	Value of transactions during the period	Premiums £1200m
	Amounts unpaid at the end of the period	£124m owed to Norwich Union Life & Pensions Limited
	Amounts written off in the period	£nil
2)	Connected Party	Commercial Union Life Assurance Company Limited
	Nature of relationship	Fellow group undertaking
	Nature of transactions during the period	Reinsurance ceded
	Value of transactions during the period	Premiums £219m
		Claims £833m
		Commission £8m
		Expenses £20m
	Amounts unpaid at the end of the period	£56m owed by Commercial Union Life Assurance Company Limited
	Amounts written off in the period	£nil

4101 Gross single premiums

Gross single premiums on Form 41 line 12 include £1,200m received for recapture of reinsurance previously ceded.

4102 Previous years entries**4201 Previous years entries****4301 Previous years entries****5001 Previous years entries**

Entries in the previous year column have only been completed if the entry can be obtained directly from the previous year's return. As a result, there are no entries for 'Reinsurance – external' and 'Reinsurance – intra-group'. 'Gross' and 'Net of reinsurance' entries represent the equivalent entries in the previous year's return.

4401 Basis of valuation in internal linked funds

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

Supplementary notes

Name of insurer **CGNU Life Assurance Limited**
 Global business
 Financial year ended **31st December 2005**

Code

4701 The number of new group schemes for which there is no record of benefits at member level is as follows, divided by product code.

Code	Number of schemes
415	16
571	3
755	604

4704 Single premiums shown on Form 41 differ from single premiums shown on Form 47. This is due to Form 41 including the recapture of UWP business from Norwich Union Life and Pensions Limited at 1st January 2005. The amount recaptured, in thousands, is equal to £925,000 for UK Life, £266,000 for UK Pensions and £9,000 for Overseas categories.

4800 Form omitted

This form has been omitted for the Permanent Health fund because on 1st January 2005, the company transferred this fund to a fellow group undertaking, Norwich Union Life and Pensions Ltd.

4802 Expected income where payment of interest is in default

There is a reduction of income where payment of interest is in default. The amount of interest involved is £2,424k.

4803 Redemption of securities

Where securities may be redeemed over a period at the option of the guarantor or the issuer, it has been assumed within the yield calculation that they will be redeemed at the earliest callable date.

4804 Yields for other assets

The yield shown in column 4 for the following assets is significantly different from the weighted average of the yields for each asset of that type determined in accordance with PRU 4.2.34R(2) before any allowance for tax required by PRU 4.2.29R.

	Yield
Interest bearing debtors	4.71%
Non-interest bearing debtors	0.00%
Loans secured by mortgages	5.71%
Loans to group undertakings	5.27%
Loans secured by insurance policies	8.50%

4806 Returns on assets backing with-profits liabilities

The assets listed under the allocated headings on Form 48 lines 21-29 have been used to calculate the investment returns shown in lines 21-29 column 5.

4900 Form omitted

This form has been omitted for the Permanent Health fund because on 1st January 2005, the company transferred this fund to a fellow group undertaking, Norwich Union Life and Pensions Ltd.

Supplementary notesName of insurer **CGNU Life Assurance Limited**

Global business

Financial year ended **31st December 2005****Code****4901 Rating agency**

The credit rating analysis on Form 49 has been prepared using the second highest published rating of those provided by Standard and Poor's, Fitch and Moody's.

Morley Investment Managers have provided ratings for securities for which there is no published rating.

5101 Group schemes for which there is no record of benefits at member level**5201 Group schemes for which there is no record of benefits at member level****5301 Group schemes for which there is no record of benefits at member level**

The number of group schemes for which there is no record of benefits at member level is as follows, divided by product code.

Note	Code	Number of schemes
5101	415	65
5201	571	1,848
5301	755	1,791

5203 Since 1% of gross mathematical reserves = £316m, then any miscellaneous product codes that exceed £10m are mentioned below.

Product 575 Miscellaneous UWP**UK Life Gross**

Norwich Union International Limited With Profit Bond and Core Funds Bond £214.9m.

UK Pension Gross

Retirement Annuity £448.5m

Other Overseas Gross

Retirement Annuity £10.0m

5104 Mathematical reserves for product codes 395 and 400 are approximated in UK Life and Overseas categories. Values are calculated using the proportion of benefit amount attributable to each of the two codes multiplied by the total reserve for annuities in payment.

6002 The mathematical reserves after deduction for reinsurance as shown in Form 60, exceed the actual reserves as shown in Form 58 by 1,315,254 (£000). The excess represents the unit liabilities in respect of the UK Life, Irish Life, and Pensions Guaranteed Funds, which are reinsured to Norwich Union Life & Pensions Limited. Although the unit liabilities are reinsured, the guarantee on the fifth anniversary of investment is retained by the Company. The presentation adopted in Form 60 ensures that the Company provides the long term insurance capital requirement in relation to these liabilities.

Valuation report – IPRU (INS) Appendix 9.4Name of insurer **CGNU Life Assurance Limited**

Global business

Financial year ended **31 December 2005****1 Introduction**

- (1) The **valuation date** is 31 December 2005.
- (2) The previous valuation was completed with an effective date of 31 December 2004.
- (3) An interim valuation was carried out with an effective date of 30 June 2005 for the purposes of Rule 9.3A.

2 Product Range

There have not been any significant changes to products during the financial year.

3 Discretionary charges and benefits

- (1) The table below shows the period during which a market value reduction (MVR) applied during 2005. The table is separated by class of business and by year of unit purchase. Entries marked 'N/A' imply that an MVR was not applied to units for that product/year of purchase combination during 2005. Units purchased in a year that is not shown were not subject to an MVR during 2005.

Product	UWP Life (explicitly-charged business)	UWP Life (implicitly charged business excl Bond 2000)	UWP Life (Bond 2000)	UWP Pensions (explicitly-charged business excl Stakeholder)	UWP Pensions (implicitly-charged business)	UWP Pensions (Stakeholder)	UWP Life business - reinsured from NUIL
1997	(N/A)	(N/A)	(N/A)	(N/A)	(N/A)	(N/A)	(N/A)
1998	(N/A)	01/01/05 - 31/12/05	(N/A)	(N/A)	01/01/05 - 31/12/05	(N/A)	(N/A)
1999	(N/A)	01/01/05 - 31/12/05	(N/A)	(N/A)	01/01/05 - 31/12/05	(N/A)	(N/A)
2000	(N/A)	01/01/05 - 31/12/05	01/01/05 - 31/12/05	(N/A)	01/01/05 - 31/12/05	(N/A)	(N/A)
2001	(N/A)	01/01/05 - 31/12/05	01/01/05 - 31/12/05	01/01/05 - 24/07/05	01/01/05 - 31/12/05	01/01/05 - 14/03/05	(N/A)
2002	(N/A)	01/01/05 - 14/03/05	(N/A)	(N/A)	(N/A)	(N/A)	(N/A)
2003	(N/A)	(N/A)	(N/A)	(N/A)	(N/A)	(N/A)	(N/A)

Irish business:

An MVR has been applied throughout 2005 on units purchased between April 1998 and November 2001 inclusive, with the exception of units purchased between August 1998 and November 1998 inclusive.

French business:

MVRs are calculated on a case-by-case basis. At the start of 2005 an MVR would have been applied on unit purchases from March 1998 to May 2002. Over the course of the year this range would have contracted.

German business:

An MVR has been applied throughout 2005; this is calculated on a policy by policy basis. A MVR would have been applicable on policies sold from March 1997 to December 1999.

Swedish business:

MVRs used are the same as for implicitly charged pensions.

NUL(RBS) business:

No MVRs applied during 2005.

- (2) There have been no changes to premiums on reviewable protection policies.
- (3) The fund does not have any non-profit deposit administration benefits.
- (4) Service charge increases:

NU Life products (post 2/10/2000) and ex-CGU products

The monthly administration charge increased by 3.2%, except for Irish products where the charge increased by 2.5%.

Ex-GA products

The monthly administration charge increased by 3.7% on Pensions products. For Life products the increase was 3.2%.

Valuation report – IPRU (INS) Appendix 9.4

Name of insurer **CGNU Life Assurance Limited**

Global business

Financial year ended **31 December 2005**

- (5) There have been no changes to benefit charges on linked policies.
- (6) There have been no changes to notional charges on accumulating with-profits policies. There were no changes to unit management charges.
- (7) One pool of assets is operated 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. This includes sales and purchases by Managed funds.

Where an instruction, payment or all our requirements are received for a transaction before 8:00am 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 8:00am then units are allocated at the next available unit price. The Company reserves the right to defer any transaction to a subsequent valuation point.

- (8) When a capital gain is realised on the sale of an asset in a unit-linked fund (and this gain cannot be offset by past capital losses) then the capital gains tax due would be retained in the fund until the next periodic settlement of tax due.

This applies in respect of tax on notional realisations under the Taxes Acts as well as tax on realised capital gains. The tax rates used in calculating these deductions are as specified in section 3.9 below.

- (9) The internal linked funds are taxed on investment gains as if they were stand-alone funds within the Long Term Business Fund and are therefore charged tax at the rate that would apply to the Long Term Business Fund. Allowance is made for indexation where applicable. Credit is given for the expected timing of policyholder tax payment in calculating unit prices. The intention is to adopt a smoothed neutrality, looking at rates on a yearly basis and adjusting the rates charged to repay any accumulated excesses or reimburse any accumulated deficit over an appropriate period.

For funds with an excess of realised/unrealised gains over losses the percentage used for gains and losses was 20% during the year to 31 December 2005.

Credit is also applied to unit prices for accumulated realised losses and unrealised losses. For funds with an excess of realised/unrealised losses over gains the percentage used for gains and losses varied by fund in the range 7% to 17% during the year to 31 December 2005.

- (10) 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.

4 Valuation basis (other than for special reserves)

For unit linked policies that are reassured to Norwich Union Life and Pensions details are shown in NUL&P NP fund's Appendix 9.4 unless stated below.

- (1) Valuation methodology

£10m is less than 1% of gross mathematical reserves = £316m. Therefore £10m has been used as the materiality limit for this section.

A gross premium valuation method has been used in the calculation of mathematical reserves for the principal classes of with-profit and non-profit business.

Assurances and deferred annuities were valued according to nearest age at the date of investigation. Provision was made for the immediate payment of claims.

Immediate Annuities were valued according to age last birthday at the date of the investigation.

Except in the case of Parent's Life Policies, those contracts which are a combination of two or more categories of contract have been valued in their constituent parts.

Valuation report – IPRU (INS) Appendix 9.4

Name of insurer **CGNU Life Assurance Limited**

Global business

Financial year ended **31 December 2005**

Full provision has been made for all guaranteed benefits, vested bonus and options available to policyholders. Where policyholders are able to surrender their policies for cash we have ensured that the reserves are large enough to meet that part of the cash payment relating to their guaranteed benefits.

A small number of policies on legacy systems are valued on a net premium basis; the reserves do not exceed £10m. Where the net premium method was used, no adjustment was made to the net premium for acquisition expenses (or for anything else).

An amount was included in the Decreasing Term Reserve to cover the risk of death during a period not exceeding three months under certain mortgage related policies between the date of exchange of contracts and the completion of a mortgage.

An amount was included in the With Profits Endowment Reserve to meet the non-recovery of Life Assurance Premium Relief agreed with the Inland Revenue in respect of future premiums on certain life policies issued in March 1984.

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 inflation at 3.8% per annum.

Principles adopted in the valuation of particular contracts were:

- (i) The reserve for single premium group and individual term assurance contracts was the single premium and for Group Decreasing Term Assurance contracts the reserve was one year's office premium for annual premium contracts and the unearned proportion of the premium on the 24ths basis for single premium contracts, plus an appropriate reserve for profit sharing.
- (ii) Retirement Annuities by recurring single premiums were valued using a prospective bonus reserve valuation. The valuation assumes that future regular bonuses are nil. Allowance is made for the excess, if any, of the value of benefits purchased by future premiums at the current level over the value of such premiums.
- (iii) Equity Endowment Assurances were valued by taking the Bid Prices of the Units deemed to have been purchased at the valuation date and adding 1/12 of the total annual premium payable.
- (iv) For contracts with benefits linked to the internal linked funds of Norwich Union Life & Pensions Limited the unit liability was taken as the value of units deemed allocated to the policies in the internal linked funds of those companies.
- (v) Unitised With Profit business is valued initially by determining the lower of:
 - a) the current non-guaranteed surrender value and
 - b) the amount of this benefit after removal of final bonus / MVR.

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 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 100% is assumed. This is because the company now allows a 'roll-forward' of the no-MVR amount after the first no-MVR date. This approach is prudent.

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

- (vi) Assurances issued on impaired lives and subject to extra premiums were valued as if effected at the ages corresponding to the premiums charged, except that for certain assurances issued before 9 November 1970 one full year's extra premium was reserved in addition to the normal reserve calculated on the basis of the true age.

One full year's extra premium was reserved in addition to the normal reserve under assurances carrying an extra premium for any other reason.

Debts that have been imposed on assurances have been ignored.

Valuation report – IPRU (INS) Appendix 9.4Name of insurer **CGNU Life Assurance Limited**

Global business

Financial year ended **31 December 2005**

- (vii) Amounts in overseas currencies were converted to sterling using rates of exchange current at the valuation date.
- (viii) The reserve for the serious illness contract ignores deaths that do not give rise to a serious illness benefit.
- (ix) The reserve for the critical illness ignores mortality.
- (x) The reserve for the Irish and German term assurance contracts was taken as one year's premium.
- (xi) The reserve for waiver of premium benefits attaching to endowment assurance, term assurance and decreasing term assurance contracts has been taken as one year's premium.
- (xii) The Company has a liability for some Creditor business (reserve: £17.9m). The methodology for the valuation of this business is outlined in detail in the Appendix 9.4 report for the Norwich Union Life & Pensions Limited Non-Profit fund (NUL&P NP).

(2) Valuation interest rates:

A table of all valuation interest rates used is given below.

