# Norwich Union Life & Pensions Limited

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

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

FN 02 001

Returns under the Accounts and Statements Rules

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

Name of insurer **Norwich Union Life & Pensions Limited**

Global Business

Financial year ended **31st December 2005**

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Name of insurer **Norwich Union Life & Pensions Limited**

Global Business

Financial year ended **31st December 2005**


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**Statement of solvency - long-term insurance business**

Name of insurer **Norwich Union Life & Pensions Limited**

Global business

Financial year ended **31st December 2005**

Solo solvency calculation

| | Company registration number | GL/UK/CM | Period ended day | month | year | Units |
|---|---|---|---|---|---|---|
| R2 | 3253947 | GL | 31 | 12 | 2005 | £000 |

| | | As at end of this financial year<br>1 | As at end of the previous year<br>2 |
|---|---|---|---|
| **Capital resources** | | | |
| Capital resources arising within the long-term insurance fund | 11 | 5812378 | 3662940 |
| Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund | 12 | 1371609 | 1443688 |
| Capital resources available to cover long-term insurance business capital resources requirement (11+12) | 13 | 7183987 | 5106628 |
| **Guarantee Fund** | | | |
| Guarantee Fund requirement | 21 | 1208711 | 1085441 |
| Excess (deficiency) of available capital resources to cover guarantee fund requirement | 22 | 5975276 | 3612187 |
| **Minimum capital requirement (MCR)** | | | |
| Long-term insurance capital requirement | 31 | 1618683 | 1350586 |
| Resilience capital requirement | 32 | | |
| Base capital resources requirement | 33 | 2030 | 2087 |
| Individual minimum capital requirement | 34 | 1618683 | 1350586 |
| Capital requirements of regulated related undertakings | 35 | 729749 | 657606 |
| Minimum capital requirement (34 + 35) | 36 | 2348432 | 2008192 |
| Excess (deficiency) of available capital resources to cover 50% of MCR | 37 | 6009771 | 3693532 |
| Excess (deficiency) of available capital resources to cover 75% of MCR | 38 | 5422663 | 3191484 |
| **Enhanced capital requirement** | | | |
| With-profits insurance capital component | 39 | 3715070 | 1960749 |
| Enhanced capital requirement | 40 | 6063501 | 3968941 |
| **Capital resources requirement (CRR)** | | | |
| Capital resources requirement (greater of 36 and 40) | 41 | 6063501 | 3968941 |
| Excess (deficiency) of available capital resources to cover long-term insurance business CRR (13-41) | 42 | 1120486 | 1137687 |
| **Contingent liabilities** | | | |
| Quantifiable contingent liabilities in respect of long-term insurance business as shown in a supplementary note to Form 14 | 51 | | |

Returns under the Accounts and Statements Rules

**Covering page to Form 2**

| | |
|---|---|
| Name of insurer | **Norwich Union Life & Pensions 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

**Form 3**
**(Sheet 1)**

**Components of capital resources**

Name of insurer **Norwich Union Life & Pensions Limited**

Global business

Financial year ended **31st December 2005**

| | Company registration number | GL/UK/CM | Period ended day | month | year | Units |
|---|---|---|---|---|---|---|
| R3 | 3253947 | 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 | | 100000 | 100000 | 100000 |
| Profit and loss account and other reserves | 12 | | 2935154 | 2935154 | 1629424 |
| Share premium account | 13 | | 877893 | 877893 | 877893 |
| Positive valuation differences | 14 | | 3888518 | 3888518 | 247892 |
| Fund for future appropriations | 15 | | 1666400 | 1666400 | 3150457 |
| Core tier one capital in related undertakings | 16 | | (1270709) | (1270709) | (181245) |
| Core tier one capital (sum of 11 to 16) | 19 | | 8197256 | 8197256 | 5824421 |
| **Tier one waivers** | | | | | |
| Unpaid share capital / unpaid initial funds and calls for supplementary contributions | 21 | | | | |
| Implicit items | 22 | | 362000 | 362000 | |
| Tier one waivers in related undertakings | 23 | | | | |
| Total tier one waivers as restricted (21+22+23) | 24 | | 362000 | 362000 | |
| **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 | | 8559256 | 8559256 | 5824421 |
| Investments in own shares | 32 | | | | |
| Intangible assets | 33 | | 27562 | 27562 | (8500) |
| Amounts deducted from technical provisions for discounting | 34 | | | | |
| Other negative valuation differences | 35 | | | | |
| Deductions in related undertakings | 36 | | 113061 | 113061 | 113067 |
| Deductions from tier one (32 to 36) | 37 | | 140623 | 140623 | 104567 |
| **Total tier one capital after deductions** (31-37) | 39 | | 8418633 | 8418633 | 5719854 |

**Components of capital resources**

Name of insurer **Norwich Union Life & Pensions Limited**

Global business

Financial year ended **31st December 2005**

| | Company registration number | GL/UK/CM | Period ended day | month | year | Units |
|---|---|---|---|---|---|---|
| R3 | 3253947 | 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 prefence shares treated as tier two capital (41 to 43) | 44 | | | | |
| Perpetual cumulative preference shares | 45 | | | | |
| Perpetual subordinated debt and securities | 46 | | 200000 | 200000 | 200000 |
| Upper tier two capital in related undertakings | 47 | | 2250 | 2250 | |
| **Upper tier two capital** (44 to 47) | 49 | | 202250 | 202250 | 200000 |
| 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 | | 202250 | 202250 | 200000 |
| Excess tier two capital | 62 | | | | |
| Further excess lower tier two capital | 63 | | | | |
| **Total tier two capital after restrictions, before deductions** (61-62-63) | 69 | | 202250 | 202250 | 200000 |

**Form 3 (Sheet 3)**

**Components of capital resources**

Name of insurer **Norwich Union Life & Pensions Limited**

Global business

Financial year ended **31st December 2005**

| | Company registration number | GL/UK/CM | Period ended day | month | year | Units |
|---|---|---|---|---|---|---|
| R3 | 3253947 | 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 | | 8620883 | 8620883 | 5919854 |
| Inadmissible assets other than intangibles and own shares | 73 | | 1426708 | 1426708 | 1121084 |
| Assets in excess of market risk and counterparty limits | 74 | | 10188 | 10188 | 101142 |
| 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 | | 7183987 | 7183987 | 4697628 |
| **Available capital resources for PRU tests** | | | | | |
| Available capital resources for guarantee fund requirement | 81 | | 7183987 | 7183987 | 4697628 |
| Available capital resources for 50% MCR requirement | 82 | | 7183987 | 7183987 | 4697628 |
| Available capital resources for 75% MCR requirement | 83 | | 7183987 | 7183987 | 4697628 |
| **Financial engineering adjustments** | | | | | |
| Implicit items | 91 | | 362000 | 362000 | 409000 |
| Financial reinsurance - ceded | 92 | | 339671 | 339671 | 117783 |
| Financial reinsurance - accepted | 93 | | | | |
| Outstanding contingent loans | 94 | | 142400 | 142400 | 91252 |
| Any other charges on future profits | 95 | | | | |
| Sum of financial engineering adjustments (91+92-93+94+95) | 96 | | 844071 | 844071 | 618035 |

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

Name of insurer **Norwich Union Life & Pensions Limited**

Global business

Financial year ended **31st December 2005**

Long-term insurance business

| | Company registration number | GL/UK/CM | Period ended day | month | year | Units |
|---|---|---|---|---|---|---|
| R11 | 3253947 | GL | 31 | 12 | 2005 | £000 |

| | | | This financial year 1 | Previous year 2 |
|---|---|---|---|---|
| Gross premiums written | | 11 | 274243 | 209599 |
| Premium taxes and levies (included in line 11) | | 12 | | |
| Premiums receivable net of taxes and levies (11-12) | | 13 | 274243 | 209599 |
| 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 | 274243 | 209599 |
| Gross premiums earned | | 21 | 274243 | 209599 |
| Premium taxes and levies (included in line 21) | | 22 | | |
| Premiums earned net of taxes and levies (21-22) | | 23 | 274243 | 209599 |
| 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 | 274243 | 209599 |
| **Sub-total I** (higher of sub-total A and sub-total H) | | 30 | 274243 | 209599 |
| **Adjusted Sub-total I** if financial year is not a 12 month period to produce an annual figure | | 31 | | |
| Division of gross adjusted premiums amount: sub-total I (or adjusted sub- total I if appropriate) | x 0.18 | 32 | 49364 | 37728 |
| | Excess (if any) over 50M EURO x 0.02 | 33 | 4808 | 3496 |
| **Sub-total J** (32-33) | | 34 | 44556 | 34232 |
| Claims paid in period of 3 financial years | | 41 | 240396 | 125236 |
| Claims outstanding carried forward at the end of the 3 year period | For insurance business accounted for on an underwriting year basis | 42 | | |
| | For insurance business accounted for on an accident year basis | 43 | 214472 | 147708 |
| Claims outstanding brought forward at the beginning of the 3 year period | For insurance business accounted for on an underwriting year basis | 44 | | |
| | For insurance business accounted for on an accident year basis | 45 | 169848 | 153686 |
| **Sub-total C** (41+42+43-44-45) | | 46 | 285020 | 119258 |
| Amounts recoverable from reinsurers in respect of claims included in Sub-total C | | 47 | 113072 | 11885 |
| **Sub-total D** (46-47) | | 48 | 171948 | 107373 |
| **Reinsurance ratio** (Sub-total D / sub-total C or, if more, 50% or, if less, 100% | | 49 | 60.33 | 90.03 |
| **Premiums amount** Sub-total J x **reinsurance ratio** | | 50 | 26881 | 30819 |
| Provisions for claims outstanding (before discounting and net of reinsurance) | | 51 | 183530 | 134438 |
| **Brought forward amount** (12.43.2 x 51.1 / 51.2 or, if less, 12.43.2) | | 52 | 30819 | 24871 |
| Greater of lines 50 and 52 | | 53 | 30819 | 30819 |

## Calculation of general insurance capital requirement - claims amount and result

Name of insurer **Norwich Union Life & Pensions Limited**

Global business

Financial year ended **31st December 2005**

Long-term insurance business

| | Company registration number | GL/UK/CM | Period ended day | month | year | Units |
|---|---|---|---|---|---|---|
| R12 | 3253947 | GL | 31 | 12 | 2005 | £000 |

| | | | This financial year 1 | Previous year 2 |
|---|---|---|---|---|
| Reference period (No. of months) See PRU7.2.63R | | 11 | 36 | 36 |
| Claims paid in reference period | | 21 | 240396 | 125236 |
| 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 | 214472 | 147708 |
| 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 | 169848 | 153686 |
| Claims incurred in reference period (21+22+23-24-25) | | 26 | 285020 | 119258 |
| 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 | 285020 | 119258 |
| **Sub-total F** - Conversion of Sub-total E to annual figure (Multiply by 12 and divide by number of months in reference period) | | 31 | 95007 | 39753 |
| Division of sub-total F (gross adjusted claims amount) | X 0.26 | 32 | 24702 | 10336 |
| | Excess (if any) over 35M EURO x 0.03 | 33 | 2140 | 462 |
| **Sub-total G** (32 - 33) | | 39 | 22562 | 9874 |
| **Claims amount** Sub-total G x **reinsurance ratio** (11.49) | | 41 | 13612 | 8890 |
| Higher of **premiums amount** and **brought forward amount** (11.53) | | 42 | 30819 | 30819 |
| **General insurance capital requirement** (higher of lines 41 and 42) | | 43 | 30819 | 30819 |

**Form 13**
**(Sheet 1)**

**Analysis of admissible assets**

Name of insurer **Norwich Union Life & Pensions 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 day | month | year | Units | Category of assets |
|---|---|---|---|---|---|---|---|
| **R13** | **3253947** | **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** | 158284 | 141054 |
| | debts and loans | **22** | | |
| Other insurance dependants | shares | **23** | | 119724 |
| | debts and loans | **24** | | |
| Non-insurance dependants | shares | **25** | 90482 | 182095 |
| | debts and loans | **26** | 5000 | 4602 |
| Other group undertakings | shares | **27** | | |
| | debts and loans | **28** | | 9968 |
| Participating interests | shares | **29** | 818 | |
| | debts and loans | **30** | | |
| **Other financial investments** | | | | |
| Equity shares | | **41** | 1984 | 882 |
| Other shares and other variable yield participations | | **42** | | |
| Holdings in collective investment schemes | | **43** | 10718 | 78 |
| Rights under derivative contracts | | **44** | | |
| Fixed interest securities | Approved | **45** | | 149113 |
| | Other | **46** | 250 | |
| Variable interest securities | Approved securities | **47** | | |
| | Other | **48** | 81268 | |
| 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** | 130104 | 93794 |
| | More than one month withdrawal | **55** | | |
| Other financial investments | | **56** | | |

**Form 13**
**(Sheet 2)**

**Analysis of admissible assets**

Name of insurer **Norwich Union Life & Pensions 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 day | month | year | Units | Category of assets |
|---|---|---|---|---|---|---|---|
| R13 | 3253947 | 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 | 409 | 14402 |
| | Due in more than 12 months | 77 | | |
| Other | Due in 12 months or less | 78 | 4955 | 604 |
| | Due in more than 12 months | 79 | | |
| **Other assets** | | | | |
| Tangible assets | | 80 | | |
| Deposits not subject to time restriction on withdrawal with approved institutions | | 81 | 192639 | 83770 |
| Cash in hand | | 82 | | |
| Other assets (particulars to be specified by way of supplementary note) | | 83 | | |
| Accrued interest and rent | | 84 | 1823 | 691 |
| 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 | 678734 | 800777 |

**Analysis of admissible assets**

Name of insurer **Norwich Union Life & Pensions 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 day | month | year | Units | Category of assets |
|---|---|---|---|---|---|---|---|
| R13 | 3253947 | GL | 31 | 12 | 2005 | £000 | 1 |

| | | As at the end of this financial year<br>1 | As at the end of the previous year<br>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 | 678734 | 800777 |
| Assets in excess of market and counterparty limits | 92 | | 1261 |
| Capital resources requirement deduction of regulated related undertakings | 93 | 729747 | 657606 |
| 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 | 1572719 | 429396 |
| 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 | 73900 | |
| 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 | 3055100 | |

| | | | |
|---|---|---|---|
| Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance | 102 | | 14502 |

**Form 13**
**(Sheet 1)**

**Analysis of admissible assets**

Name of insurer **Norwich Union Life & Pensions 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 day | month | year | Units | Category of assets |
|---|---|---|---|---|---|---|---|
| R13 | 3253947 | 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 | 1888604 | 3013892 |
| **Investments in group undertakings and participating interests** | | | | |
| UK insurance dependants | shares | 21 | 23572 | |
| | debts and loans | 22 | | |
| Other insurance dependants | shares | 23 | | |
| | debts and loans | 24 | | |
| Non-insurance dependants | shares | 25 | 204 | 179 |
| | debts and loans | 26 | 108726 | 407303 |
| Other group undertakings | shares | 27 | | |
| | debts and loans | 28 | 275836 | 272821 |
| Participating interests | shares | 29 | | |
| | debts and loans | 30 | | |
| **Other financial investments** | | | | |
| Equity shares | | 41 | 10270571 | 9014135 |
| Other shares and other variable yield participations | | 42 | | |
| Holdings in collective investment schemes | | 43 | 615629 | 458156 |
| Rights under derivative contracts | | 44 | 164001 | 68225 |
| Fixed interest securities | Approved | 45 | 11555015 | 9482653 |
| | Other | 46 | 4442101 | 4483326 |
| Variable interest securities | Approved securities | 47 | 94185 | 9752 |
| | Other | 48 | 142770 | 41502 |
| Participation in investment pools | | 49 | | |
| Loans secured by mortgages | | 50 | 186305 | 356837 |
| Loans to public or local authorities and nationalised industries or undertakings | | 51 | | |
| Loans secured by policies of insurance issued by the company | | 52 | 58934 | 61675 |
| Other loans | | 53 | 45206 | |
| Bank and approved credit & financial institution deposits | One month or less withdrawal | 54 | 1583934 | 82706 |
| | More than one month withdrawal | 55 | 90718 | |
| Other financial investments | | 56 | 1479 | |

**Analysis of admissible assets**

| | |
|---|---|
| Name of insurer | **Norwich Union Life & Pensions 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 day | month | year | Units | Category of assets |
|---|---|---|---|---|---|---|---|
| R13 | 3253947 | 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 | 419215 | 56701 |
| | Property linked | 59 | 24440571 | |
| **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 | 91394 | 74070 |
| | Intermediaries | 72 | 16774 | 24759 |
| Salvage and subrogation recoveries | | 73 | | |
| Reinsurance | Accepted | 74 | 17506 | 5594 |
| | Ceded | 75 | 50398 | 28878 |
| Dependants | Due in 12 months or less | 76 | 455247 | 852 |
| | Due in more than 12 months | 77 | | |
| Other | Due in 12 months or less | 78 | 817829 | 252446 |
| | Due in more than 12 months | 79 | | |
| **Other assets** | | | | |
| Tangible assets | | 80 | 14939 | 22455 |
| Deposits not subject to time restriction on withdrawal with approved institutions | | 81 | 858421 | 288982 |
| Cash in hand | | 82 | | |
| Other assets (particulars to be specified by way of supplementary note) | | 83 | | |
| Accrued interest and rent | | 84 | 231782 | 211419 |
| Deferred acquisition costs (general business only) | | 85 | | |
| Other prepayments and accrued income | | 86 | 22489 | 20875 |
| 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 | 58984355 | 28740193 |