Product Group	Interest rate 31 December 2005	Interest rate 31 December 2004
Life Assurances		
All Conventional With-Profit business	3.1%	3.4%
All Conventional Non-Profit business	2.9%	3.2%
All Unitised With Profit business	3.55%	3.7%
Pensions and General Annuities		
Immediate Annuities (currently in payment)	4.2%	4.9%
With-Profit Deferred Annuity		
In payment	3.9%	4.3%
In deferment	3.9%	4.3%
Non-Profit Deferred Annuity		
In payment	3.6%	4.0%
In deferment	3.6%	4.0%
Pure Endowment WP	3.9%	4.3%
In-payment rate for valuing Guaranteed Annuity Options	3.9%	4.3%
Other Non-Profit Conventional business	3.6%	4.0%
All Unitised With-Profit business	4.15%	4.3%
With Profit Annuity	2.0%	2.0%

(3) Adjustment to yield for credit riskEquity/Property assets:

In both cases the assets have been ordered by yield and divided into different categories. The yield in each category is capped. This means that very low-yielding assets retain this low rate but high-yielding assets are capped. This reduces the average yield on equity / property assets.

In the case of equity, the cap is the Long Term Gilt Yield + 2%. The cap reduces the average yield on equities by approximately 0.28%. In the case of property, the cap is also the Long Term Gilt Yield + 2%. The cap reduces the average yield on property by approximately 0.09%.

The cap on property has been reduced from LTGY+3%. This is because the yields on CGNU Property are currently low (average 4.7%) compared to gilt yields, with 82% of the business having a yield below 6% and 96% having a yield below 7% (LTGY + 3%). This implies that much of the credit risk has already been taken into account in the calculation of the base running yields. An additional allowance was still deemed necessary so the cap was reduced.

Fixed interest securities

The allowance for credit risk will vary depending on the credit rating of the bond. The table below shows the allowances used.

Corporate Bond Deductions								
Rating	AAA	AA	A	BBB	BB	B	C	Alternative Investments
Deduction	0.09%	0.28%	0.32%	0.67%	1.68%	3.10%	4.95%	0.69%

Valuation report – IPRU (INS) Appendix 9.4Name of insurer **CGNU Life Assurance Limited**

Global business

Financial year ended **31 December 2005**

For the purposes of the valuation a single deduction was calculated and applied to all bonds. This was an average of the allowances for securities with different credit ratings, weighted by the bonds' market values at 30 November 2005.

The deduction used was 0.48%. It applies to all fixed interest securities except Approved fixed interest (gilts and other bonds issued by approved UK and international public sector bodies).

For Mortgages, a deduction of 0.50% was used, while for Deposits, the equivalent deduction was 0.10%.

(4) Mortality assumptions

The table below shows the mortality basis for business written by the fund.

Product	Mortality basis 31 December 2005	Mortality basis 31 December 2004
CGNU Life Assurances		
Whole life and Endowments; Decreasing Term Assurance on Low Cost Endowment and Whole Life; Group & IPA Term Assurance; Contingent Assurances	80% AM92 / 85% AF92 (Non-Smoker) 210% AM92 / 250% AF92 (Smoker)	AM92/AF92 –2yrs (NS) +4yrs (S)
Unitised With Profits	120% AM92 / AF92	AM92/AF92
Term assurance (Non-Profit)	75% TM92 / 75% TF92 (NS) 150% TM92 / 220% TF92 (S)	75% TM92 / 75% TF92 (NS) 150% TM92 / 180% TF92 (S)
Mortgage Protection (Non-Profit)	85% TM92 / 90% TF92 (NS) 165% TM92 / 210% TF92 (S)	80% TM92 / 85% TF92 (NS) 165% TM92 / 190% TF92 (S)
Other term	1x premium	1x premium
Lifecover plus	Lifecover plus 93	Lifecover plus 93
CGNU: General Annuities		
Immediate Annuities – Individual	69% IML00 / 72% IFL00	70% IMA80/102% IFA80 (modified)
Immediate Annuities – Group; GAOs in payment	86% PCMA00 / 80% PCFA00 (assume all business pre 1/1/03)	81% PMA80/98% PFA80 (modified)
Individual deferred annuity In deferment Post vesting	50% AM92 / 50% AF92 69% IML00 / 72% IFL00	50% AM92 / 50% AF92 70% IMA80/102% IFA80 (modified)
Group deferred annuity In deferment Post vesting	50% AM92 / 50% AF92 86% PCMA00 / 80% PCFA00	50% AM92 / 50% AF92 81% PMA80/98% PFA80 (modified)
CGNU: Pensions Business		
Immediate Annuities; With profit Annuity	86% PCMA00 / 80% PCFA00	81% PMA80/98% PFA80 (modified)
GAOs in payment	86% PCMA00 / 80% PCFA00	81% PMA80/98% PFA80 (modified)
Pure Endowment	50% AM92 / 50% AF92	50% AM92 / 50% AF92
Whole Life & Endowment Insurance Group Term Assurance	AM92 / AF92	AM92 / AF92
Unitised With Profits	90% AM92 / AF92	AM92 / AF92
Term assurance	75% TM92 / 75% TF92 (NS) 150% TM92 / 220% TF92 (S)	75% TM92 / 75% TF92 (NS) 150% TM92 / 180% TF92 (S)
Deferred Annuity Reversionary Annuity In deferment Post vesting	50% AM92 / 50% AF92 86% PCMA00 / 80% PCFA00	50% AM92 / 50% AF92 81% PMA80/98% PFA80 (modified)
Widows Death in Service In deferment Post vesting	AM92/AF92 86% PCMA00 / 80% PCFA00	AM92/AF92 81% PMA80/98% PFA80 (modified)
Current Cost Term Insurance	1 periodic premium	1 periodic premium

Notes on tables:

- M tables apply to male lives, F tables to female lives.
- Annuitant mortality: allowance has been made for future improvements to mortality. The base tables (% of PCXA00) are assumed to apply as at 31/12/2004; from that date improvements are expected. The allowance for improvements is as follows:

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	31 December 2005	31 December 2004
Males	100% of Medium Cohort, minimum 2.0%, applicable from 2005	100% of Medium Cohort, minimum 1.5%, applicable from 2003
Females	75% of Medium Cohort, minimum 1.5%, applicable from 2005	75% of Medium Cohort, minimum 1.0%, applicable from 2003

- There are no products where the assurance mortality basis is expressed as 'modified table'.

Expectation of Life

The table below shows the required examples for expectation of life using the base mortality tables, percentage adjustments and improvement factors quoted above.

Table Description	Expectation of Life for annuitant aged 65 in 2005	Expectation of Life for annuitant aged 75 in 2005	Expectation of Life from age 65 for annuitant aged 45 in 2005	Expectation of Life from age 65 for annuitant aged 55 in 2005
86% of PCMA00 plus 100% CMI_Medium_Cohort, min 2%, applied from 2005	23.394	14.198	27.912	25.594
80% of PCFA00 plus 75% CMI_Medium_Cohort, min 1.5%, applied from 2005	25.671	16.254	28.770	27.194
69% IML00 plus 100% CMI_Medium_Cohort, min 2%, applied from 2005	25.705	15.945	30.096	27.849
72% IFL00 plus 75% CMI_Medium_Cohort, min 1.5%, applied from 2005	27.417	17.324	30.363	28.861

Allowance for future changes in mortality where not implicit in the basis:

There are no explicit reserves for alterations to mortality. All future changes are made to the tables used to calculate base mathematical reserves.

Allowance/reserve for:

- 1) any possible detrimental impact of significant changes in the incidence of disease on the mortality experience of the insurer;
- 2) developments in medical science on the mortality experience of the insurer:

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. The additional AIDS reserve for options is £3.2m.

The remaining margins in the published mortality and morbidity bases are considered sufficient to provide for adverse deviations in experience arising from other causes. No additional reserves are therefore held.

(5) Morbidity rates:

- i) Modified reassurer rates were used for Critical Illness attached to Level Term Assurance and Mortgage Protection products.

Critical Illness inception rates for critical illness policies expressed as an annual rate per mille:

Age	Male Non-Smoker	Male Smoker	Female Non-Smoker	Female Smoker
25	0.67	0.67	0.97	0.97
35	1.06	1.36	1.54	2.22
45	3.32	5.92	3.19	6.37
55	8.86	19.7	8.23	17.91

- ii) Combined disability and mortality table used in the valuation of endowment and attaching decreasing term contracts that offer critical illness and death benefits. The table used is expressed as an annual rate per mille:

Age	Male Non-Smoker	Male Smoker	Female Non-Smoker	Female Smoker
25	1.1430	1.2800	1.1460	1.1670
35	1.4610	2.0100	1.7080	2.5260
45	4.0680	7.5020	3.3350	6.8000
55	9.9960	23.1430	8.4780	19.0010

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

(6) Expense assumptions:

Expense assumptions are taken as 110% of the amounts detailed in the Management Services Agreement (MSA) plus an aggregate provision of £25m. These loadings are used to set a long-term assumption for additional costs arising within the business (e.g. project costs, regulatory fees, audit fees) and to give a margin for adverse deviation.

Expense levels are assumed the same for premium-paying and paid-up policies.

On deferred annuities an additional 3% is included in expenses as an allowance for the cost of paying annuities.

The table below shows the MSA expenses as at 31 December 2004 and 31 December 2005 (excluding allowance for project costs). The figures shown will be charged to policies in 2005/2006 respectively and form the base position for the valuation expense assumptions.

1. CGNU		
Renewal Admin (£ per policy)	31 December 2005 basis	31 December 2004 basis
(includes European business)		
Life (2000 and before)	12.65	12.26
Life (Policies after 2000)	9.92	9.61
Personal Pension	41.84	40.54
Unit Linked	11.22	10.87
Bond	14.31	13.86
Annuity	12.32	11.94
Stakeholder	21.54	10.43
Stakeholder 1%	21.54	10.43
Individual Fully Charged Pension*	32.03	
Group (£ per annum)		
Defined Benefit - per scheme	10,297.11	9,977.82
Defined Benefit - per member	316.3	306.49
Money Purchase - per scheme	2,624.32	2,542.94
Money Purchase - per member	87.72	85.00
Group Life/Group PHI - per scheme	1,360.35	1,318.16

* This product started in December 2004. There was virtually no business sold at 31 December 2004 and no formal valuation model/basis was set up for this business. The reserve held was the unit value.

For Joint Venture With Profit Bond expenses see Norwich Union Life (RBS) Limited (NUL(RBS)) FSA Returns.

Assumed future expense inflation:

3.8% per annum (NAE – 1%, as set by the MSA agreement)

Unit Linked policies: basis for non-unit reserves.

	31/12/2005		31/12/2004	
	Life	Pensions	Life	Pensions
Assumed Fund Growth (before annual management charge)	4.30%	5.20%	4.00%	5.30%
Discount rate	3.20%	3.90%	3.50%	4.30%
Policy fee inflation	2.00%	2.00%	2.00%	2.00%

Zillmer adjustments:

No Zillmer adjustments were made to net premium reserves.

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Financial year ended **31 December 2005**Investment expenses:

The yield on the asset classes backing the liabilities was reduced for investment expenses. This reduced the upper bound on the interest rates used in the valuation. The adjustments made were:

Asset Class	Reduction in asset yield
Equity	0.143%
Property	0.198%
Gilts	0.033%
Other Fixed Interest	0.077%
Cash	0.062%

The adjustments reflect the charging structure agreed with our fund managers, Morley Fund Management.

(7) Bonus Assumptions:

Conventional With Profits business:

The Company is a realistic basis life firm. Accordingly, no allowance has been made for future annual or final bonus on Conventional With Profits business. This is consistent with 7.3.9R. There are no guarantees relating to future annual or final bonus on this business.

Unitised With Profits business:

Certain classes of business have guaranteed annual bonus rates. These have been used in the projection of liabilities. No allowance has been made for discretionary annual bonus or final bonus.

Guaranteed regular bonus by product:

Product	Guaranteed Annual Bonus Rate	Valuation assumption	Applies to...
Unitised With Profits Life:			
Investment Bond: Guaranteed Bonus	3.00%	3.00%	Units purchased pre 1/2/1994 AND NOT switched to the Loyalty Fund
Investment Bond: Loyalty Bonus	Guaranteed 0.5% addition to AB rate for normal (non-gteed) Investment Bond	0.5%	Units purchased pre 1/2/1994 and switched to the Loyalty Fund
Unitised With Profits Pensions:			
Pensions (Non-Stakeholder)	4.00%	4.00%	Units purchased prior to 22/1/1996 (13/5/1996 for existing business regular premiums)

(8) Other basis items:Persistency

For Conventional Business, we have assumed 100% persistency until maturity.

For Unitised business, we have allowed for surrender rates consistent with the table below. This will serve to increase the reserve in certain circumstances, for example on small policies where the principal driver of the reserve is the expense loading.

An extra reserve is being held in respect of Unitised business retained by CGNU to give a margin for adverse deviation in respect of lapses. This reserve is based on a +/-2.5% change in lapses on Life business and +/-1.5% change in lapses on Pensions business. The reserve is £3m.

For policies with a no-MVR option available, we have assumed an exit rate of 100% at the next no-MVR date. This is a prudent approach that reflects our new policy of limiting future MVR on policies that stay in force after their first no-MVR date.

The persistency rates used are as follows. These represent the assumptions for exits where an MVR would be applied. They apply to amounts remaining after policyholders with guaranteed benefits have taken their money (either in regular withdrawals or through a full surrender guarantee).