**Form 13 (Sheet 3)**

**Analysis of admissible assets**

Name of insurer **Norwich Union Life & Pensions 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 day | month | year | Units | Category of assets |
|---|---|---|---|---|---|---|---|
| R13 | 3253947 | GL | 31 | 12 | 2005 | £000 | 10 |

| | | As at the end of this financial year 1 | As at the end of the previous year 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 | 58984355 | 28740193 |
| Assets in excess of market and counterparty limits | 92 | | 99881 |
| 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 | | (199032) |
| Deferred acquisition costs excluded from line 89 | 98 | 1214900 | |
| Reinsurers' share of technical provisions excluded from line 89 | 99 | 2423025 | |
| Other asset adjustments (may be negative) | 100 | (248266) | |
| 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 | 62374014 | |

| | | | |
|---|---|---|---|
| Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance | 102 | 40732 | 4062 |

**Analysis of admissible assets**

Name of insurer **Norwich Union Life & Pensions Limited**

Global business

Financial year ended **31st December 2005**

Category of assets **With Profits Sub-Fund**

| | Company registration number | GL/UK/CM | Period ended day | month | year | Units | Category of assets |
|---|---|---|---|---|---|---|---|
| R13 | 3253947 | 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 | 1875978 | 3013892 |
| **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 | | 74 |
| | debts and loans | 26 | 108726 | 407303 |
| Other group undertakings | shares | 27 | | |
| | debts and loans | 28 | 184077 | 184688 |
| Participating interests | shares | 29 | | |
| | debts and loans | 30 | | |
| **Other financial investments** | | | | |
| Equity shares | | 41 | 9959084 | 9014135 |
| Other shares and other variable yield participations | | 42 | | |
| Holdings in collective investment schemes | | 43 | 551752 | 431010 |
| Rights under derivative contracts | | 44 | 135338 | 68225 |
| Fixed interest securities | Approved | 45 | 9404815 | 8918299 |
| | Other | 46 | 2801073 | 4091826 |
| Variable interest securities | Approved securities | 47 | | |
| | Other | 48 | 138088 | 41502 |
| 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 | 55938 | 60401 |
| Other loans | | 53 | 45206 | |
| Bank and approved credit & financial institution deposits | One month or less withdrawal | 54 | 1469809 | |
| | More than one month withdrawal | 55 | | |
| Other financial investments | | 56 | | |

**Analysis of admissible assets**

| | |
|---|---|
| Name of insurer | **Norwich Union Life & Pensions Limited** |
| Global business | |
| Financial year ended | **31st December 2005** |
| Category of assets | **With Profits Sub-Fund** |

| | Company registration number | GL/UK/CM | Period ended day | month | year | Units | Category of assets |
|---|---|---|---|---|---|---|---|
| R13 | 3253947 | GL | 31 | 12 | 2005 | £000 | 11 |

| | | | As at the end of this financial year<br>1 | As at the end of the previous year<br>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 | 17560 | 44680 |
| | Intermediaries | 72 | | |
| Salvage and subrogation recoveries | | 73 | | |
| Reinsurance | Accepted | 74 | | 5594 |
| | 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 | 255718 | 79688 |
| | Due in more than 12 months | 79 | | |
| **Other assets** | | | | |
| Tangible assets | | 80 | | |
| Deposits not subject to time restriction on withdrawal with approved institutions | | 81 | 361967 | 258139 |
| Cash in hand | | 82 | | |
| Other assets (particulars to be specified by way of supplementary note) | | 83 | | |
| Accrued interest and rent | | 84 | 168991 | 195767 |
| 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 | 27534120 | 26815223 |

**Form 13 (Sheet 3)**

**Analysis of admissible assets**

Name of insurer **Norwich Union Life & Pensions Limited**

Global business

Financial year ended **31st December 2005**

Category of assets **With Profits Sub-Fund**

| | Company registration number | GL/UK/CM | Period ended day | month | year | Units | Category of assets |
|---|---|---|---|---|---|---|---|
| R13 | 3253947 | GL | 31 | 12 | 2005 | £000 | 11 |

**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**

| | | As at the end of this financial year 1 | As at the end of the previous year 2 |
|---|---|---|---|
| Total admissible assets after deduction of market risk and counterparty limits (as per line 89 above) | 91 | 27534120 | 26815223 |
| Assets in excess of market and counterparty limits | 92 | | 74637 |
| 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 | 7993 | |
| Other asset adjustments (may be negative) | 100 | (15988) | |
| 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 | 27526125 | |

| | | | |
|---|---|---|---|
| Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance | 102 | 40732 | 2936 |

**Analysis of admissible assets**

Name of insurer **Norwich Union Life & Pensions Limited**

Global business

Financial year ended **31st December 2005**

Category of assets **Provident Mutual Sub-Fund**

| | Company registration number | GL/UK/CM | Period ended day | month | year | Units | Category of assets |
|---|---|---|---|---|---|---|---|
| R13 | 3253947 | 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 | 278230 | |
| Other shares and other variable yield participations | | 42 | | |
| Holdings in collective investment schemes | | 43 | 3937 | |
| Rights under derivative contracts | | 44 | 15357 | |
| Fixed interest securities | Approved | 45 | 1245567 | |
| | Other | 46 | 1331635 | |
| Variable interest securities | Approved securities | 47 | 78890 | |
| | Other | 48 | 219 | |
| 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 | 1118 | |
| Other loans | | 53 | | |
| Bank and approved credit & financial institution deposits | One month or less withdrawal | 54 | 58686 | |
| | More than one month withdrawal | 55 | | |
| Other financial investments | | 56 | | |

**Form 13**
**(Sheet 2)**

**Analysis of admissible assets**

Name of insurer **Norwich Union Life & Pensions Limited**

Global business

Financial year ended **31st December 2005**

Category of assets **Provident Mutual Sub-Fund**

| | Company registration number | GL/UK/CM | Period ended day | month | year | Units | Category of assets |
|---|---|---|---|---|---|---|---|
| R13 | 3253947 | 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 | 11492 | |
| | Intermediaries | 72 | 3163 | |
| 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 | 7489 | |
| | Due in more than 12 months | 79 | | |
| **Other assets** | | | | |
| Tangible assets | | 80 | | |
| Deposits not subject to time restriction on withdrawal with approved institutions | | 81 | 144834 | |
| Cash in hand | | 82 | | |
| Other assets (particulars to be specified by way of supplementary note) | | 83 | | |
| Accrued interest and rent | | 84 | 44862 | |
| 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 | 3225479 | |

**Analysis of admissible assets**

Name of insurer **Norwich Union Life & Pensions Limited**

Global business

Financial year ended **31st December 2005**

Category of assets **Provident Mutual Sub-Fund**

| | Company registration number | GL/UK/CM | Period ended day | month | year | Units | Category of assets |
|---|---|---|---|---|---|---|---|
| R13 | 3253947 | GL | 31 | 12 | 2005 | £000 | 12 |

| | | As at the end of this financial year<br>1 | As at the end of the previous year<br>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 | 3225479 | |
| 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 | 252332 | |
| Other asset adjustments (may be negative) | 100 | 3922 | |
| 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 | 3481733 | |

| | | | |
|---|---|---|---|
| Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance | 102 | | |

**Form 13**
**(Sheet 1)**

**Analysis of admissible assets**

Name of insurer **Norwich Union Life & Pensions Limited**

Global business

Financial year ended **31st December 2005**

Category of assets **Belgian Sub-Fund**

| | Company registration number | GL/UK/CM | Period ended day | month | year | Units | Category of assets |
|---|---|---|---|---|---|---|---|
| R13 | 3253947 | GL | 31 | 12 | 2005 | £000 | 13 |

| **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 | 7231 | |
| | 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 | | |

**Form 13**
**(Sheet 2)**

**Analysis of admissible assets**

Name of insurer **Norwich Union Life & Pensions Limited**

Global business

Financial year ended **31st December 2005**

Category of assets **Belgian Sub-Fund**

| | Company registration number | GL/UK/CM | Period ended day | month | year | Units | Category of assets |
|---|---|---|---|---|---|---|---|
| R13 | 3253947 | GL | 31 | 12 | 2005 | £000 | 13 |

| | | | 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 | | |
| | Due in more than 12 months | 79 | | |
| **Other assets** | | | | |
| Tangible assets | | 80 | | |
| Deposits not subject to time restriction on withdrawal with approved institutions | | 81 | | |
| 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 | 7231 | |

**Form 13**
**(Sheet 3)**

**Analysis of admissible assets**

Name of insurer **Norwich Union Life & Pensions Limited**

Global business

Financial year ended **31st December 2005**

Category of assets **Belgian Sub-Fund**

| | Company registration number | GL/UK/CM | Period ended day | month | year | Units | Category of assets |
|---|---|---|---|---|---|---|---|
| R13 | 3253947 | GL | 31 | 12 | 2005 | £000 | 13 |

| | | As at the end of this financial year<br>1 | As at the end of the previous year<br>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 | 7231 | |
| 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 | 7231 | |

| | | | |
|---|---|---|---|
| Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance | 102 | | |