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Product description	Lapse rates
Individual pensions UWP (All except FRP, IIP, SIPP); Group money purchase pensions UWP	1.5% for all years
Life UWP single premium (Bonds 1/10/98 to 15/1/02)	1% in year 1; 1.5% in year 2; 2% in year 3; 3% in year 4; 4% in year 5; 16% in year 6; 7% in year 7 and thereafter
Life UWP single premium (All other bonds)	1% in year 1; 1.5% in year 2; 2% in year 3; 3% in year 4; 4% in year 5; 16% in year 6; 8.5% in year 7; 8.5% in year 8; 8.5% in year 9; 7.5% in year 10 and thereafter
Individual pensions UWP (Flexible Retirement Plan)	5% in year 1; 5% in year 2; 5% in year 3; 5% in year 4; 5% in year 5; 5% in year 6 and thereafter
Life UWP whole life regular premium	6% in year 1; 6.5% in year 2; 7% in year 3 and thereafter
Individual pensions UWP (International Investment Plan)	1% in year 1; 2% in year 2; 3% in year 3; 4% in year 4; 5% in year 5; 20% in year 6; 10% in year 7; 8% in year 8 and thereafter
Life UWP single premium (Joint Venture Bond)	3% in year 1; 4% in year 2; 5% in year 3; 6.5% in year 4; 8% in year 5; 40% in year 6; 10% in year 7 and thereafter
Life UWP endowment regular premium - savings / target cash	8% in year 1; 10% in year 2; 12% in year 3 and thereafter
Individual pensions UWP (SIPP); Trustee investment plan UWP	2% in year 1; 2% in year 2; 2% in year 3; 4% in year 4; 6% in year 5; 30% in year 6; 20% in year 7; 10% in year 8 and thereafter
Miscellaneous UWP (NU International Bond)	1% in year 1; 1.5% in year 2; 2% in year 3; 3% in year 4; 4% in year 5; 18% in year 6; 6% in year 7 and thereafter

Option Take-Up Rates

- Guaranteed Annuity Rate Options:

We have assumed that current option takeup is 85%. This includes a margin over current experience of just over 10%.

This rate is assumed to increase by 1% per annum to 95%.

- Guaranteed Minimum Pensions on Section 32 policies:

We have assumed 100% 'option takeup' of the minimum pension. In practice, policyholders would not receive an option (if the maximum pension bought by their policy is below the Guaranteed Minimum then they will be paid the GMP).

Taxation

Valuation interest rates on Life business include an allowance for taxation. This allowance has been arrived at using the following assumption:

- A tax rate of 20% has been assumed in respect of income on Fixed Interest and Property assets (for Life business). No allowance has been made for taxation on equity income.

A reserve has been made for deferred taxation, including Capital Gains Tax, which has been adjusted for the proportion of business in the Company in the BLAGAB fund. No discounting has been applied to the tax rate used; this is in line with the new IFRS regulations. This reserve forms part of the Company's Accounting Liabilities as shown on Form 14.

Tax relief on expenses on products in the BLAGAB fund has been assumed using a rate of 20.00%.

No allowance has been made for taxation in respect of Pensions business.

- (9) The unit liability in respect of index linked contracts was taken as the surrender value of the matching derivative instruments.

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Global business

Financial year ended **31 December 2005****5 Options and Guarantees****(1) Guaranteed Annuity Rate Options:****a) Method:**

For policies with a cash benefit that can be used to buy an annuity on guaranteed terms, the methodology is as follows:

- Calculate the amount of the cash benefit that we have assumed will be converted into an annuity (using the option takeup rates given in section 4.8).
- Determine the amount of annuity that this cash would buy if it were to be converted on guaranteed terms.
- Calculate the present value of the resulting annuity using the annuitant mortality basis given in section 4.4 and in-payment interest rate basis given in 4.2.
- If the total is greater than the total policy benefit at retirement then add on the difference. Discount the result to valuation date at the discount rate given in section 4.2.
- Add on the reserve for the expenses of administering the annuity (set equal to 3% of the value of the guaranteed annuity).

The Regulatory-peak reserve for Guaranteed Annuity Options is compared with the reserve calculated using the following basis:

- Regulatory-peak annuitant mortality assumptions are used (as given in 4.4)
- Regulatory-peak option takeup rates are used (as given in 4.8)
- Realistic-peak (realistic valuation) annuity interest rates and discounting are used
- Realistic-peak assumptions for persistency are used

A stochastic uplift factor is used to increase this reserve. It is derived from the option value implicit in the market prices of swaptions with appropriate term to exercise and guaranteed coupon.

Realistic-peak assumptions are discussed in more detail in Appendix 9.4A.

If this second reserve is larger than the base Regulatory-peak figure, an allowance for stochastic variation is added to the Regulatory-peak reserve. The allowance at 31/12/2005 is zero.

b)

(i) Product name	Group conventional pensions endowment with-profits	Group conventional pensions endowment with-profits	Group conventional pensions endowment with-profits	Group conventional pensions endowment with-profits
Category description	Policies written pre 1977	Policies written from 1/1/1977 to 30/4/1994	Policies written 1/5/1994 to 30/6/1999	Policies written from 1/7/1999
(ii) Basic Reserve (£m)	0.3	46.6	4.3	1.4
(iii) Spread of o/s durations:				
% with o/s dur'n of 1 year	0.0%	9.1%	4.2%	4.8%
% with o/s dur'n of 2 to 5 years	67.5%	36.2%	41.3%	39.7%
% with o/s dur'n of 6 to 10 years	17.2%	27.3%	18.8%	12.9%
% with o/s dur'n of 11 to 20 years	15.4%	22.9%	25.6%	20.3%
% with o/s dur'n of over 20 years	0.0%	4.5%	10.0%	22.4%
(iv) guarantee reserve (£m)	0.1	27.6	0.6	0.0
(v) guaranteed annuity rate	10.31%	11.11%	7.51%	4.98%
(vi) increments allowed?	See note below	See note below	See note below	See note below

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(vii) form of annuity	Payable monthly in advance, single life, no guarantee period, no escalation in payment	Payable monthly in advance, single life, no guarantee period, no escalation in payment	Payable monthly in advance, single life, no guarantee period, no escalation in payment	Payable monthly in advance, single life, no guarantee period, no escalation in payment
(viii) retirement ages	62 to 75	52 to 75	57 to 75	57 to 75

Note - Some products with GAOs continued to accept increments but either the GAO was repriced to a level which made it far less valuable or the increment above a stated amount did not get the GAO.

(2) Guaranteed surrender and unit-linked maturity values:*Non-Unit-linked:*

The only such policies with a guaranteed surrender value are certain Unitised With-Profits Life contracts.

No Conventional policies have a guaranteed surrender value. Unitised With-Profits Pensions contracts cannot be surrendered, only transferred or switched; in either case, an MVR would apply if this were to be done before normal retirement rate. Retirement under such policies can happen on more than one date without incurring an MVR. Retirement is a contractual exit (not a surrender of the policy) and is explicitly valued.

There are three types of guaranteed surrender value:

- i) The option to surrender the policy on a certain set of dates without an MVR being applied (a no-MVR guarantee).
- ii) The option to surrender the policy on a certain set of dates with the total benefit being underpinned by the total premium paid into the policy (a money-back guarantee)
- iii) The option to take a certain level of regular withdrawals without an MVR being applied.

a) Methodology:

In all three cases above the overall reserve for a policy has been calculated as:

Max([Accumulated Benefit + adjustment], [Prospective reserve for future benefit]).

- The [Accumulated Benefit + adjustment] item is calculated in accordance with PRU 7.3.71R(1).
- The [Prospective reserve for future benefit] is calculated as the present value of the benefit paid to the policyholder after allowing for lapses. The basis of the calculation includes assumptions for surrender before the guarantee date(s), an assumption about the percentage of remaining policyholders who choose to surrender on their guarantee date(s) and an assumption for the level of MVR-free regular withdrawals taken by policyholders.

Persistency assumptions are given in item 4.8, along with assumptions about guarantee take-up. The interest rates used in the calculation are given in 4.2.

The guarantee is explicitly valued as part of the main calculation – there is no explicit reserve for it. The reserve calculated below is equal to the difference between:

- i) The full reserve for Unitised With Profits policies with the prospective component calculated assuming that the remaining policyholders receive their guarantee on future guarantee dates;
- ii) The full reserve for Unitised With Profits policies with the prospective component calculated assuming that remaining policyholders receive the lesser of their guarantee and the surrender value they would otherwise have received on future guarantee dates.

In practice, the discounted value of the guaranteed amounts is lower than the reserves established.

The tables show the unit value in force as the guaranteed amount. This represents the amount that would be paid if the policyholder surrendered with a no-MVR guarantee. It is also a proxy for the amount payable

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under the regular withdrawal guarantee, as a policyholder could ultimately redeem all of their units through regular withdrawals.

Where a spread of duration is shown, duration refers to the next date at which the policyholder could fully surrender with a guarantee (either no-MVR or money-back).

b)

(i) Product name	(ii) basic reserve (£)	(iii) spread of outstanding term	(iv) guarantee reserve (£)	(v) guaranteed amount (£)	vi) MVR-free conditions			(vii) in force regular premiums	(viii) increments allowed to policy?
					1) no-MVR guarantee on full surrender	2) money-back guarantee (full surrender)	3) regular withdrawal guarantee		
Investment Bond	545,330,687	N/A; policy has no contractual exit date	0	545,672,541	None	None	No MVR on regular withdrawals up to 5% if taken from inception.	0	No (RW gtee)
Portfolio Bond (16/3/1993 to 30/9/1998)	763,959,889	N/A; policy has no contractual exit date	0	769,228,520	None	None	No MVR on regular withdrawals up to 7.5% if taken from inception.	0	No (RW gtee)
Portfolio Bond (1/10/1998 to 1/10/2000)	1,989,097,327	5% with duration 3 years; 40% with duration 4 years; 55% with duration 5 years	0	2,102,237,062	No MVR on surrender on 10th anniversary / any subsequent 5 yearly anniversaires	None	No MVR on regular withdrawals up to 7.5%. MVR applies to units cancelled from With Profit Income Fund if amount withdrawn is greater than the units allocated by way of bonus.	0	Switches-in allowed; treated as new premium
NU Portfolio Bond / NU Bond 2000 / NU Flexibond; all contracts issued 2/10/2000 to 24/6/2001 inclusive	2,415,774,131	30% with duration 5 years; 70% with duration 6 years	0	2,510,488,173	No MVR on surrender on 10th anniversary / any subsequent 5 yearly anniversaires	None	No MVR on regular withdrawals up to 7.5% of initial investment in With Profits Fund. MVR applies to units cancelled from With Profit Income Fund if amount withdrawn is greater than the units allocated by way of bonus.	0	Switches-in allowed; treated as new premium
NU Portfolio Bond / NU Bond 2000 / NU Flexibond; all contracts issued 25/6/2001 to 15/1/2002 inclusive	870,763,889	Duration 6 years	0	894,669,398	No MVR on surrender on 10th anniversary	None	No MVR on regular withdrawals up to 7.5% of initial investment in With Profits Fund. MVR applies to units cancelled from With Profit Income Fund if amount withdrawn is greater than the units allocated by way of bonus.	0	Switches-in allowed; treated as new premium

Returns under the Accounts and Statements Rules

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(i) Product name	(ii) basic reserve (£)	(iii) spread of outstanding term	(iv) guarantee reserve (£)	(v) guaranteed amount (£)	vi) MVR-free conditions			(vii) in force regular premiums	(viii) increments allowed to policy?
					1) no-MVR guarantee on full surrender	2) money-back guarantee (full surrender)	3) regular withdrawal guarantee		
NU Portfolio Bond / NU Bond 2000 / NU Flexibond; all contracts issued 16/1/2002 to 6/7/2003 inclusive	1,395,039,772	90% with duration 7 years; 10% with duration 8 years	0	1,436,046,208	None	The amount paid on the 10th anniversary will be at least the amount used to buy the units cashed, less the amount of any regular withdrawals or charges for life cover.	No MVR on regular withdrawals up to 7.5% of initial investment in With Profits Fund. MVR applies to units cancelled from With Profit Income Fund if amount withdrawn is greater than the units allocated by way of bonus.	0	No
Portfolio Bond (contracts issued 7/7/2003 to 8/2/2004)	104,539,530	Duration 8 years	0	108,161,203	None	The amount paid on the 10th anniversary will be at least the amount used to buy the units cashed, less the amount of any regular withdrawals or charges for life cover.	No MVR on regular withdrawals up to 5% of initial investment in With Profits Fund. MVR applies to units cancelled from With Profit Income Fund if amount withdrawn is greater than the units allocated by way of bonus.	0	No
Portfolio Bond (contracts issued 9/2/2004 to 29/1/2006)	524,808,524	55% with duration 4 years; 45% with duration 5 years	0	567,313,282	None	The amount paid on the 5th or 10th anniversary will be at least the amount used to buy the units cashed, less the amount of any regular withdrawals or charges for life cover.	No MVR on regular withdrawals up to 5% of initial investment in With Profits Fund. MVR applies to units cancelled from With Profit Income Fund if amount withdrawn is greater than the units allocated by way of bonus.	0	No

Figures for Irish bonds are as follows:

(i) Product name	(ii) basic reserve (£)	(iii) spread of outstanding term	(iv) guarantee reserve (£)	(v) guaranteed amount (£)	vi) no-MVR guarantee on full surrender	(vii) in force regular premiums	(viii) increments allowed to policy?
Irish Bonds	144,091,380	20% with duration of 2 years; 50% with duration 3 years; 30% with duration 4 years.	0	151,911,038	No-MVR guarantee applies at 10th anniversary and every 5 years thereafter.		0 No (RW gtee)

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100% Figures for NU International Bond are as follows.

(i) Product name	(ii) basic reserve (£)	(iii) spread of outstanding term	(iv) guarantee reserve (£)	(v) guaranteed amount (£)	vi) MVR-free conditions			(vii) in force regular premiums	(viii) increments allowed to policy?
					1) no-MVR guarantee on full surrender	2) money-back guarantee (full surrender)	3) regular withdrawal guarantee		
NUL Bond (pre February 2004)	110,102,388	10% with duration 7 years; 70% with duration 8 years; 20% with duration 9 years	0	112,360,668	None	The amount paid on the 10th anniversary will be at least the amount used to buy the units cashed, less the amount of any regular withdrawals or charges for life cover.	No MVR on regular withdrawals up to 5% of initial investment in With Profits Fund.	0	No
NUL Bond (from February 2004)	292,777,988	40% with duration 4 years; 60% with duration 5 years	0	301,710,014	None	The amount paid on the 5th or 10th anniversary will be at least the amount used to buy the units cashed, less the amount of any regular withdrawals or charges for life cover.	No MVR on regular withdrawals up to 5% of initial investment in With Profits Fund.	0	No

Again the no-MVR guarantee has no impact because discounting has a greater impact than current MVR.