**Analysis of admissible assets**

Name of insurer **Norwich Union Life & Pensions Limited**

Global business

Financial year ended **31st December 2005**

Category of assets **Non-Profit Sub-Fund 1**

| | Company registration number | GL/UK/CM | Period ended day | month | year | Units | Category of assets |
|---|---|---|---|---|---|---|---|
| R13 | 3253947 | GL | 31 | 12 | 2005 | £000 | 14 |

| **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 | 23572 | |
| | debts and loans | 22 | | |
| Other insurance dependants | shares | 23 | | |
| | debts and loans | 24 | | |
| Non-insurance dependants | shares | 25 | | 105 |
| | debts and loans | 26 | | |
| Other group undertakings | shares | 27 | | |
| | debts and loans | 28 | 2525 | 88133 |
| Participating interests | shares | 29 | | |
| | debts and loans | 30 | | |
| **Other financial investments** | | | | |
| Equity shares | | 41 | 33199 | |
| Other shares and other variable yield participations | | 42 | | |
| Holdings in collective investment schemes | | 43 | 31578 | 27146 |
| Rights under derivative contracts | | 44 | 13185 | |
| Fixed interest securities | Approved | 45 | 58325 | 564354 |
| | Other | 46 | 63000 | 391500 |
| Variable interest securities | Approved securities | 47 | 6179 | 9752 |
| | Other | 48 | 3094 | |
| Participation in investment pools | | 49 | | |
| Loans secured by mortgages | | 50 | | 356837 |
| Loans to public or local authorities and nationalised industries or undertakings | | 51 | | |
| Loans secured by policies of insurance issued by the company | | 52 | 1059 | 1274 |
| Other loans | | 53 | | |
| Bank and approved credit & financial institution deposits | One month or less withdrawal | 54 | 48410 | 82706 |
| | More than one month withdrawal | 55 | 90718 | |
| Other financial investments | | 56 | | |

**Form 13**
**(Sheet 2)**

**Analysis of admissible assets**

Name of insurer **Norwich Union Life & Pensions Limited**

Global business

Financial year ended **31st December 2005**

Category of assets **Non-Profit Sub-Fund 1**

| | Company registration number | GL/UK/CM | Period ended day | month | year | Units | Category of assets |
|---|---|---|---|---|---|---|---|
| R13 | 3253947 | GL | 31 | 12 | 2005 | £000 | 14 |

| | | | 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 | 359362 | 56701 |
| | Property linked | 59 | 7698980 | |
| **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 | 16940 | 29390 |
| | Intermediaries | 72 | 5933 | 24759 |
| Salvage and subrogation recoveries | | 73 | | |
| Reinsurance | Accepted | 74 | 13451 | |
| | Ceded | 75 | | 28878 |
| Dependants | Due in 12 months or less | 76 | 223500 | 852 |
| | Due in more than 12 months | 77 | | |
| Other | Due in 12 months or less | 78 | 170512 | 172758 |
| | Due in more than 12 months | 79 | | |
| **Other assets** | | | | |
| Tangible assets | | 80 | 14939 | 22455 |
| Deposits not subject to time restriction on withdrawal with approved institutions | | 81 | 169795 | 30843 |
| Cash in hand | | 82 | | |
| Other assets (particulars to be specified by way of supplementary note) | | 83 | | |
| Accrued interest and rent | | 84 | 4655 | 15652 |
| Deferred acquisition costs (general business only) | | 85 | | |
| Other prepayments and accrued income | | 86 | 22485 | 20875 |
| 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 | 9075396 | 1924970 |

**Analysis of admissible assets**

Name of insurer **Norwich Union Life & Pensions Limited**

Global business

Financial year ended **31st December 2005**

Category of assets **Non-Profit Sub-Fund 1**

| | Company registration number | GL/UK/CM | Period ended day | month | year | Units | Category of assets |
|---|---|---|---|---|---|---|---|
| R13 | 3253947 | GL | 31 | 12 | 2005 | £000 | 14 |

| | | As at the end of this financial year<br>1 | As at the end of the previous year<br>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 | 9075396 | 1924970 |
| Assets in excess of market and counterparty limits | 92 | | 25244 |
| 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 | | (199032) |
| Deferred acquisition costs excluded from line 89 | 98 | 652200 | |
| Reinsurers' share of technical provisions excluded from line 89 | 99 | 660600 | |
| Other asset adjustments (may be negative) | 100 | (216800) | |
| 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 | 10171396 | |

| | | | |
|---|---|---|---|
| Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance | 102 | | 1126 |

**Form 13**
**(Sheet 1)**

**Analysis of admissible assets**

Name of insurer **Norwich Union Life & Pensions Limited**

Global business

Financial year ended **31st December 2005**

Category of assets **Non-Profit Sub-Fund 2**

| | Company registration number | GL/UK/CM | Period ended day | month | year | Units | Category of assets |
|---|---|---|---|---|---|---|---|
| R13 | 3253947 | GL | 31 | 12 | 2005 | £000 | 15 |

| **Investments** | | | As at the end of this financial year **1** | As at the end of the previous year **2** |
|---|---|---|---|---|
| Land and buildings | | 11 | 12626 | |
| **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 | 204 | |
| | debts and loans | 26 | | |
| Other group undertakings | shares | 27 | | |
| | debts and loans | 28 | 89234 | |
| Participating interests | shares | 29 | | |
| | debts and loans | 30 | | |
| **Other financial investments** | | | | |
| Equity shares | | 41 | 58 | |
| Other shares and other variable yield participations | | 42 | | |
| Holdings in collective investment schemes | | 43 | 28362 | |
| Rights under derivative contracts | | 44 | 121 | |
| Fixed interest securities | Approved | 45 | 839077 | |
| | Other | 46 | 246393 | |
| Variable interest securities | Approved securities | 47 | 9116 | |
| | Other | 48 | 1369 | |
| Participation in investment pools | | 49 | | |
| Loans secured by mortgages | | 50 | 186305 | |
| Loans to public or local authorities and nationalised industries or undertakings | | 51 | | |
| Loans secured by policies of insurance issued by the company | | 52 | 819 | |
| Other loans | | 53 | | |
| Bank and approved credit & financial institution deposits | One month or less withdrawal | 54 | 7029 | |
| | More than one month withdrawal | 55 | | |
| Other financial investments | | 56 | 1479 | |

**Form 13**
**(Sheet 2)**

**Analysis of admissible assets**

Name of insurer **Norwich Union Life & Pensions Limited**

Global business

Financial year ended **31st December 2005**

Category of assets **Non-Profit Sub-Fund 2**

| | Company registration number | GL/UK/CM | Period ended day | month | year | Units | Category of assets |
|---|---|---|---|---|---|---|---|
| R13 | 3253947 | GL | 31 | 12 | 2005 | £000 | 15 |

| | | | 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 | 59853 | |
| | Property linked | 59 | 16741591 | |
| **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 | 45402 | |
| | Intermediaries | 72 | 7678 | |
| Salvage and subrogation recoveries | | 73 | | |
| Reinsurance | Accepted | 74 | 4055 | |
| | Ceded | 75 | 50398 | |
| Dependants | Due in 12 months or less | 76 | 231747 | |
| | Due in more than 12 months | 77 | | |
| Other | Due in 12 months or less | 78 | 384110 | |
| | Due in more than 12 months | 79 | | |
| **Other assets** | | | | |
| Tangible assets | | 80 | | |
| Deposits not subject to time restriction on withdrawal with approved institutions | | 81 | 181825 | |
| Cash in hand | | 82 | | |
| Other assets (particulars to be specified by way of supplementary note) | | 83 | | |
| Accrued interest and rent | | 84 | 13274 | |
| Deferred acquisition costs (general business only) | | 85 | | |
| Other prepayments and accrued income | | 86 | 4 | |
| 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 | 19142129 | |

**Form 13 (Sheet 3)**

**Analysis of admissible assets**

Name of insurer **Norwich Union Life & Pensions Limited**

Global business

Financial year ended **31st December 2005**

Category of assets **Non-Profit Sub-Fund 2**

| | Company registration number | GL/UK/CM | Period ended day | month | year | Units | Category of assets |
|---|---|---|---|---|---|---|---|
| R13 | 3253947 | GL | 31 | 12 | 2005 | £000 | 15 |

| | | As at the end of this financial year 1 | As at the end of the previous year 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 | 19142129 | |
| 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 | 562700 | |
| Reinsurers' share of technical provisions excluded from line 89 | 99 | 1502100 | |
| Other asset adjustments (may be negative) | 100 | (19400) | |
| 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 | 21187529 | |

| | | | |
|---|---|---|---|
| Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance | 102 | | |

**Long term insurance business liabilities and margins**

Name of insurer **Norwich Union Life & Pensions Limited**

Global business

Financial year ended **31st December 2005**

Fund **With Profits Sub-Fund**

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 | 21741515 | 23215456 |
| Cash bonuses which had not been paid to policyholders prior to end of the financial year | | 12 | | |
| Balance of surplus/(valuation deficit) | | 13 | | 426764 |
| Long term insurance business fund carried forward (11 to 13) | | 14 | 21741515 | 23642220 |
| Claims outstanding | Gross amount | 15 | 66110 | 88551 |
| | Reinsurers' share | 16 | | |
| | Net (15-16) | 17 | 66110 | 88551 |
| Provisions | Taxation | 21 | 79874 | |
| | Other | 22 | | |
| Deposits received from reinsurers | | 23 | | |
| Creditors | Direct insurance business | 31 | 19210 | 11242 |
| | Reinsurance accepted | 32 | | 4012 |
| | Reinsurance ceded | 33 | | |
| Debenture loans | Secured | 34 | | |
| | Unsecured | 35 | | 159 |
| Amounts owed to credit institutions | | 36 | | 2286 |
| Creditors | Taxation | 37 | 193516 | 202429 |
| | Other | 38 | 456277 | 154812 |
| Accruals and deferred income | | 39 | 28236 | 43387 |
| Provision for "reasonably foreseeable adverse variations" | | 41 | | |
| Total other insurance and non-insurance liabilities (17 to 41) | | 49 | 843223 | 506878 |
| Excess of the value of net admissible assets | | 51 | 4949382 | 2666125 |
| Total liabilities and margins | | 59 | 27534120 | 26815223 |

| | | | |
|---|---|---|---|
| Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance | 61 | 7294 | 1401 |
| Amounts included in line 59 attributable to liabilities in respect of property linked benefits | 62 | | |

| | | | |
|---|---|---|---|
| Total liabilities (11+12+49) | 71 | 22584738 | 23722334 |
| 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 margins**

Name of insurer **Norwich Union Life & Pensions Limited**

Global business

Financial year ended **31st December 2005**

Fund **Provident Mutual Sub-Fund**

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 | 2843383 | |
| 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 | 2843383 | |
| Claims outstanding | Gross amount | 15 | 11344 | |
| | Reinsurers' share | 16 | | |
| | Net (15-16) | 17 | 11344 | |
| Provisions | Taxation | 21 | 982 | |
| | Other | 22 | | |
| Deposits received from reinsurers | | 23 | | |
| Creditors | Direct insurance business | 31 | 33706 | |
| | Reinsurance accepted | 32 | | |
| | Reinsurance ceded | 33 | | |
| Debenture loans | Secured | 34 | | |
| | Unsecured | 35 | | |
| Amounts owed to credit institutions | | 36 | | |
| Creditors | Taxation | 37 | 16888 | |
| | Other | 38 | 67103 | |
| Accruals and deferred income | | 39 | | |
| Provision for "reasonably foreseeable adverse variations" | | 41 | | |
| Total other insurance and non-insurance liabilities (17 to 41) | | 49 | 130023 | |
| Excess of the value of net admissible assets | | 51 | 252073 | |
| Total liabilities and margins | | 59 | 3225479 | |

| | | | |
|---|---|---|---|
| Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance | 61 | 7188 | |
| Amounts included in line 59 attributable to liabilities in respect of property linked benefits | 62 | | |

| | | | |
|---|---|---|---|
| Total liabilities (11+12+49) | 71 | 2973406 | |
| 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 margins**

Name of insurer **Norwich Union Life & Pensions Limited**

Global business

Financial year ended **31st December 2005**

Fund **Belgian Sub-Fund**

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 | | |
| 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 | | |
| 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 | 7231 | |
| Total liabilities and margins | | 59 | 7231 | |

| | | | |
|---|---|---|---|
| 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 | | |
| 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 margins**

Name of insurer **Norwich Union Life & Pensions Limited**

Global business

Financial year ended **31st December 2005**

Fund **Non-Profit Sub-Fund 1**

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 | 8264322 | 1484579 |
| 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 | 8264322 | 1484579 |
| Claims outstanding | Gross amount | 15 | 35110 | 46878 |
| | Reinsurers' share | 16 | | |
| | Net (15-16) | 17 | 35110 | 46878 |
| Provisions | Taxation | 21 | | |
| | Other | 22 | | |
| Deposits received from reinsurers | | 23 | | |
| Creditors | Direct insurance business | 31 | 23299 | 41110 |
| | Reinsurance accepted | 32 | 4055 | 25444 |
| | Reinsurance ceded | 33 | 44889 | 4472 |
| Debenture loans | Secured | 34 | | |
| | Unsecured | 35 | | |
| Amounts owed to credit institutions | | 36 | 70828 | |
| Creditors | Taxation | 37 | | 1487 |
| | Other | 38 | 408886 | 159326 |
| Accruals and deferred income | | 39 | | 623 |
| Provision for "reasonably foreseeable adverse variations" | | 41 | | |
| Total other insurance and non-insurance liabilities (17 to 41) | | 49 | 587067 | 279340 |
| Excess of the value of net admissible assets | | 51 | 224007 | 161051 |
| Total liabilities and margins | | 59 | 9075396 | 1924970 |

| | | | |
|---|---|---|---|
| Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance | 61 | 262422 | 42962 |
| Amounts included in line 59 attributable to liabilities in respect of property linked benefits | 62 | 7698980 | |

| | | | |
|---|---|---|---|
| Total liabilities (11+12+49) | 71 | 8851389 | 1763919 |
| 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 margins**

Name of insurer **Norwich Union Life & Pensions Limited**

Global business

Financial year ended **31st December 2005**

Fund **Non-Profit Sub-Fund 2**

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 | 18828814 | |
| 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 | 18828814 | |
| Claims outstanding | Gross amount | 15 | 7908 | |
| | Reinsurers' share | 16 | | |
| | Net (15-16) | 17 | 7908 | |
| Provisions | Taxation | 21 | | |
| | Other | 22 | | |
| Deposits received from reinsurers | | 23 | | |
| Creditors | Direct insurance business | 31 | 19561 | |
| | Reinsurance accepted | 32 | | |
| | Reinsurance ceded | 33 | 7491 | |
| Debenture loans | Secured | 34 | | |
| | Unsecured | 35 | | |
| Amounts owed to credit institutions | | 36 | | |
| Creditors | Taxation | 37 | 16226 | |
| | Other | 38 | 244445 | |
| Accruals and deferred income | | 39 | | |
| Provision for "reasonably foreseeable adverse variations" | | 41 | | |
| Total other insurance and non-insurance liabilities (17 to 41) | | 49 | 295631 | |
| Excess of the value of net admissible assets | | 51 | 17684 | |
| Total liabilities and margins | | 59 | 19142129 | |

| | | | |
|---|---|---|---|
| Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance | 61 | 161430 | |
| Amounts included in line 59 attributable to liabilities in respect of property linked benefits | 62 | 16741591 | |

| | | | |
|---|---|---|---|
| Total liabilities (11+12+49) | 71 | 19124445 | |
| 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 margins**

Name of insurer **Norwich Union Life & Pensions 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 | 51678034 | 24700035 |
| Cash bonuses which had not been paid to policyholders prior to end of the financial year | | 12 | | |
| Balance of surplus/(valuation deficit) | | 13 | | 426764 |
| Long term insurance business fund carried forward (11 to 13) | | 14 | 51678034 | 25126799 |
| Claims outstanding | Gross amount | 15 | 120472 | 135429 |
| | Reinsurers' share | 16 | | |
| | Net (15-16) | 17 | 120472 | 135429 |
| Provisions | Taxation | 21 | 80856 | |
| | Other | 22 | | |
| Deposits received from reinsurers | | 23 | | |
| Creditors | Direct insurance business | 31 | 95776 | 52352 |
| | Reinsurance accepted | 32 | 4055 | 29456 |
| | Reinsurance ceded | 33 | 52380 | 4472 |
| Debenture loans | Secured | 34 | | |
| | Unsecured | 35 | | 159 |
| Amounts owed to credit institutions | | 36 | 70828 | 2286 |
| Creditors | Taxation | 37 | 226630 | 203916 |
| | Other | 38 | 1176711 | 314138 |
| Accruals and deferred income | | 39 | 28236 | 44010 |
| Provision for "reasonably foreseeable adverse variations" | | 41 | | |
| Total other insurance and non-insurance liabilities (17 to 41) | | 49 | 1855944 | 786218 |
| Excess of the value of net admissible assets | | 51 | 5450377 | 2827176 |
| Total liabilities and margins | | 59 | 58984355 | 28740193 |

| | | | |
|---|---|---|---|
| Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance | 61 | 438334 | 44363 |
| Amounts included in line 59 attributable to liabilities in respect of property linked benefits | 62 | 24440571 | |

| | | | |
|---|---|---|---|
| Total liabilities (11+12+49) | 71 | 53533978 | 25486253 |
| Increase to liabilities - DAC related | 72 | | |
| Reinsurers' share of technical provisions | 73 | 2423025 | |
| Other adjustments to liabilities (may be negative) | 74 | 3655400 | |
| Capital and reserves and fund for future appropriations | 75 | 2761611 | |
| 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 | 62374014 | |