French UWP business does not have a guarantee on surrender.

German UWP business: the reserve for the business has been taken as the face value of units. Although there is a guaranteed bonus of 3% (see section 10.1 for details), this is less than the valuation interest rate for the business (ensuring that using the face value of units is prudent). The guarantee reserve is therefore zero.

Figures for the business reinsured from NUL(RBS) are shown in section 5.2 of that Company's Appendix 9.4 report.

Unit-Linked:

Guaranteed Fund shortfall reserve:

The With-Profit fund agrees to pay out the shortfall that will arise on all policies invested in the Unit-Linked Guaranteed Fund whenever the unit value at guarantee date is less than the money-back guarantee.

a) Methodology:

The reserves are calculated as the cost that is modelled to arise under the 99th percentile investment scenario. Investment returns are projected using a logNormal model for risky assets. Dynamic switching between asset classes is assumed over time, as such action is prescribed for the management of the assets in this fund.

Credit has been taken for the first result of the required margin of solvency in establishing this reserve.

b)

- i) Product names: 'Life property linked single premium' (code 700) and 'Trustee investment plan' (code 755).
- ii) The base reserve for these products is £1,315m (although note that this is entirely reinsured out to the NUL&P Non-Profit fund)
- iii) Spread of outstanding durations:

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Year	Proportion with Guarantee
2006	4.2%
2007	6.9%
2008	22.6%
2009	23.1%
2010	43.2%

- iv) Guarantee reserve £73.0m
- v) Guaranteed amount £1,189m
- vi) MVA free conditions: N/A
- vii) The business is single premium only so there are no in-force premiums expected.
- viii) Increments – the guarantee does not apply to switches into the fund.

(3) Guaranteed Insurability Options

- a) A reserve for options was included to provide for options which grant additional or extension assurances without medical evidence in addition to reserves of various multiples of specific extra premiums charged. The valuation basis was chosen so as to make suitable allowance for other guarantees and options granted.

An amount was included in the Term Assurance Reserve to cover conversion and renewal options based on a multiple of the premiums paid for such options. This applies to the 'Level term assurance' (code 325). The reserve is calculated as 23% of option conversion premium for terms less than 10 years, plus 15% of option conversion premium for terms greater than or equal to 10 years, plus 7% of accumulated renewal option premium. A further amount was included in this reserve to provide for the terminal illness benefit having regard to the accelerated payment of claims.

- b) The sum assured (net of reinsurance ceded) under conversion and renewal options is under £1bn.

(4) Other guarantees and options

- i) *Guaranteed Minimum Pension:*

For some Unitised business (both With-Profits and Unit-Linked), there is a guarantee that the pension bought with the benefits will not be less than the Guaranteed Minimum Pension arising from being contracted-out of the second state pension.

At the end of 2004, a reserve was calculated on an individual level for a subset of affected policies. These policies were the ones for which the data relating to the amounts of the GMP was the most robust. For each policy, the value of the Guaranteed Minimum Pension at retirement (calculated using the end-2004 valuation basis) was compared with the projected value of the policy's benefits. The difference, if positive, was noted as a percentage of the policy's benefits. These percentages were weighted and applied to the total benefit in force to estimate the reserve required on the business as a whole.

The amount of business invested in products that may incorporate a Guaranteed Minimum Pension guarantee is £175.5m. The reserve for the guarantee is £18m. Both figures are quoted before reinsurance.

Bonus added over 2005 and exits over the year (from maturities / transfers / deaths) would reduce the reserve. In view of its small size we have not updated the figure at end-2005.

- ii) A Death Benefit Guarantee Reserve was included in respect of Portfolio Bonds issued since August 1994, NU Bonds, NU Bond 2000 and NU Flexibond where premiums are linked to the internal linked funds of Norwich Union Life & Pensions Limited.

The reserve was established using the methodology described in the report of the Maturity Guarantees Working Party. For this purpose the full standard Wilkie investment model was used assuming 100% investment in UK equities.

Reserves for these Bonds are all reassured out but CGNU Life retains a Death Benefit Guarantee Reserve of £10.7m.

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6 Expense reserves

- (1) The aggregate amount for expense allowances during 2006 arising from direct-written contracts is £41,698,000.

In the case of premium paying contracts an explicit allowance for expenses is made in the gross premium valuation of conventional regular premium business. The allowance represents the assumed expenses during 2006. Credit has been taken for premiums rebated by the reinsurer for business valued on a gross premium basis. Allowance was also made for commission, reinsurance and any option premiums included in the office premium.

An allowance for investment expenses is included in the figure in 6.1.

The aggregate allowance also includes an additional reserve of £10,000,000.

- (2) Gross Premium Valuation has been used for all business. All allowances for expenses are explicit.
- (3) The allowance for maintenance expenses in 6.1 above exceeds the figure for expenses in line 14 of Form 43 by £3,228,000 after allowance for reinsurance. This is due to the margins in the basis.
- (4) No reserve is deemed necessary to cover the costs of transacting new business in the year following the valuation date.
- (5) No explicit reserve for maintenance expense overrun has been made because existing provisions for expenses exceed their current levels.

PRU 7.3.50R requires us to make prudent provision for expenses allowing for:

- a) tax
- b) expenses in the last twelve months and expected future expenses
- c) impact of expense inflation
- d) cost of closure to new business 12 months after valuation date.

We have taken the following action to comply with PRU 7.3.50R:

- a) All expenses provisions allow for taxation.
- b) Our expense provision exceeds expenses incurred over the last twelve months and expected future expenses levels.
- c) Expense inflation has been allowed for in the valuation at the rates dictated by the Management Services Agreement. The parameter used for RPI inflation (2.8%) was a best-estimate. By using a best-estimate assumption we are incorporating a margin for prudence into the valuation of expenses (since the gap between the valuation discount rate and expense inflation is far smaller than best-estimate).
- d) An assessment was made of the cost of closure of the Company to new business at the end of 2006 using the following method and basis of calculation:
 - All sales, marketing and new business administration operations were assumed to cease immediately.
 - Allowance was made for redundancy costs.
 - An allowance was made for redundancies in departments servicing the new business areas.
 - Allowance was made for costs arising from the delay in re-letting properties occupied by the new business areas.
 - Allowance was made for other costs incurred on closure to new business such as write-offs on fixed assets.
 - The aggregate costs were discounted to the valuation date.

Allowance was made for the proportion of closure expenses that would be borne by Norwich Union Life & Pensions Ltd, Commercial Union Life Assurance Company Ltd and Norwich Union Annuity Ltd.

No allowance was made for terminating the existing Management Services Agreement charging structure for existing business, as this would be expected to remain in force after closure to new business.

The cost of closure was covered by existing margins in the basis for expenses and no further reserve is required.

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- (1) The mathematical reserves (other than reserves in respect of property linked benefits) and matching assets, analysed by currency, are as follows.

Life and Annuity Fund				
Assets	Mathematical Reserves (£000)			
	Sterling	Euros	US Dollars	Other
Sterling	10,567,265	-	-	-
Euro	-	372,817	-	-
Dollar	-	-	83,416	-
Other	-	-	-	201

- (2) The liabilities shown in 'Other' represent several different currencies. 90% of these liabilities are matched by assets in the same currency. This represents 0.004% of the liabilities that are not denominated in sterling.
- (3) The fund does not hold a reserve for currency mismatching.

The fund is exposed to the risk that assets held in different currencies to the liabilities are subjected to adverse currency movements. The table in 7.1 above shows that effectively all our liabilities – both UK and overseas - are covered by assets held in the same currency.

- (4) We have assumed in our response that the regulations referenced are 4.2.16R and 4.2.10R.
- 1) The resilience fall in UK Equity securities required under 4.2.16R(1) are as follows:
Option a) [gilt yield] = -22.1%
Option b) [90 day movement] = 25%
The lesser of these two results is option a) = -22.1%
The fall must be at least 10%, so 10% was used.
 - 2) The resilience fall in UK Property holdings required under 4.2.16R(2) is 20%.
 - 3) The resilience change for UK Fixed Interest yields required under 4.2.16R(3) is the more onerous of a flat rise / fall in the yield curve of 0.824%. A **rise** in the yield curve of 0.824% is more onerous for the fund.
- (5) Our response assumes that the instructions reference 4.2.23R and 4.2.10R.

The fund is invested in two significant territories apart from the UK: Eurozone countries (assumed to be one territory) and the USA.

For overseas territories the most onerous scenario is:

- 1) Fall in equity values of 10.5%. This figure has been derived using the UK fall of 10% combined with relative recent historical volatility of relevant equity indices.
 - 2) Fall in property values of 20%.
 - 3) A **rise** in the yield curve of 0.824% at all durations (20% of long-term gilt yield used because UK fixed interest yields have been higher in absolute terms than overseas recently, particularly European yields).
- (6) Resilience Capital Requirement

The table below outlines our responses for the fund given the most onerous scenario in 7.4 and 7.5.

Appendix 9.4 item	£m
7.6.(a): Resilience Capital Requirement	160.4
7.6.(b): Change in long-term insurance liabilities	-984.3
7.6.(c): Movement in assets selected to match liabilities:	-1,144.7

The changes in assets and liabilities have been adjusted to reflect the movement in our tax provisions arising after the resilience shocks.

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- (7) 7.2.34R(2): “The assets [*held by a firm to cover its technical provisions*]...must...be of a sufficient amount, and of an appropriate currency and term, to ensure that the cash inflows from those assets will meet the expected cash outflows from the firm’s insurance liabilities as they become due.”

No further reserve has arisen following consideration of this regulation.

Currency mismatching is considered in sections 7.1-7.3.

The assets backing the liabilities do not precisely match them by term. The fund has significant holdings in Equity and Property assets that have no set maturity date. These assets are held to provide strong performance for policyholders.

Instead, the fund aims to ensure that cash outflows can be met through:

- Incoming premiums
- Income from its assets (dividends, rental income, coupon payments)
- Receipts on redemption from matched fixed interest stocks
- Sales of assets.

There is a risk that the fund may have to sell assets at an unfavourable time, e.g. when prices are temporarily depressed. If the fund has to sell unmarketable assets it may also depress the price through the sale itself. The risk will be very short term; if our liquidity was genuinely an issue then we could sell illiquid assets for cash over the period of a year without distorting the price we would receive (and have used in our asset valuation).

The risk only impacts business where it cannot be passed on to policyholders. For example, the risk is negligible on assets backing Unit Linked business because any reduction in price arising on sale would be passed onto the remaining policyholders through the unit price. On With-Profits business, high levels of surrender may lead to higher MVR rates being applied.

To mitigate this risk the fund holds liquid assets (cash, certificates of deposit). It also ensures that a significant proportion of its other assets are invested in highly marketable stocks, in particular government bonds (but also shares issued by large companies).

An estimate of the Company’s claims amounts for 2006 is £1,200m. The fund currently holds £1,150m in deposit-style assets. Premium income for 2005 was around £750m and there is no reason to expect it to fall significantly. Therefore we expect to be able to pay the company’s claims from incoming premiums / cash without having to sell any of our other liquid assets. Accordingly there is no need to hold an additional reserve.

8 Other Special Reserves

(1) Mortgage Endowment Promise

The Company has announced its intention that payments on with profit mortgage endowment policies may, if necessary, be topped up at maturity (subject to certain conditions) where there is a shortfall between the claim value and the mortgage originally targeted. Top-up payments can be met from future investment earnings on the free reserves within the With-Profits fund. If investment earnings on the free reserves are not sufficient to meet the top-up payments then the payments may be reduced or eliminated.

Maximum top-up amounts have been communicated to policyholders. We have also advised policyholders that even after the Promise payment has been made they may have a shortfall.

For the purposes of the regulatory valuation these top up payments are treated as discretionary benefits and generally no reserve needs to be held. There are two issues that have led to a provision being established:

- 1) The company has advised policyholders that we will give them at least three years notice before altering payments under the promise. We have assumed a half-year time lag between the Board making this decision and being able to communicate it to policyholders. This gives a minimum liability of the present value of the payments required for the next three and a half years.
- 2) The company intends that payments will be made while they can be provided for from earnings on the free reserves within the With-Profits fund. We therefore reserve on the basis that a minimum

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provision for the amount payable under the promise should be the historic earnings on the free reserves from 31 December 1999.

The following information has been used to calculate the reserve:

Cost of temporary promise for next 3 ½ years [A]	Historic earnings on estate [B]	Reserve =max([A],[B])
£2.55m	£31.3m	£31.3m

The interest rate used in discounting the benefits is noted in section 4.2. No lapses or policy alterations were assumed (as either action would lead to the policyholder forfeiting the promise).

(2) Mortgage Mis-selling Review

A reserve has been made to provide for future compensation and claims handling costs that are expected to arise from complaints about mortgage mis-selling.

The amount of the provision is £103.9m.

The reserve has been calculated by:

- Using an adjusted chain-ladder approach to construct reserves for claims that have been reported but not yet settled
- Using historic information and expected future experience to project the number of complaints into the future. An average cost per complaint figure has been derived and applied to the projected number of complaints to get a reserve for future compensation costs. Future expenses have been calculated assuming a fixed amount per complaint.

The key basis items are:

Average cost per claim: £3,305

Percentage of complaints leading to a claim: 66%

Claims processing expense: £300 per complaint

95% of policyholders will be unable to complain beyond 31/12/2007 due to time-barring.

(3) Bond Mis-selling Review

A reserve has been made to provide for future compensation and claims handling costs that are expected to arise from complaints about bond mis-selling.