**Liabilities (other than long term insurance business)**

Name of insurer **Norwich Union Life & Pensions Limited**

Global business

Financial year ended **31st December 2005**

| | Company registration number | GL/UK/CM | Period ended day | month | year | Units |
|---|---|---|---|---|---|---|
| R15 | 3253947 | GL | 31 | 12 | 2005 | £000 |

| | | | 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 | 14040 | 9410 |
| | Recommended dividend | 48 | | |
| | Other | 49 | 22835 | 5285 |
| Accruals and deferred income | | 51 | | |
| Total (19 to 51) | | 59 | 36875 | 14695 |
| Provision for "reasonably foreseeable adverse variations" | | 61 | | |
| Cumulative preference share capital | | 62 | | |
| Subordinated loan capital | | 63 | 200000 | 200000 |
| Total (59 to 63) | | 69 | 236875 | 214695 |

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

| | | | |
|---|---|---|---|
| Reinsurers' share of DAC | 81 | | |
| Amounts deducted from technical provisions for discounting | 82 | | |
| Other adjustments (may be negative) | 83 | | |
| Capital and reserves | 84 | 2818225 | |
| 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 | 3055100 | |

**Profit and loss account (non-technical account)**

Name of insurer **Norwich Union Life & Pensions Limited**

Global business

Financial year ended **31st December 2005**

| | Company registration number | GL/UK/CM | Period ended day | month | year | Units |
|---|---|---|---|---|---|---|
| R16 | 3253947 | GL | 31 | 12 | 2005 | £000 |

| | | | This financial year 1 | Previous year 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 | 126856 | 150261 |
| Investment income | Income | 14 | 65494 | 17175 |
| | Value re-adjustments on investments | 15 | 314050 | 20 |
| | Gains on the realisation of investments | 16 | 190485 | |
| Investment charges | Investment management charges, including interest | 17 | 13091 | 75 |
| | Value re-adjustments on investments | 18 | | |
| | Loss on the realisation of investments | 19 | | 2147 |
| 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 | 683794 | 165234 |
| Tax on profit or loss on ordinary activities | | 31 | 5600 | 297 |
| Profit or loss on ordinary activities after tax (29-31) | | 39 | 678194 | 164937 |
| 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 | 678194 | 164937 |
| Dividends (paid and proposed) | | 51 | 878200 | 158300 |
| Profit or loss retained for the financial year (49-51) | | 59 | (200006) | 6637 |

**Analysis of derivative contracts**

Name of insurer **Norwich Union Life & Pensions 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 day | month | year | Units | Category of assets |
|---|---|---|---|---|---|---|---|
| **R17** | **3253947** | **GL** | **31** | **12** | **2005** | **£000** | **10** |

| **Derivative contracts** | | | As at the end of this financial year Assets 1 | As at the end of this financial year Liabilities 2 | As at the end of the previous year Assets 3 | As at the end of the previous year Liabilities 4 |
|---|---|---|---|---|---|---|
| Futures contracts | Fixed-interest securities | **11** | | 5331 | | 1750 |
| | Equity shares | **12** | | | | |
| | Land | **13** | | | | |
| | Currencies | **14** | 13477 | 29493 | 61317 | 31014 |
| | Other | **15** | | | | |
| Options | Fixed-interest securities | **21** | 116286 | | | |
| | Equity shares | **22** | 10121 | | 10 | |
| | Land | **23** | | | | |
| | Currencies | **24** | | | | |
| | Other | **25** | | | 60810 | 2024 |
| Contracts for differences | Fixed-interest securities | **31** | 287167 | | | |
| | Equity shares | **32** | 2510 | 14934 | 5 | 15924 |
| | Land | **33** | | | | |
| | Currencies | **34** | 121 | | | |
| | Other | **35** | | | | 13888 |
| Adjustments for variation margin | | **41** | (265681) | 7593 | (53917) | |
| Total (11 to 41) | | **49** | 164001 | 57351 | 68225 | 64600 |

**Analysis of derivative contracts**

Name of insurer **Norwich Union Life & Pensions Limited**

Global business

Financial year ended **31st December 2005**

Category of assets **With Profits Sub-Fund**

| | Company registration number | GL/UK/CM | Period ended day | month | year | Units | Category of assets |
|---|---|---|---|---|---|---|---|
| R17 | 3253947 | GL | 31 | 12 | 2005 | £000 | 11 |

| Derivative contracts | | | As at the end of this financial year Assets 1 | Liabilities 2 | As at the end of the previous year Assets 3 | Liabilities 4 |
|---|---|---|---|---|---|---|
| Futures contracts | Fixed-interest securities | 11 | | 5331 | | 1750 |
| | Equity shares | 12 | | | | |
| | Land | 13 | | | | |
| | Currencies | 14 | 13477 | 28898 | 61317 | 31014 |
| | Other | 15 | | | | |
| Options | Fixed-interest securities | 21 | 103136 | | | |
| | Equity shares | 22 | 10051 | | 10 | |
| | Land | 23 | | | | |
| | Currencies | 24 | | | | |
| | Other | 25 | | | 60810 | 2024 |
| Contracts for differences | Fixed-interest securities | 31 | 125344 | | | |
| | Equity shares | 32 | 2510 | 14934 | 5 | 15924 |
| | Land | 33 | | | | |
| | Currencies | 34 | | | | |
| | Other | 35 | | | | 13163 |
| Adjustments for variation margin | | 41 | (119180) | 7593 | (53917) | |
| Total (11 to 41) | | 49 | 135338 | 56756 | 68225 | 63875 |

**Analysis of derivative contracts**

Name of insurer **Norwich Union Life & Pensions Limited**

Global business

Financial year ended **31st December 2005**

Category of assets **Provident Mutual Sub-Fund**

| | Company registration number | GL/UK/CM | Period ended day | month | year | Units | Category of assets |
|---|---|---|---|---|---|---|---|
| **R17** | **3253947** | **GL** | **31** | **12** | **2005** | **£000** | **12** |

| **Derivative contracts** | | | As at the end of this financial year Assets 1 | As at the end of this financial year Liabilities 2 | As at the end of the previous year Assets 3 | As at the end of the previous year Liabilities 4 |
|---|---|---|---|---|---|---|
| Futures contracts | Fixed-interest securities | **11** | | | | |
| | Equity shares | **12** | | | | |
| | Land | **13** | | | | |
| | Currencies | **14** | | 595 | | |
| | Other | **15** | | | | |
| Options | Fixed-interest securities | **21** | | | | |
| | Equity shares | **22** | 35 | | | |
| | Land | **23** | | | | |
| | Currencies | **24** | | | | |
| | Other | **25** | | | | |
| Contracts for differences | Fixed-interest securities | **31** | 161823 | | | |
| | Equity shares | **32** | | | | |
| | Land | **33** | | | | |
| | Currencies | **34** | | | | |
| | Other | **35** | | | | |
| Adjustments for variation margin | | **41** | (146501) | | | |
| Total (11 to 41) | | **49** | 15357 | 595 | | |

**Analysis of derivative contracts**

Name of insurer **Norwich Union Life & Pensions Limited**

Global business

Financial year ended **31st December 2005**

Category of assets **Non-Profit Sub-Fund 1**

| | Company registration number | GL/UK/CM | Period ended day | month | year | Units | Category of assets |
|---|---|---|---|---|---|---|---|
| R17 | 3253947 | GL | 31 | 12 | 2005 | £000 | 14 |

| Derivative contracts | | | As at the end of this financial year Assets 1 | As at the end of this financial year Liabilities 2 | As at the end of the previous year Assets 3 | As at the end of the previous year Liabilities 4 |
|---|---|---|---|---|---|---|
| Futures contracts | Fixed-interest securities | 11 | | | | |
| | Equity shares | 12 | | | | |
| | Land | 13 | | | | |
| | Currencies | 14 | | | | |
| | Other | 15 | | | | |
| Options | Fixed-interest securities | 21 | 13150 | | | |
| | Equity shares | 22 | 35 | | | |
| | Land | 23 | | | | |
| | Currencies | 24 | | | | |
| | Other | 25 | | | | |
| Contracts for differences | Fixed-interest securities | 31 | | | | |
| | Equity shares | 32 | | | | |
| | Land | 33 | | | | |
| | Currencies | 34 | | | | |
| | Other | 35 | | | | 725 |
| Adjustments for variation margin | | 41 | | | | |
| Total (11 to 41) | | 49 | 13185 | | | 725 |