The amount of the provision is £12m.

The reserve has been set assuming that:

- Complaints cease when MVRs have been removed
- MVRs will be removed on relevant products within the next 2 years.
- The 2005 claim cost of £4m has therefore been doubled and a 50% margin applied because there is not much data to analyse.

(4) Deferred Claims Reserve

A reserve is held for conventional pension policies that have matured but where the policyholder has deferred making a claim. The reserve is equal to the claim value.

The amount of the provision is £13.5m.

(5) Other

Other reserves that have been established but are less than £10m:

- Pensions Review reserve
- Reinsurance credit default reserve
- Staff Pension Scheme reserve

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9 Reinsurance

- (1) No premiums were payable during the report period for business ceded on a facultative basis to reinsurers who are not permitted to carry on business in the United Kingdom.
- (2) The section below responds for those treaties that satisfy 9.2(a),(b) or (c).
 - (a) This item covers a group of similar treaties.
 - d) Norwich Union Life & Pensions Limited
 - e) The treaty provides cover for 100% of UK and Channel Islands unit linked benefits, together with all death or critical illness benefits, waiver of premium benefits, permanent health benefit, permanent total disability benefit and any risks under options for unitised contracts on an original terms basis. Cover is also provided on original terms for Group term assurances in respect of Credit Life business.
 - f) The premium payable by the Company during 2005 was £3,396,574,000.
 - g) There are no deposit-back arrangements.
 - h) The group of treaties is open to new business.
 - i) There are no significant undischarged obligations to the reinsurers as at 31 December 2005.
 - j) The mathematical reserves ceded under the treaties total £11,794,222,000.
 - k) The Company does not retain any liability for new policies being reinsured.
 - l) The reinsurer is authorised to carry on insurance business in the United Kingdom.
 - m) The Company is connected with the reinsurer.
 - n) The treaties are not subject to any material contingencies.
 - o) No provision was made for refund of reinsurance commission in the event of lapse or surrender of the contracts.
 - p) The treaties are not financing arrangements.
 - (b) This item covers a group of similar treaties.
 - d) Munich Reinsurance Company
 - e) The treaties provide cover for level term assurance, mortgage protection, decreasing term assurance attached to low cost whole life assurance and pensions term assurance for business issued on or before (and still in force as at) 30 September 2001 (on original terms). This applies only to the portion that is not otherwise reinsured. Cover is also provided for whole life and endowment assurances (where not covered by other specified treaties) on a risk premium basis and term assurances on original terms up to £3,500,000 (£5,000,000 for business written on or after 28 May 1999) above the Company's retention limit.
 - f) The premium payable by the Company during 2005 was £35,175,000.
 - g) There are no deposit-back arrangements.
 - h) The group of treaties is closed to new business.
 - i) There are no significant undischarged obligations to the reinsurers as at 31 December 2005.
 - j) The mathematical reserves ceded under the treaties total £64,217,000.
 - k) N/A, see (h).
 - l) The reinsurer is authorised to carry on insurance business in the United Kingdom.
 - m) The Company is not connected with the reinsurer.
 - n) The treaties are not subject to any material contingencies.
 - o) No provision was made for refund of reinsurance commission in the event of lapse or surrender of the contracts.
 - p) The treaties are not financing arrangements.
 - (c) This item covers a group of similar treaties.
 - d) Swiss Re Life & Health Limited
 - e) The treaty provides cover for term assurances on original terms for up to £1,500,000 above the Company's retention limit and for term assurances with accelerated critical illness benefit on a risk premium basis up to £3,000,000 in excess of the Company's retention limit. From 2 October 2000 the treaty provides cover for term assurances with accelerated critical illness benefit on a risk premium basis for 50% in excess of the Company's retention limit up to £1,700,000.

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- f) The premium payable by the Company during 2005 was £6,245,000.
 - g) There are no deposit-back arrangements.
 - h) The treaty is closed to new business.
 - i) There are no significant undischarged obligations to the reinsurers as at 31 December 2005.
 - j) The mathematical reserves ceded under the treaty total £55,344,000.
 - k) N/A, see (h).
 - l) The reinsurer is authorised to carry on insurance business in the United Kingdom.
 - m) The Company is not connected with the reinsurer.
 - n) The treaty is not subject to any material contingencies.
 - o) No provision was made for refund of reinsurance commission in the event of lapse or surrender of the contracts.
 - p) The treaty is not a financing arrangement.
- (d) This item covers a group of similar treaties.
- d) Commercial Union Life Assurance Company Limited
 - e) The treaties provide cover for Unitised With Profits, Low Cost Endowment, Economy Low Cost Endowments and Endowment Assurances on a 50% quota share basis for business written between 1 October 1998 and 31 December 1999 and a 75% quota share basis for business written between 1 January 1999 and 1 October 2000. Cover is provided for Unitised With Profits benefits on a 60% quota share basis for business written between 2 October 2000 and 31 December 2001. Unitised With Profit benefits written on or after 1 January 2002 are reassured on a 45% quota share basis.
 - f) The premium payable by the Company during 2005 was £174,091,000.
 - g) There are no deposit-back arrangements.
 - h) The group of treaties is open to new business.
 - i) There are no significant undischarged obligations to the reinsurers as at 31 December 2005.
 - j) The mathematical reserves ceded under the treaty total £5,269,795,000.
 - k) The Company retains 55% of new policies being reinsured.
 - l) The reinsurer is authorised to carry on insurance business in the United Kingdom.
 - m) The Company is connected with the reinsurer.
 - n) The treaties are not subject to any material contingencies.
 - o) No provision was made for refund of reinsurance commission in the event of lapse or surrender of the contracts.
 - p) The treaties are not financing arrangements.
- (e)
- d) Commercial Union Life Assurance Company Limited (CULAC) and Norwich Union Life & Pensions Limited (NUL&P).
 - e) NUL&P provides cover for unit linked stakeholder personal pension benefits and the total expense and persistency risk for business written from 6 April 2001. Also covered are Unitised With Profit (UWP) stakeholder personal pension benefits on a 60% quota share basis to CULAC on original terms for business written between 6 April 2001 and 31 December 2001. UWP business written from 1 January 2002 is reassured on a 45% quota share basis to CULAC.
 - f) The premium payable by the Company during 2005 was £583,338,000.
 - g) There are no deposit-back arrangements.
 - h) The group of treaties is open to new business.
 - i) There are no significant undischarged obligations to the reinsurers as at 31 December 2005.
 - j) The mathematical reserves ceded under the treaty total £3,262,974,000.
 - k) The Company retains 55% of new Unitised With Profits policies being reinsured. The Company retains 0% of new Unit Linked policies being reinsured.
 - l) The reinsurer is authorised to carry on insurance business in the United Kingdom.
 - m) The Company is connected with the reinsurer.
 - n) The treaty is not subject to any material contingencies.

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- o) No provision was made for refund of reinsurance commission in the event of lapse or surrender of the contracts.
- p) The treaty is not a financing arrangement.

10 Reversionary (annual, regular) bonus

(1)

Product	Amount of mathematical reserve (£m)	Regular bonus (2004)	Regular bonus (2005)	Guaranteed bonus (2005)
Conventional Life				
Series 6 (super-compound)	1,712.1	0.5% SA / 1% RB	0.5% SA / 2% RB	0.00%
Series 5 (simple)	73.5	3.5% simple	3.5% simple	0.00%
Series 3	5.6	3.35 simple (whole life) / 3.10 simple (other)	3.35 simple (whole life) / 3.10 simple (other)	0.00%
Series 4	6.3	2.70 compound (whole life) / 2.45 compound (other)	2.70 compound (whole life) / 2.45 compound (other)	0.00%
Conventional Pensions				
Retirement Annuities	458.5	0% SA / 0% RB	0% SA / 0% RB	0.00%
Group Pensions, Individual Pension Arrangements, Money Purchase Schemes (1974)	177.9	0% SA / 0% RB	0% SA / 0% RB	0.00%
With Profits Annuity	30.0	3.00%	2.00%	0.00%
Unitised Life – direct written (UK)				
<u>Implicitly-charged business:</u>				
Units bought pre 1/2/1994 excluding Loyalty Fund units	239.5	3.00%	3.12%	3.00%
Loyalty fund units	316.0	3.00%	3.37%	0.50%
Units bought post 31/1/1994 on policies written pre 1/10/1998	764.0	2.50%	2.87%	0.00%
Units bought on policies written post 1/10/1998 (including distribution bonds)	6,729.0	2.50%	2.00%	0.00%
<u>Explicitly-charged business:</u>				
All units (excluding distribution bonds)	571.4	4.25%	4.25%	0.00%
Distribution Bonds	57.9	4.00%	4.00%	0.00%
Unitised Life – reinsurance accepted by CGNU Life and CULAC				
<u>NUL(RBS) products:</u>				
Life excluding Distribution Bonds (Implicit charge)	585.2	3.25%	3.25%	0.00%
Life excluding Distribution Bonds (Explicit charge)	182.2	4.25%	4.25%	0.00%
Distribution Bonds (Implicit charge)	148.5	3.25%	2.75%	0.00%
Distribution Bonds (Explicit charge)	3.8	4.00%	4.00%	0.00%
<u>NUIL products:</u>				
Sterling Bond	143.3	5.00%	5.00%	0.00%
Dollar Bond	151.7	4.75%	4.75%	0.00%
Euro Bond	110.4	4.75%	4.75%	0.00%

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Product	Amount of mathematical reserve (£m)	Regular bonus (2004)	Regular bonus (2005)	Guaranteed bonus (2005)
Unitised Pensions - direct written (UK)				
<u>Implicitly-charged business:</u>				
Units bought prior to 22/1/1996 (13/5/1996 for regular premiums on existing business)	252.8	4.00%	4.00%	4.00%
Units bought on or after 22/1/1996 (13/5/1996) for policies sold before 1/10/1998	648.8	3.00%	3.25%	0.00%
Units bought on policies sold after 1/10/1998	923.0	3.00%	3.00%	0.00%
<u>Explicitly-charged business (excl Stakeholder)</u>				
All units purchased	511.9	4.00%	4.00%	0.00%
<u>Stakeholder Pensions</u>				
All units purchased	719.9	3.50%	3.50%	0.00%
Overseas business				
France Valeur Plus*	152.7	3.00%	2.00%	0.00%
Germany	4.3	3.00%	2.00%	0.00%
Ireland - Life policies	144.1	1.25%	0.50%	0.00%
Ireland - Pensions policies	8.2	3.00%	2.50%	0.00%
Swedish Personal Investment Plans	93.8	3.00%	3.00%	0.00%

*For French business a 1% pa fund management charge is deducted from the UWP fund. The bonus figures are shown net of this charge.

The reserves quoted are those required to meet the guaranteed policy benefits. Additional reserves required, such as the reserve for mortgage mis-selling, have not been allocated to a specific bonus class.

CGNU Life accepted reserves of £188.4m for Conventional Life from NUL&P Provident Mutual fund in 2005. The bonus awarded for this business is shown in the Appendix 9.4 report for the Provident Mutual sub-fund.

German business has a guarantee that the final payout will be at least as great as the payout the policyholder would have received if regular bonus had always been 3%. This is not the same as having a guaranteed regular bonus of 3%.

- (2) The figures for bonus awarded on Unitised With-Profits business show the percentage increase in unit price during the year.
- (3) For super-compound business both rates are shown (the rate applying to the base benefit is shown as a percentage of SA, the rate applying to regular bonus awarded to date is shown as a percentage of RB).

We have not used averaging in the table above.

Abstract of valuation report for realistic valuation – IPRU (INS) Appendix 9.4A

Name of insurer **CGNU Life Assurance Limited**

Global business

Financial year ended **31 December 2005**

1. Introduction

- (1) The valuation date is 31 December 2005.
- (2) The date of the previous valuation was 31 December 2004.
- (3) An interim valuation was completed under the Prudential Sourcebook (PSB) as at 30 June 2005.

2. Assets

(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 adjustment to reflect risk and uncertainty, and to give a margin to allow for the cost of any non-financial guarantees.

The gross investment returns do not assume any investment risk premium from non risk free investments.

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.

	31 December 2005	31 December 2004
Gross Earned Rate	4.20%	4.66%
Net Earned Rate	3.36%	3.73%
Discount Rate	4.70%	5.16%
Expense Inflation	3.70%	3.77%

The LTICR and any RCR in respect of non-profit business within the fund are valued at face value.

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

3. With-Profits Benefits Reserve Liabilities

- (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 (BRV) or regulatory reserves are used. BRVs are the discounted value of future expected benefits and expenses using risk-free earned and discount rates along with best-estimate assumptions for other basis items such as lapses and mortality. BRVs are used for the following classes of business:

- Conventional paid up policies (PUP)
- 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.

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Name of insurer

CGNU Life Assurance Limited

Global business

Financial year ended

31 December 2005**At 31 December 2005**

Product class	With-profit benefits reserve £m	Future policy related liabilities £m	Total £m
Conventional Life		374	3,019
Asset Share (ind)	2,241		
BRV	401		
Regulatory Reserve	3		
Conventional Pensions		136	612
Asset Share (ind)	391		
BRV	58		
Regulatory Reserve	27		
UWP Life		177	5,623
Asset Share (ind)	5,211		
Regulatory Reserve	235		
UWP Pensions		61	1,713
Asset Share (ind)	1,649		
Regulatory Reserve	3		
UWP Stakeholder		5	425
Asset Share (ind)	413		
Regulatory Reserve	7		
UWP Overseas		26	461
Asset Share (ind)	270		
Regulatory Reserve	165		
Miscellaneous Other		98	98
Total	11,075	876	11,951

The BRV figure of £401m for conventional life relates mainly to the WPBR for the whole life policies, which are predominantly BRV. £6m of this figure relates to the BRV used for endowment PUP policies.