**Analysis of derivative contracts**

Name of insurer **Norwich Union Life & Pensions Limited**

Global business

Financial year ended **31st December 2005**

Category of assets **Non-Profit Sub-Fund 2**

| | Company registration number | GL/UK/CM | Period ended day | month | year | Units | Category of assets |
|---|---|---|---|---|---|---|---|
| R17 | 3253947 | GL | 31 | 12 | 2005 | £000 | 15 |

| Derivative contracts | | | As at the end of this financial year | | As at the end of the previous year | |
|---|---|---|---|---|---|---|
| | | | Assets 1 | Liabilities 2 | Assets 3 | Liabilities 4 |
| Futures contracts | Fixed-interest securities | 11 | | | | |
| | Equity shares | 12 | | | | |
| | Land | 13 | | | | |
| | Currencies | 14 | | | | |
| | Other | 15 | | | | |
| Options | Fixed-interest securities | 21 | | | | |
| | Equity shares | 22 | | | | |
| | Land | 23 | | | | |
| | Currencies | 24 | | | | |
| | Other | 25 | | | | |
| Contracts for differences | Fixed-interest securities | 31 | | | | |
| | Equity shares | 32 | | | | |
| | Land | 33 | | | | |
| | Currencies | 34 | 121 | | | |
| | Other | 35 | | | | |
| Adjustments for variation margin | | 41 | | | | |
| Total (11 to 41) | | 49 | 121 | | | |

**With-profits insurance capital component for the fund**

Name of insurer **Norwich Union Life & Pensions Limited**

Global business

Financial year ended **31st December 2005**

With-profits fund **With Profits Sub-Fund 1**

Units **£000**

| | | | As at end of this financial year 1 | As at end of the previous year 2 |
|---|---|---|---|---|
| **Regulatory excess capital** | | | | |
| Regulatory value of assets | Long-term admissible assets of the fund | 11 | 27534120 | 26815225 |
| | Implicit items allocated to the fund | 12 | | |
| | Mathematical reserves in respect of non-profit insurance contracts written in the fund | 13 | 763588 | 659720 |
| | 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 | 32825 | 29918 |
| | Long-term admissible assets of the fund covering the resilience capital requirement allocated in respect of non-profit insurance contracts written in fund | 15 | | |
| | Total (11+12-(13+14+15)) | 19 | 26737707 | 26125587 |
| Regulatory value of liabilities | Mathematical reserves (after distribution of surplus) in respect of the fund's with-profits insurance contracts | 21 | 20977926 | 22555737 |
| | Regulatory current liabilities of the fund | 22 | 843223 | 506877 |
| | Total (21+22) | 29 | 21821149 | 23062614 |
| Long-term insurance capital requirement in respect of the fund's with-profits insurance contracts | | 31 | 848659 | 913274 |
| Resilience capital requirement in respect of the fund's with-profits insurance contracts | | 32 | | |
| Sum of regulatory value of liabilities, long-term insurance capital requirement and resilience capital requirement (29+31+32) | | 39 | 22669808 | 23975888 |
| Regulatory excess capital (19-39) | | 49 | 4067899 | 2149699 |
| **Realistic excess capital** | | | | |
| Realistic excess capital | | 51 | 412728 | 188950 |
| **Excess assets allocated to with-profits insurance business** | | | | |
| Excess (deficiency) of assets allocated to with-profits insurance business in fund (49-51) | | 61 | 3655171 | 1960749 |
| 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 | 3655171 | 1960749 |

**With-profits insurance capital component for the fund**

Name of insurer **Norwich Union Life & Pensions Limited**

Global business

Financial year ended **31st December 2005**

With-profits fund **Provident Mutual Sub-Fund 2**

Units **£000**

| | | | As at end of this financial year<br>1 | As at end of the previous year<br>2 |
|---|---|---|---|---|
| **Regulatory excess capital** | | | | |
| Regulatory value of assets | Long-term admissible assets of the fund | 11 | 3225476 | |
| | Implicit items allocated to the fund | 12 | | |
| | Mathematical reserves in respect of non-profit insurance contracts written in the fund | 13 | 716294 | |
| | 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 | 102261 | |
| | Long-term admissible assets of the fund covering the resilience capital requirement allocated in respect of non-profit insurance contracts written in fund | 15 | | |
| | Total (11+12-(13+14+15)) | 19 | 2406921 | |
| Regulatory value of liabilities | Mathematical reserves (after distribution of surplus) in respect of the fund's with-profits insurance contracts | 21 | 2127089 | |
| | Regulatory current liabilities of the fund | 22 | 130020 | |
| | Total (21+22) | 29 | 2257109 | |
| Long-term insurance capital requirement in respect of the fund's with-profits insurance contracts | | 31 | 89913 | |
| Resilience capital requirement in respect of the fund's with-profits insurance contracts | | 32 | | |
| Sum of regulatory value of liabilities, long-term insurance capital requirement and resilience capital requirement (29+31+32) | | 39 | 2347022 | |
| Regulatory excess capital (19-39) | | 49 | 59899 | |
| **Realistic excess capital** | | | | |
| Realistic excess capital | | 51 | | |
| **Excess assets allocated to with-profits insurance business** | | | | |
| Excess (deficiency) of assets allocated to with-profits insurance business in fund (49-51) | | 61 | 59899 | |
| 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 | 59899 | |

**Form 19**
**(Sheet 1)**

**Realistic balance sheet**

Name of insurer **Norwich Union Life & Pensions Limited**

Global business

Financial year ended **31st December 2005**

With-profits fund **With Profits Sub-Fund 1**

Units **£000**

| | | | As at end of this financial year 1 | As at end of the previous year 2 |
|---|---|---|---|---|
| **Realistic value of assets available to the fund** | | | | |
| Regulatory value of assets | | 11 | 26737706 | 26125586 |
| Implicit items allocated to the fund | | 12 | | |
| Value of shares in subsidiaries held in the fund (regulatory) | | 13 | | |
| Excess admissible assets | | 21 | | 74636 |
| Present value of future profits (or losses) on non-profit insurance contracts written in the fund | | 22 | 32825 | 52082 |
| 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 | 26770531 | 26252304 |
| Support arrangement assets | | 27 | | |
| Assets available to the fund (26+27) | | 29 | 26770531 | 26252304 |
| **Realistic value of liabilities of fund** | | | | |
| With-profits benefits reserve | | 31 | 21641934 | 21845608 |
| Future policy related liabilities | Past miscellaneous surplus attributed to with-profits benefits reserve | 32 | | |
| | Past miscellaneous deficit attributed to with-profits benefits reserve | 33 | | |
| | Planned enhancements to with-profits benefits reserve | 34 | | |
| | Planned deductions for the cost of guarantees, options and smoothing from with-profits benefits reserve | 35 | 921864 | 1032644 |
| | Planned deductions for other costs deemed chargeable to with-profits benefits reserve | 36 | | 84150 |
| | Future costs of contractual guarantees (other than financial options) | 41 | 1805570 | 1780983 |
| | Future costs of non-contractual commitments | 42 | 693217 | 628567 |
| | Future costs of financial options | 43 | 847702 | 807083 |
| | Future costs of smoothing (possibly negative) | 44 | (23325) | 76608 |
| | Financing costs | 45 | | |
| | Any other liabilities related to regulatory duty to treat customers fairly | 46 | | |
| | Other long-term insurance liabilities | 47 | 625555 | 516031 |
| | Total (32+34+41+42+43+44+45+46+47-(33+35+36)) | 49 | 3026855 | 2692478 |
| Realistic current liabilities of the fund | | 51 | 820442 | 506877 |
| Realistic value of liabilities of the fund (31+49+51) | | 59 | 25489231 | 25044963 |

**Form 19**
**(Sheet 2)**

**Realistic balance sheet**

Name of insurer **Norwich Union Life & Pensions Limited**

Global business

Financial year ended **31st December 2005**

With-profits fund **With Profits Sub-Fund 1**

Units **£000**

| | | As at end of this financial year<br>**1** | As at end of the previous year<br>**2** |
|---|---|---|---|
| **Realistic excess capital and additional capital available** | | | |
| Value of relevant assets before applying the most adverse scenario other than present value of future profits arising from business outside with-profits funds | **62** | 26357803 | 26063354 |
| 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** | 26357803 | 26063354 |
| Risk capital margin for fund (62-59) | **65** | 868572 | 1018391 |
| Realistic excess capital for fund (26-(59+65)) | **66** | 412728 | 188950 |
| Realistic excess available capital for fund (29-(59+65)) | **67** | 412728 | 188950 |
| Working capital for for fund (29-59) | **68** | 1281300 | 1207341 |
| Working capital ratio for fund (68/29) | **69** | 4.79 | 4.60 |
| **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** | | |

Form 19
(Sheet 1)