The asset shares are an accumulation of premiums, investment return, expense deductions and other adjustments such as for surrender and mortality profits, and non-profit profits, as set out in the fund's PPFM. Investment returns from 1 October 1998 have been allocated to asset shares using the combined returns from CGNU Life Assurance Company Limited (the Company) and Commercial Union Life Assurance Company Limited (CULAC).

Asset shares for all stakeholder business and all UWP business sold from 1 October 2001 are calculated using policy charges rather than actual expenses. All other asset shares are charged actual expenses.

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. Low cost whole life policies also provide a minimum death benefit over a pre-specified term. The whole-life with-profits benefit reserve is £396m. Conventional endowments were partially reassured on an original terms basis with CULAC from 1998 to 2002. Conventional endowment new business is not now actively sold, however there is a small amount of conventional whole life being sold. Reinsurance of endowment business from PM has increased the asset share of Conventional Life by £242m.

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.

Conventional pensions also includes £31m of single premium with-profit annuity business which provides a level of income equal to a basic amount, plus accrued regular bonus, plus a discretionary top-up bonus. Customers can also select a future anticipated level of regular bonus. This increases the initial annuity amount payable, but the annuity amount reduces by the anticipated amount each year such that the total annuity payable would be level if the actual regular bonus rate equalled the anticipated rate. There is also a

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guaranteed minimum annuity amount attaching to this contract. With-profit annuity new business is now written by Norwich Union Life & Pensions Limited With-Profits fund (NUL&P WP).

UWP Life mainly consists of unitised bonds with £16m of unitised endowments. 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. UWP units purchased prior to 1 February 1994 have a guaranteed minimum regular bonus rate of 3% p.a. Bond and unitised mortgage endowment new business has been reassured in various proportions with CULAC since 1998.

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

UWP Life Bonds	Date Sold	No-MVR Anniversary
GA investment Bond	1990-93	None
GA Portfolio Bond	16/3/93-1/10/98	None
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

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

UWP Pensions consists mainly of individual and Group personal pensions and pension single premium bonds. As for 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. UWP units purchased prior to 22 January 1996 have a guaranteed minimum regular bonus rate of 4% (with an asset share at 31 December 2005 of £409m). UWP Pensions new business has been reassured in various proportions to CULAC since 1998.

UWP Stakeholder policies have charges capped at 1% p.a. The 1% charge is taken through unit cancellation. A no-MVR guarantee applies at the selected retirement age and at age 75. Stakeholder new business has been reassured in various proportions to CULAC since 2001.

UWP Overseas business consists of single premium bonds and regular and single premium pensions business sold in Ireland, Sweden, Germany and France.

The future policy related liabilities are based on market-consistent stochastic projections of the guaranteed benefits and asset shares. Calculations are carried out at product class level split by entry year and maturity year with projections allowing for assumed future persistency levels.

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

4. **With-profits benefits reserve – Retrospective method**

(1) **Table of methods**

Method	With-profit benefits reserve (%)
Asset Share (individual)	92
Asset Share (grouped)	0
BRV	4
Regulatory Reserve	4
Miscellaneous Other	0
Total	100

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

All asset shares have been calculated on an individual basis.

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Global business

Financial year ended **31 December 2005****(2) Changes in valuation method**

- (a) There have been no significant changes to the valuation methodology during 2005.
- (b) Not applicable

(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.

					2005
	Charged to WPBR £m	Not-Charged to WPBR £m	Non-Profit expenses £m	Misc Expenses £m	Total £m
Estimated initial expenses and commission	-1	27	0	0	26
Renewal expenses and commission	101	-34	27	19	113
Shareholder Transfers	18	7	0	0	25

The above tables approximately splits out the expenses incurred over 2005.

Non-profit expenses are expenses relating to non-profit business within the fund. The amount of renewal expenses and commission not charged to the WPBR is negative because for recent UWP business asset shares 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.

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 NAEI - 1% for the Company. The current MSA agreement terminates 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 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 by the Company is written on a 90/10 basis, some more recent single premium bond new business 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 2005 are approximately £101m with an additional £18m of shareholder transfers charged. 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.

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

In addition, all CGNU Life UWP Personal Pensions issued prior to 1 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 are also charged to the asset share.

Policy charges are applied to the following product groups:

- CGNU Life UWP implicit charge business sold 1 October 2001 onwards (implicit charge refers to bonuses being net of expenses)
- CGNU Life UWP explicit charge business (2000 onwards individual pensions, stakeholder pensions and explicitly charged 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 Life 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 the Company's 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) Guarantee Charges

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

(5) Non-Insurance Risk Charges

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

(6) Claims ratios

Fund	Product Type	2002	2003
CGNU Life	Conventional	128%	110%
	UWP	110%	110%

The figures for 2002 and 2003 are estimates.

Fund	Product Type	2004	2005
CGNU Life	Conventional Life	99%	95%
	UWP Life	108%	102%
	UWP Pensions	105%	100%
	UWP Stakeholder	98%	95%

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The figures above for 2005 are estimates based on actual maturity and surrender payouts. The figures for 2004 are estimates based on actual maturity and surrender payouts for the period April to December.

There are no figures currently available for conventional pensions.

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

(7) Gross investment return allocated to WPBR

Gross returns allocated to asset shares over 2005

CGNU Life written business 17.89%

Asset shares for business written by the Company and CULAC are credited investment returns based on the combined assets backing the asset shares of both funds. The rates quoted above apply to all policies.

A return of 15.71% was used in respect of business reinsured from the PM fund of NUL&P into CGNU Life. This represents the return in the PM fund prior to the date of inception of the reinsurance and the return in the CGNU Life fund after that date.

5. With-profits benefits reserve – Prospective method**(1) Prospective assumptions**

Bonus reserve valuation (BRV) is used for 4% of the with-profit benefits reserve. This covers conventional whole life policies over 25 years duration. The prospective assumptions are as follows:

Economic Assumptions

Future earned rate:	Whole Life	5.30%
Discount rate:	Whole Life	5.30%
Expense Inflation:	Whole Life	3.70%

The rates used are best estimates of the future earned rates, consistent with the rates used in the derivation of future bonuses.

Future Assumed Regular Bonus Rates

Whole Life bonus series	SA	Bonus
Series 6	0.50%	2.00%
Series 5	3.5% Simple	
Series 4	2.70% Compound	
Series 3	3.35% Simple	
Series 2	3.35% Compound	

Future Expense Assumptions

Product Class	Renewal Expenses 2005
Conventional Whole Life	£13.92

Future Assumed Lapse Rates

Product Class	Policy Duration								
	%	1	2	3	4	5	6	7	8+
Conventional Whole Life		3.5	3	3	3.5	3	3	3	2

Future mortality assumptions

Conventional whole life:

Percentages of standard tables %TM92 Sel 5/TF92 Sel 5 based on internal experience.

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Regulatory Reserves cover 4% of the with-profit benefits reserve. The classes of business covered by this are UWP Offshore bond written by NUIL, UWP French, German and Irish Pensions business, and some UWP business administered on ex-Norwich Union systems.

The methodology for the calculation of these reserves is described in Appendix 9.4.

6. Costs of guarantees, options and smoothing

(1) Not applicable

(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) The ratio of the guaranteed costs to asset share for the Company's Self-Employed Deferred Annuity (SEDA) contract is assumed to apply to the other deferred cash and deferred annuity business in the Company. The SEDA contract represents about 70% of the conventional pensions business in the Company by mathematical reserve.

(3) The principal changes to the valuation method for valuing the costs of guarantees, options or smoothing since the previous valuation have included

- Allowance for the roll-forward of the no-MVR guarantee, where this is not taken at the first available opportunity. This is the result of a change in practice by the firm during 2005.
- Removal of any allowance for hypothecation of returns on Fixed Interest assets depending on the duration of the policies. This is a result of a change in practice by the firm during 2005.

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Financial year ended **31 December 2005****(4) Description of guarantees, options or smoothing being valued****(a) Stochastic Model - Description of guarantees, options or smoothing**

(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 direct written	0	0	116	229	-21
Conventional Pensions	0	0	103	0	1
UWP Life	19	0	147	0	-9
UWP Overseas	0	0	24	0	0
UWP Pensions	0	0	62	0	-9
UWP Stakeholder	0	0	8	0	-3
Reinsured - Conventional life	0	0	6	0	0

The only reinsurance into the CGNU Life fund relates to reinsurance of endowments from the Provident Mutual Fund of Norwich Union Life & Pensions.

Planned Enhancements to WPBRUWP Life

This represents the cost of the additional 0.5% p.a. regular bonus on Loyalty Fund units. Other enhancements are covered by the remaining items described in the analysis.

Planned Deductions to WPBR for other costs

None

Contractual Guarantee Costs

The total disagrees with the Form 19 total because £9m of Section 32 Guaranteed Minimum Pensions costs are valued using a non-stochastic method (see 6.4 (b))

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.

To compare the in-the-moneyness of conventional guarantees we have compared the stochastic cost included in Form 19 against the cost on the deterministic 'best-estimate' basis using the risk-free rate.

Stochastic Reserve	=	£122m
Best-estimate	=	£4m
Option value	=	97%

The option value is the proportion of the total stochastic cost that exceeds the best-estimate cost. Conventional Life guarantees are largely 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, although the cost of providing deferred annuities is included here.

Stochastic Reserve	=	£103m
Best-estimate	=	£79m
Option value	=	23%

Conventional pension guarantees are reasonably in the money.

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UWP Life

This represents the cost of the payouts exceeding 100% asset share due to no-MVR and money back guarantees under the stochastic projection. Note that this includes the cost of any guaranteed bonus rates.

UWP Life

Year of Unit Purchase	BVU (£m)	Asset Share / BVU (%)
1990	4	145%
1991	70	126%
1992	139	138%
1993	106	123%
1994	85	123%
1995	157	119%
1996	193	108%
1997	270	106%
1998	385	98%
1999	816	91%
2000	1,976	87%
2001	2,615	98%
2002	1,741	112%
2003	548	119%
2004	474	114%
2005	189	108%
	9,769	102%

This table shows the ratio of asset share over bid value of units for the majority of the Company's written UWP Life business as at 31 December 2005. The figures are gross of reinsurance to CULAC.

UWP Pensions

This represents the cost of the payouts exceeding 100% asset share due to no-MVR guarantee under the stochastic projection. Note that this includes 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 pensions from 1 April 2001.

UWP Pensions

Year of Unit Purchase	BVU (£m)	Asset Share / BVU (%)
1990	120	123%
1991	23	128%
1992	48	130%
1993	43	118%
1994	41	130%
1995	53	125%
1996	125	116%
1997	171	110%
1998	157	96%
1999	167	89%
2000	200	89%
2001	516	104%
2002	235	122%
2003	117	127%
2004	95	117%
2005	73	105%
	2,184	109%

This table shows the ratio of asset share over bid value of units for the majority of the Company's written UWP Pensions business as at 31 December 2005. The figures are gross of reinsurance to CULAC.

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UWP Stakeholder

This represents the cost of the payouts exceeding 100% asset share due to no-MVR guarantee under the stochastic projection.

Stakeholder		
Year of Unit Purchase	BVU (£m)	Asset Share / BVU (%)
2001	123	113%
2002	180	126%
2003	132	129%
2004	142	120%
2005	73	107%
	649	121%

This table shows the ratio of asset share over bid value of units for the majority of the Company's written UWP Stakeholder business as at 31 December 2005. The figures are gross of reinsurance to CULAC.

UWP Overseas

This represents the cost of the payouts exceeding 100% asset share due to no-MVR guarantee under the stochastic projection.

The cost is not material for CGNU, and covers several different lines of business. No table showing the in-the-moneyness of guarantees has been produced.

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 provided for under the promise is the difference between the mortgage amount and policy payout if returns on the fund after tax are 6% or more, from the end of 1999 to the maturity date of the policy, 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.

For the purposes of the valuation, we have assumed that the full promise amount would be paid at all times, with no reduction in those scenarios where the cost of the promise exceeds the investment earnings on the estate.

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

Smoothing Costs

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.

This is offset by the 'smoothing retention', relative to 100% of asset share. This is designed to give broadly neutral smoothing costs allowing for the costs incurred to the valuation date, consistent with statements in the PPFM for CGNU.

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Financial year ended **31 December 2005****(ii) Description of the asset model**

The distribution was calculated using the following assumptions:

Risk-free rate:

- The Risk-free rate curve used in the model is shown below –

Outstanding term	Risk free annualised spot rate (%)
1	4.39
2	4.30
3	4.29
4	4.29
5	4.29
6	4.28
7	4.27
8	4.25
9	4.24
10	4.23
12	4.22
15	4.20
20	4.14
25	4.08
30	4.03

- 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 increased by 0.5%. This is an adjustment to reflect risk and uncertainty on the non-profit business, and to give a margin to allow for the cost of any non-financial guarantees.
- All assets were expected to grow at the risk-free rate (i.e. 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 25 years, to 42bp for three year term, the average and the spread for the 10-15year period is around 33bp.

Our decomposition of this spread is

Description	Bp - 2005
LIBOR – LIBMID (to get mid market)	6
LIBMID – repo at 3 months (credit spread)	8
Implied Repo ability	19
Total spread	33

This implies a risk free rate of gilt + 19 bp could be justified based on 31 December 2005 market conditions

However, we have used a gilt + 10bp approach to provide a margin for prudence, and for consistency with the approach used at 31 December 2004.

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, plus a margin for prudence.

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Main liabilities modelled with flat risk-free rate:

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

Risk free rate used: 4.20%

Annuity interest rate used: 4.00% (equal to the 9 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.

We have used the volatility in respect of at-the-money options, since the time value of the guarantees that will be affected by these volatility rates is at its greatest when the guarantees are at the money.

Term	Source 1	Source 2	Source 3
1	12.93%	13.20%	12.87%
2	14.42%	14.58%	14.11%
3	15.75%	15.84%	15.19%
4	16.81%	16.85%	
5	17.80%	17.74%	16.88%
7		19.12%	
10		20.54%	19.83%

Consistency of market pricing drops away as term increases.

The table below set out the resultant extrapolated volatility from source 1.

Term	Source 1
7	19.32%
10	20.89%
15	22.35%

The model used can only utilise a level volatility across all terms. We have used a volatility assumption of 20.00% (18.25% at 31/12/2004) because the rate is consistent with the output for a term of approximately 10 years, which is consistent with the term of the majority of the guarantees, and gives a margin for prudence for shorter term guarantees.

Overseas Equity

The difference between UK and overseas volatility for significant territories was applied to the UK assumption calculated above.

Property volatility

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

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Financial year ended **31 December 2005**Derivation of bond volatility:Gilts

The table below shows swaption implied volatility for an option term of 20 years, swap maturity as shown (source values derived from data supplied by investment banks)

Swap maturity	Implied volatility (%)
1	13.2
5	13.1
10	12.5
15	12.5
20	12.4
25	12.2

For the purposes of our model, we have used an implied volatility of 13.0% at all durations.

Our model requires a price volatility assumption. The price volatility is calculated using the yield volatility combined with the discounted mean term of the assets, to give price volatilities as follows.

DMT	Price volatility
1	0.53%
2	1.06%
3	1.59%
5	2.66%
7	3.75%
10	5.40%

The discounted mean term of the fixed interest assets at 31 December 2005 is 9.3 years

We would reduce the outstanding term of the fixed interest investments as the in-force business ran off. From the above it can be seen that this would result in reducing price volatility over time. However, the model cannot utilise time dependant volatility, so we adjust the fixed volatility level to reflect the decline.

We have then calculated the average volatility for all guarantee terms, to give a price volatility assumption of 4.75%. The volatility used includes a small margin to allow for inevitable approximations involved in the above approach.

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.

We have therefore set the price volatility assumption for Corporate and Overseas bonds to be 2% in excess of that of UK gilts.

In summary the price volatility assumptions are

	CGNU
Gilts	4.75%
Other Fixed Interest	6.75%

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Global business

Financial year ended **31 December 2005**

Correlation between different asset classes:

- Correlation between asset classes was taken from internal historic data. The table below shows the figures used at 31 December 2005.

	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 December 2005. The resulting asset mix is shown below, together with the volatility parameters for each class:

CGNU Life

Class	% of asset share	Volatility parameter
UK Equities	41%	20.0%
Property	19%	15.0%
European Equities	0%	20.0%
US Equities	5%	22.2%
Japanese Equities	1%	24.0%
Pacific Basin Equities	4%	19.5%
Emerging Market Equities	2%	19.5%
UK government bonds	7%	4.8%
Corporate bonds	12%	6.8%
Global bonds	5%	6.8%
Cash	5%	0.0%
	100%	

Management of the EBR within the stochastic return projector is discussed in 6.5 (a).

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Global business

Financial year ended **31 December 2005****(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	4.29%	4.20%	4.08%	3.98%	4.29%	4.20%	4.08%	3.98%	4.29%	4.20%	4.08%	3.98%
		p:												
1	Risk-free zero coupon bond		810,672	539,618	367,912	254,997	x	x	x	x	x	x	x	x
2	FTSE AllShare	1	57,998	156,882	222,212	276,679	174,416	301,984	382,541	448,213	548,507	674,869	762,332	837,764
3	FTSE AllShare	0.8	48,429	116,102	149,350	169,778	151,386	230,774	264,579	285,490	496,486	537,561	551,343	554,427
4	Property	1	34,257	95,930	146,439	190,823	134,445	226,069	291,065	344,475	524,956	599,145	661,551	718,681
5	Property	0.8	27,587	63,272	86,835	101,947	112,572	159,928	182,997	198,290	469,729	459,296	452,877	442,564
6	15 yr risk free ZCB	1	3,866	28,153	53,419	75,360	74,183	128,710	168,549	198,955	502,320	521,512	546,961	570,682
7	15 yr risk free ZCB	0.8	2,283	12,089	20,303	23,108	53,798	71,165	77,492	80,042	442,499	368,347	326,776	287,019
8	15 yr corporate	1	10,342	46,756	80,189	107,812	92,486	158,151	205,682	242,669	506,649	541,543	580,508	614,694
9	15 yr corporate	0.8	7,185	24,557	37,580	42,765	71,462	97,670	108,814	113,493	448,197	393,704	364,829	334,796
10	65% FTSE AllShare, 35% Property	1	33,762	99,596	151,283	195,405	135,726	229,335	294,507	350,192	522,460	600,973	664,128	725,372
11	65% FTSE AllShare, 35% Property	0.8	27,059	66,728	91,531	105,928	113,650	163,451	187,449	202,902	467,975	461,488	455,679	449,172
12	65% FTSE AllShare, 35% ZCB	1	32,538	100,075	155,472	202,374	135,196	233,719	303,974	362,292	524,773	609,332	680,868	745,157
13	65% FTSE AllShare, 35% ZCB	0.8	25,923	66,254	93,404	108,893	112,940	165,945	193,293	210,223	470,026	468,570	469,033	463,844
14	40% Eq, 15% prop, 22.5% ZCB, 22.5% corp	1	15,730	61,651	103,345	138,306	104,042	180,433	236,772	282,401	508,506	559,908	609,202	655,907
15	40% Eq, 15% prop, 22.5% ZCB, 22.5% corp	0.8	11,484	35,446	53,622	62,117	82,740	117,636	135,188	144,855	451,380	415,436	396,919	377,523
			L = 15				L = 20				L = 25			
16	Receiver swaptions		9.47%	10.19%	9.62%	8.91%	12.30%	13.03%	12.30%	11.58%	15.00%	15.70%	14.97%	14.16%

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 $K \times £1,000,000 \times (1+r)^n$.

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.

Returns under the Accounts and Statements Rules

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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.

(iv) Initial Equity and Property Rental Yields

The model assumes risk-neutral approach with drift of the total expected return equal to the risk free rate. A best estimate split of return between income and capital gains is assumed when calculating the assumed tax rate (see section 11).

(v) UK risk free rates are applied throughout.

Returns under the Accounts and Statements Rules

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(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.

CGNU Life – Duration of guarantees

	Duration (yrs)	%																			
		2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023-2032	2033+	
Conventional Life																					
Base guarantee	10.0	-	0	1	2	2	5	6	14	12	12	11	8	7	5	4	5	4	1	-	100
Mortgage promise	12.3	0	0	0	0	1	1	3	4	6	8	10	12	12	12	6	6	7	10	0	100
Conventional Pensions																					
Base guarantee	10.0	4	3	4	5	6	8	8	7	6	6	5	5	5	4	4	4	4	13	0	100
GAR option	6.1	22	8	9	9	7	6	7	4	3	4	3	3	3	2	1	1	1	6	0	100
Conventional Life: Reinsured																					
Base guarantee	5.7	-	0	8	11	14	26	21	13	3	2	2	-	-	-	-	-	-	-	-	100
Unitised Life: Retained																					
Base guarantee	6.7	2	3	6	11	24	21	3	5	4	5	4	1	1	1	1	1	1	5	-	100
Unitised Pensions excl Stk: Retained																					
Base guarantee	9.4	4	4	11	9	11	5	5	4	4	4	3	4	3	3	3	3	3	18	-	100
Stakeholder: Retained																					
Base guarantee	12.8	-	1	3	4	5	5	6	6	5	5	5	5	5	4	4	4	4	29	-	100

UWP Life and Pensions business has been partially reassured with CULAC since 1998. The figures shown above exclude the proportions reassured across.

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Global business

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(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	0.994	0.995	0.972	1.016
1000 Sims result	1.010	1.017	1.011	1.021
5000 Sims result	1.009	1.010	1.006	1.006
10000 Sims result	1.004	1.005	1.001	0.999
Distribution result	1.002	1.005	1.002	1.000

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	r (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	57,998	156,882	222,212	276,679	174,416	301,984	382,541	448,213	548,507	674,869	762,332	837,764
2	FTSE AllShare: Black-Scholes valuation	1	60,020	155,740	222,612	275,262	176,937	301,465	382,925	445,887	553,514	674,030	763,744	835,675
	Difference / MV(0)		-0.2%	0.1%	0.0%	0.1%	-0.3%	0.1%	0.0%	0.2%	-0.5%	0.1%	-0.1%	0.2%
4	Property: matrix approach	1	34,257	95,930	146,439	190,823	134,445	226,069	291,065	344,475	524,956	599,145	661,551	718,681
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%	-0.2%	0.1%	0.1%	-0.2%	-0.1%	0.2%	0.3%	0.0%	-0.3%	0.0%
10	65% FTSE AllShare, 35% Property: matrix approach	1	33,762	99,596	151,283	195,405	135,726	229,335	294,507	350,192	522,460	600,973	664,128	725,372
10	65% FTSE AllShare, 35% Property: B-S valuation	1	32,193	100,189	151,079	192,569	134,771	231,216	295,690	346,598	523,360	602,191	667,880	723,145
	Difference / MV(0)		0.2%	-0.1%	0.0%	0.3%	0.1%	-0.2%	-0.1%	0.4%	-0.1%	-0.1%	-0.4%	0.2%

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	10.67	4.62%	17.8%
(1) adjust RFR	11.35	4.29%	17.8%
(2) adjust Volatility	12.94	4.29%	20.0%
NU Asset Model Price	12.94	4.29%	20.0%

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 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 10 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.

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(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.

This implied option value is small, as most of the Guaranteed Annuity Options are in the money at interest rates up to about 9%.

An uplift factor of 5% has been used at all durations, which includes a margin for prudence.

In addition, a small reserve for GMP guarantees on Section 32 Transfer policies arises. This reserve has been calculated as the statutory provision with a 15% uplift. These costs have been included in the figures quoted in 6.4.a.i.

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. There is also a small cost from guaranteed cash options on deferred annuity contracts.

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

Cost of annuity rate guarantees	£m
Base GAO cost	19.9
Uplift (5%)	1.0
Expense reserve	1.0
Total	21.8
Base cost of GMP gtee on S32	8.0
Uplift (15%)	1.2
Total	9.2

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

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

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

(5) Management Actions

- (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.

If equity/property performance is poor, then solvency would deteriorate, hence management action would be to reduce the equity/property content of the Fund.

The converse is also true; however, increasing the EBR is constrained to the extent of the investment philosophy where a large proportion of our existing holding of bonds will be held to provide a duration match of the liabilities.

The results produced by the application of this model are shown in 6.5 (b)(i).

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Global business

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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.

Target level of payout

Prospective individual payout targets at maturity are set so 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 Bonus Assumptions

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%.

Guarantee Charges on asset shares

The model uses no charge in respect of guarantees for the Company's written business.

Allocation of non-profit profits to asset share

At the date of the valuation, the company had allocated all future profits expected from Non Profits business to asset shares. Hence, no future allocation has been included in respect of Non Profits business written in the With Profits fund.

Shareholder Transfers and tax

The model assumes that transfers to shareholders continue at the current proportions of the cost of bonus.

It is assumed that only the tax on Shareholder transfers will be charged to the estate. 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 1 October 2001 deducts the actual policy charges made from the asset share.

Surrender costs

The current practice of the fund is to target surrender payouts at 100% of Asset Share. Consequently, no future surrender profit or loss is anticipated to emerge.

(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

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Global business

Financial year ended **31 December 2005****(i) Projection at risk free rate**

UWP Bonus Rates

Product	31 December 2005	31 December 2010	31 December 2015
UWP Life (Implicitly charged): Units purchased on policies written pre 1/10/1998	3.25%	3.25%	3.25%
UWP Life (Implicitly charged): Units purchased on policies written post 30/09/1998	2.00%	2.00%	2.00%
UWP Life (Explicitly charged):	4.25%	4.25%	4.25%
UWP Pensions (Implicitly charged): Units purchased on policies written pre 1/10/1998	3.50%	3.50%	3.50%
UWP Pensions (Implicitly charged): Units purchased on policies written post 30/09/1998	3.00%	3.00%	3.00%
UWP Pensions (Explicitly charged):	4.50%	4.50%	4.50%
UWP Pensions (Stakeholder):	3.50%	3.50%	3.50%

Further notes on bonus rates:

- Units purchased on Life policies before 1 February 1994 have either
 - a guaranteed regular bonus rate of 3% pa
 - a guaranteed addition to regular bonus of 0.5% pa. Most policyholders fall into this second category.
- Units purchased on Pension policies before 22 January 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

Asset class	31 Dec 2005	31 Dec 2005	31 Dec 2010	31 Dec 2015
UK equities	4,542	41.0%	36.6%	31.2%
Overseas equities	1,296	11.7%	10.4%	8.9%
Land and buildings	2,060	18.6%	16.9%	14.5%
Approved fixed interest securities	812	7.3%	9.2%	11.6%
Other fixed interest securities	1,779	16.1%	20.2%	25.4%
All other assets	585	5.3%	6.6%	8.4%
Total assets	11,075	100.0%	100.0%	100.0%
EBR		71.3%	63.9%	54.6%

(ii) Projection at risk free rate plus 17.5%

The same bonus rates are anticipated as in the previous projection

Assets Backing With-Profit Benefits Reserve

Asset class	31 Dec 2005	31 Dec 2005	31 Dec 2010	31 Dec 2015
UK equities	4,542	41.0%	37.3%	32.8%
Overseas equities	1,296	11.7%	10.6%	9.4%
Land and buildings	2,060	18.6%	17.3%	15.4%
Approved fixed interest securities	812	7.3%	8.9%	10.8%
Other fixed interest securities	1,779	16.1%	19.5%	23.8%
All other assets	585	5.3%	6.4%	7.8%
Total assets	11,075	100.0%	100.0%	100.0%
EBR		71.3%	65.2%	57.6%

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Global business

Financial year ended **31 December 2005**(iii) **Projection at risk free rate minus 17.5%**

The same bonus rates are anticipated as in the previous projection

Assets Backing With-Profit Benefits Reserve

Asset class	31 Dec 2005	31 Dec 2005	31 Dec 2010	31 Dec 2015
UK equities	4,542	41.0%	35.8%	29.6%
Overseas equities	1,296	11.7%	10.2%	8.4%
Land and buildings	2,060	18.6%	16.6%	13.6%
Approved fixed interest securities	812	7.3%	9.6%	12.4%
Other fixed interest securities	1,779	16.1%	20.9%	27.1%
All other assets	585	5.3%	6.9%	8.9%
Total assets	11,075	100.0%	100.0%	100.0%
EBR		71.3%	62.6%	51.6%

(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 Whole Life		3.5	3	3	3.5	3	3	3	2	2	2	2	2	2
Conventional Life Endowment	25-yr	5	12	12	12	12	12	12	10	8	6	4	3	2
Conventional Pensions	Lapses	1	1	1	1	1	1	1	1	1	1	1	1	1
Conventional Pensions	PUPs	5	5	5	5	5	5	5	5	5	5	5	5	5
UWP Life Portfolio Bond no MVR		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 Overseas Irish Portfolio Bond		2.5	3	3.5	4.5	5.5	17.5	8	8	8	8	8	8	8
UWP Pensions (inc stkhldr)	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

At no-MVR date:

Assume 75% exits at the first no-MVR date. Assume all remaining policyholders leave on the second no-MVR date.

Assume all exits between the first and second no-MVR dates are covered by the no-MVR roll-forward guarantee.

Automatic partial withdrawals on bonds have no MVRs applied (subject to certain limits). The assumed Automatic Partial Withdrawal rates are 2.0% pa. A higher rate of 4% is assumed for the Life Income funds.

Mortality Assumptions

Mortality assumptions for the Realistic Balance sheet are generally best-estimate.

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.

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

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

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Name of insurer **CGNU Life Assurance Limited**
 Global business
 Financial year ended **31 December 2005**

Conventional Pensions

In deferment – 50%AM80/AF80 Ult
 In payment – see annuitant mortality.

Annuitant Mortality

For all immediate annuities and deferred annuities in payment we use assumptions based on the proposed CMI tables based on data from 1999 to 2002. The tables have been substantially altered to reflect our experience with a considerable reduction to table mortality.

The initial rates used are the same as assumed in the regulatory valuation. However, for the realistic valuation, minimum improvement factors of 1.5% pa for males and 1.0% pa for females have been assumed.

Guaranteed Annuity Option take-up rate

A take-up rate of 80% has been assumed in respect of Guaranteed Annuity options attaching to pensions. This has been increased from 75% as at 31 December 2004.

A fixed take up rate is assumed irrespective of how in the money the option is.

A maturity age of 65 has been used to determine the value of the Guaranteed Annuity Option

(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.

7. Financing Costs

There are no financing costs.

8. Other long-term insurance liabilities

Product Class	Any other liabilities related to treating customers fairly	Any other long-term insurance liabilities
Conventional Life	0	43
Conventional Pensions	0	1
UWP Life	0	20
UWP Pensions	0	8
UWP Stakeholder	0	0
UWP Overseas	0	3
Miscellaneous	0	98
Total	0	173

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 £75m held in respect of the future tax due on shareholder transfers that are charged to the estate.

The following liabilities are held under the miscellaneous category.

£2m is held in respect of future pension transfer review costs.

£9m is held in respect of the funding for the Aviva staff pension scheme deficit.

Abstract of valuation report for realistic valuation – IPRU (INS) Appendix 9.4A

Name of insurer **CGNU Life Assurance Limited**

Global business

Financial year ended **31 December 2005**

£92m is included for the cost of investigation and redress of mortgage endowment mis-selling complaints.

£12m is held in for the cost of investigation and redress of Bond mis-selling complaints

A reserve of £35m is held to cover future development expenses and audit/regulatory fees.

A credit of £77m is held in respect of the difference between the present value of charges to be deducted from UWP asset shares on a charges basis compared to the future renewal expenses and cost of future shareholders transfers 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.

9. Realistic current liabilities

(1) 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

The realistic current liabilities at 31 December 2005 are £1124m.

The realistic current liabilities include a reduction of £29m in respect of discounting of the Unrealised Capital Gains Tax provisions, which is not allowed for in the regulatory current liabilities. The figures are otherwise the same.

10. Risk Capital Margin

(1)

Fund	RCM (£m)
CGNU Life	460.5

(a)

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

Asset Class	Fall in market values
UK Equities	20.0%
OS Equities	20.1%
Property	12.5%

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

For CGNU Life 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.

Abstract of valuation report for realistic valuation – IPRU (INS) Appendix 9.4AName of insurer **CGNU Life Assurance Limited**

Global business

Financial year ended **31 December 2005**

(ii)

Asset Class	Rise in FI yields	Fall in FI yields
Nominal change in yields	+72bps	-72bps
Long-term yield – level post-stress	4.84%	3.40%
Long-term yield - % movement post-stress	+17.5%	-17.5%

For CGNU Life the fall in fixed-interest yield scenarios are more onerous.

(iii)

Fund	Average Increase in credit spread	Change in FI asset value
CGNU Life	0.25%	-2.29%

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.

In addition the allowance for reinsurance default risk was increased from £5m to £9m in the stress scenario.

(iv)

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

% increase in realistic liabilities = 0.85%

(v)Not applicable

(b) Management Actions under the stress tests

(i) The following changes in management actions and other assumptions are assumed to be made under the stress tests.

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% are assumed to be made over the two six-monthly bonus declarations following the valuation date with the same percentage cut in each.

In addition, the level of the 'smoothing retention' would be reviewed, to ensure that the smoothing cost was broadly neutral allowing for costs incurred to the valuation date.

Regular Bonuses

Following the asset value falls under the stress test, two 0.5% reductions in UWP annual bonus are assumed to be implemented, to better maintain final bonus margins. These reductions would take place one year and two years after the valuation date.

All future conventional regular bonus rates, other than the with-profit immediate annuities, are assumed reduce by 1% pa, starting one year after the valuation date, until they reach zero.

The with-profit immediate annuity bonus rates are assumed to reduce such that the bonus reserve valuation for the business is unchanged under the stress test.

Guaranteed Annuity Options

The take-up rate for guaranteed annuity options is assumed to increase from 80% to 85% as a result of the fall in fixed interest yields.

(ii) Table showing the effect of the actions in 10(1) (b)(i):

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	Effect of action (£m)
Cuts in payouts	14.1
Regular bonuses	257.5
GAO take-up	-2.2
Total	269.5

(iii) The same investment management rules governing any change in asset mix of the fund have been used for the projection of assets in the stress tests as in the central scenario.

(iv) There is no Charge for Guarantees in the Stress Test so this section is not applicable.

(c)

(i) The assets hypothecated to back the risk capital margin are set out in the following table

Assets backing RCM	£m	%
UK equities	0.0	0.0%
Overseas equities	0.0	0.0%
Land and buildings	460.5	100.0%
Approved fixed interest securities	0.0	0.0%
Other fixed interest securities	0.0	0.0%
All other assets	0.0	0.0%
Total	460.5	100.0%

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

11. Tax

(1) Tax treatment in the with-profits benefit reserves

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

	2005 %
Income Tax	20
Franked Income Tax	-
Withholding Tax	15

(2) 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):

UK Equity 20%

Overseas Equity 40%

Property 12.5%

Abstract of valuation report for realistic valuation – IPRU (INS) Appendix 9.4AName of insurer **CGNU Life Assurance Limited**

Global business

Financial year ended **31 December 2005**

CGT indexation 1.80% (2/3rds of the RPI assumption)

Average BLAGAB tax rate applying to asset shares:

CGNU Life 11.98%

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

(3) Tax treatment in the realistic current liabilities

In the realistic regime allowance for discounting of deferred tax liabilities can be made. In the regulatory regime no allowance can be made.

12. Derivatives

Security	Value at 31 December 2005 £m
Equity futures	208
Bond futures	-450

The exposure to futures is part of the company's portfolio management strategy, and all the futures expire no later than March 2006.

13. Analysis of working capital

CGNU	Note	£m
Working capital at 31 December 2004		1,711
Change in methodology or approach	1	4
Changes in market assumptions	2	-181
Changes in management assumptions	3	-65
Changes in policyholder assumptions	4	-17
Changes in miscellaneous reserves	5	-111
Investment return	6	832
Tax	7	-81
Other experience	8	-1
Working capital at 31 December 2005		2,092

Notes:

1. This includes £66m from removal of provision for use of estate to support new business and -£63m from evolving approach to calculation of asset share
2. This is principally driven by the fall in the risk free rate
3. This is principally driven by the increased future bonus assumption
4. The largest element here represents the change in the mortality basis assumption
5. This represents changes to miscellaneous reserves including the provision for cost of investigation and redress of mortgage mis-selling
6. This reflects investment returns during 2005 on assets not backing asset shares, plus a reduction in guarantee costs arising from the return on asset shares.
7. This represents the effect of taxation during 2005
8. This covers various items of experience during 2005

14. Optional Disclosure

Returns under the Accounts and Statements Rules

Abstract of valuation report for realistic valuation – IPRU (INS) Appendix 9.4A

Name of insurer **CGNU Life Assurance Limited**

Global business

Financial year ended **31 December 2005**

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

Returns under the Accounts and Statements Rules

Statement on derivatives required by IPRU (INS) 9.29

Name of insurer **CGNU Life Assurance Limited**

Global business

Financial year ended **31st December 2005**

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.

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 year, which falls into the description above. This is the only example of such contracts that were transacted during the financial year. 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 £44.5m. This would not have been materially greater at any one time during the year or under other foreseeable market conditions.

No derivative contracts were held at any time during the financial year that required a significant provision under PRU 4.3.17R, and where appropriate, all contracts held fell within the definition of a permitted derivative contract.

During the financial year, 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 year was £0.1m.

Returns under the Accounts and Statements Rules

Statement on controllers required by IPRU (INS) 9.30

Name of insurer **CGNU Life Assurance Limited**

Global business

Financial year ended **31st December 2005**

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 **CGNU Life Assurance Limited**

Global business

Financial year ended **31st December 2005**

In accordance with rule 9.36 of the Interim Prudential Sourcebook for Insurers, J R Lister, who resigned as the with-profits actuary of the Company on 22 July 2005, and A R Walton, who was appointed as the with-profits actuary of the Company on 22 July 2005, were requested to furnish and have provided the following information:

(1) J R Lister

- (a)**
- (1) An interest in 6,191 ordinary shares at 31 December 2005 in Aviva plc (2004: 10,310).
 - (2) 48,980 ordinary shares were held in the Aviva Long Term Incentive Plan at 31 December 2005 (2004: 39,324) and 34,472 ordinary shares were held in the Aviva Deferred Bonus Plan at 31 December 2005 (2004: 23,962).
 - (3) Options were held at 31 December 2005 to subscribe for 21,936 ordinary shares in Aviva plc under the Executive Share Option Scheme. No options were granted during the year. No options were exercised or lapsed during the year.
- (b)** The actuary holds 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.
- (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 the year was £227,623. Under the contract he was:

With-profits actuary and a director of:-
Commercial Union Life Assurance Company Limited
CGNU Life Assurance Limited
Norwich Union Life (RBS) Limited
Norwich Union Life & Pensions Limited

And a director of:-
Norwich Union Annuity Limited
Norwich Union Life Services Limited
The General Practice Finance Corporation 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
Norwich Union Linked Life Assurance Limited
Fidelity Life Assurance 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.

(2) A R Walton

- (a)**
- (1) The actuary held no interests in ordinary shares in Aviva plc at 31 December 2005.
 - (2) The actuary held no interests in ordinary shares in the Aviva Long Term Incentive Plan at 31 December 2005 and no interests in ordinary shares in the Aviva Deferred Bonus Plan at 31 December 2005.
 - (3) The actuary held no options to subscribe for ordinary shares in Aviva plc under the Executive Share Option Scheme at 31 December 2005:
- (b)** The actuary held general insurance policies with subsidiaries of Aviva plc for which total premiums of £745.00 were paid in the period to 31 December 2005.

Statement of information on appointed with-profits actuary required by IPRU (INS) 9.36

Name of insurer **CGNU Life Assurance Limited**

Global business

Financial year ended **31st December 2005**

- (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 the period 22 July 2005 to 31 December 2005 was £124,608. 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 Life & Pensions 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 **CGNU Life Assurance Limited**

Global business

Financial year ended **31st December 2005**

We certify that:

- 1 (a) the return has been properly prepared in accordance with the requirements in IPRU(INS) and PRU; and
(b) the directors are satisfied 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.

..... **P J R SNOWBALL**
Chief Executive

..... **K W ABERCROMBY**
Director

..... **J R LISTER**
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 **CGNU Life Assurance Limited**

Global Business

Financial year ended **31st December 2005**

We have examined the following documents prepared by the insurer pursuant to the Accounts and Statements Rules set out in Chapter 9 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 45, 48, 49, 58 and 60 (including the supplementary notes) ("the Forms");
- the statement required by rule 9.29 ("the statement"); and
- the reports required by rule 9.31 ("the valuation reports").

We are not required to examine and do not express an opinion on the following:

- a) Forms 46, 47, 50 to 53, 57, 59A and 59B (including the supplementary notes);
- b) the statements required by rules 9.30 and 9.36; and
- c) the certificate signed in accordance with rule 9.34.

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

Respective responsibilities of the company and its auditors

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

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

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 valuation reports. The evidence included that previously obtained by us relating to the audit of the financial statements of the insurer for the financial year on which we reported on 30 March 2006. 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 valuation reports.

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

In accordance with rule 9.35(1A), to the extent that any document, Form, statement, analysis or report to be audited 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 **CGNU Life Assurance Limited**

Global Business

Financial year ended **31st December 2005**

Opinion

In our opinion:

- (a) the Forms, the statement and the valuation reports fairly state the information provided on the basis required by the Rules as modified and have been properly prepared in accordance with the provisions of those Rules; and
- (b) the methods and assumptions determined by the insurer and used to perform the actuarial investigation as set out in the valuation reports 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 2006