**Realistic balance sheet**

Name of insurer **Norwich Union Life & Pensions Limited**

Global business

Financial year ended **31st December 2005**

With-profits fund **Provident Mutual Sub-Fund 2**

Units **£000**

| | | | As at end of this financial year<br>1 | As at end of the previous year<br>2 |
|---|---|---|---|---|
| **Realistic value of assets available to the fund** | | | | |
| Regulatory value of assets | | 11 | 2406920 | |
| Implicit items allocated to the fund | | 12 | | |
| Value of shares in subsidiaries held in the fund (regulatory) | | 13 | | |
| Excess admissible assets | | 21 | | |
| Present value of future profits (or losses) on non-profit insurance contracts written in the fund | | 22 | 211669 | |
| 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 | 2618589 | |
| Support arrangement assets | | 27 | | |
| Assets available to the fund (26+27) | | 29 | 2618589 | |
| **Realistic value of liabilities of fund** | | | | |
| With-profits benefits reserve | | 31 | 2099063 | |
| Future policy related liabilities | Past miscellaneous surplus attributed to with-profits benefits reserve | 32 | | |
| | Past miscellaneous deficit attributed to with-profits benefits reserve | 33 | | |
| | Planned enhancements to with-profits benefits reserve | 34 | | |
| | Planned deductions for the cost of guarantees, options and smoothing from with-profits benefits reserve | 35 | 88208 | |
| | Planned deductions for other costs deemed chargeable to with-profits benefits reserve | 36 | 13107 | |
| | Future costs of contractual guarantees (other than financial options) | 41 | 15609 | |
| | Future costs of non-contractual commitments | 42 | | |
| | Future costs of financial options | 43 | 383541 | |
| | Future costs of smoothing (possibly negative) | 44 | | |
| | Financing costs | 45 | 969 | |
| | Any other liabilities related to regulatory duty to treat customers fairly | 46 | | |
| | Other long-term insurance liabilities | 47 | 90820 | |
| | Total (32+34+41+42+43+44+45+46+47-(33+35+36)) | 49 | 389624 | |
| Realistic current liabilities of the fund | | 51 | 129902 | |
| Realistic value of liabilities of the fund (31+49+51) | | 59 | 2618589 | |

**Realistic balance sheet**

Name of insurer **Norwich Union Life & Pensions Limited**

Global business

Financial year ended **31st December 2005**

With-profits fund **Provident Mutual Sub-Fund 2**

Units **£000**

| | | As at end of this financial year<br>1 | As at end of the previous year<br>2 |
|---|---|---|---|

**Realistic excess capital and additional capital available**

| | | | |
|---|---|---|---|
| Value of relevant assets before applying the most adverse scenario other than present value of future profits arising from business outside with-profits funds | **62** | 2618589 | |
| 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** | 2618589 | |
| Risk capital margin for fund (62-59) | **65** | | |
| Realistic excess capital for fund (26-(59+65)) | **66** | | |
| Realistic excess available capital for fund (29-(59+65)) | **67** | | |
| Working capital for for fund (29-59) | **68** | | |
| Working capital ratio for fund (68/29) | **69** | | |

**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 account**

Name of insurer **Norwich Union Life & Pensions Limited**

Name and number of fund/Summary **With Profits Sub-Fund**

Financial year ended **31st December 2005**

Units **£000**

| | | Financial year | Previous year |
|---|---|---|---|
| | | **1** | **2** |
| **Income** | | | |
| Earned premiums | **11** | (658722) | 683317 |
| Investment income receivable before deduction of tax | **12** | 1253755 | 1270782 |
| Increase (decrease) in the value of non-linked assets brought into account | **13** | 138011 | 547261 |
| Increase (decrease) in the value of linked assets | **14** | | |
| Other income | **15** | (92442) | (83383) |
| **Total income** | **19** | 640602 | 2417977 |
| | | | |
| **Expenditure** | | | |
| Claims incurred | **21** | 2297346 | 2242419 |
| Expenses payable | **22** | 74506 | 63468 |
| Interest payable before deduction of tax | **23** | 6014 | 2125 |
| Taxation | **24** | 143918 | 118287 |
| Other expenditure | **25** | | |
| Transfer to (from) non technical account | **26** | 19523 | 21861 |
| **Total expenditure** | **29** | 2541307 | 2448160 |
| | | | |
| Business transfers-in | **31** | | |
| Business transfers-out | **32** | | |
| Increase (decrease) in fund in financial year (19-29+31-32) | **39** | (1900705) | (30183) |
| Fund brought forward | **49** | 23642220 | 23672403 |
| Fund carried forward (39+49) | **59** | 21741515 | 23642220 |

**Long-term insurance business : Revenue account**

Name of insurer **Norwich Union Life & Pensions Limited**

Name and number of fund/Summary **Provident Mutual Sub-Fund**

Financial year ended **31st December 2005**

Units **£000**

| | | Financial year | Previous year |
|---|---|---|---|
| | | **1** | **2** |
| **Income** | | | |
| Earned premiums | **11** | (3269119) | |
| Investment income receivable before deduction of tax | **12** | 173660 | |
| Increase (decrease) in the value of non-linked assets brought into account | **13** | 118570 | |
| Increase (decrease) in the value of linked assets | **14** | | |
| Other income | **15** | 30198 | |
| **Total income** | **19** | (2946691) | |
| | | | |
| **Expenditure** | | | |
| Claims incurred | **21** | 343451 | |
| Expenses payable | **22** | 25303 | |
| Interest payable before deduction of tax | **23** | 4237 | |
| Taxation | **24** | 3458 | |
| Other expenditure | **25** | | |
| Transfer to (from) non technical account | **26** | 4133 | |
| **Total expenditure** | **29** | 380582 | |
| | | | |
| Business transfers-in | **31** | 6170656 | |
| Business transfers-out | **32** | | |
| Increase (decrease) in fund in financial year (19-29+31-32) | **39** | 2843383 | |
| Fund brought forward | **49** | | |
| Fund carried forward (39+49) | **59** | 2843383 | |

**Long-term insurance business : Revenue account**

Name of insurer **Norwich Union Life & Pensions Limited**

Name and number of fund/Summary **Belgian Sub-Fund**

Financial year ended **31st December 2005**

Units **£000**

| | | Financial year | Previous year |
|---|---|---|---|
| | | **1** | **2** |
| **Income** | | | |
| Earned premiums | **11** | | (41493) |
| Investment income receivable before deduction of tax | **12** | 631 | |
| Increase (decrease) in the value of non-linked assets brought into account | **13** | (631) | 657 |
| Increase (decrease) in the value of linked assets | **14** | | |
| Other income | **15** | | |
| **Total income** | **19** | | (40836) |
| | | | |
| **Expenditure** | | | |
| Claims incurred | **21** | | |
| Expenses payable | **22** | | 172 |
| Interest payable before deduction of tax | **23** | | |
| Taxation | **24** | | |
| Other expenditure | **25** | | |
| Transfer to (from) non technical account | **26** | | |
| **Total expenditure** | **29** | | 172 |
| | | | |
| Business transfers-in | **31** | | |
| Business transfers-out | **32** | | |
| Increase (decrease) in fund in financial year (19-29+31-32) | **39** | | (41008) |
| Fund brought forward | **49** | | 41008 |
| Fund carried forward (39+49) | **59** | | |

**Long-term insurance business : Revenue account**

Name of insurer **Norwich Union Life & Pensions Limited**

Name and number of fund/Summary **Non-Profit Sub-Fund 1**

Financial year ended **31st December 2005**

Units **£000**

| | | Financial year | Previous year |
|---|---|---|---|
| | | **1** | **2** |
| **Income** | | | |
| Earned premiums | **11** | 2745262 | 548900 |
| Investment income receivable before deduction of tax | **12** | 249736 | 99576 |
| Increase (decrease) in the value of non-linked assets brought into account | **13** | 416909 | 321438 |
| Increase (decrease) in the value of linked assets | **14** | 761579 | |
| Other income | **15** | 18185 | 83383 |
| **Total income** | **19** | 4191671 | 1053297 |
| | | | |
| **Expenditure** | | | |
| Claims incurred | **21** | 1144509 | 132013 |
| Expenses payable | **22** | 528165 | 806115 |
| Interest payable before deduction of tax | **23** | 6363 | 9541 |
| Taxation | **24** | (102468) | (74376) |
| Other expenditure | **25** | 560000 | |
| Transfer to (from) non technical account | **26** | 103200 | 128400 |
| **Total expenditure** | **29** | 2239769 | 1001693 |
| | | | |
| Business transfers-in | **31** | 4827841 | |
| Business transfers-out | **32** | | |
| Increase (decrease) in fund in financial year (19-29+31-32) | **39** | 6779743 | 51604 |
| Fund brought forward | **49** | 1484579 | 1432975 |
| Fund carried forward (39+49) | **59** | 8264322 | 1484579 |

**Long-term insurance business : Revenue account**

Name of insurer **Norwich Union Life & Pensions Limited**

Name and number of fund/Summary **Non-Profit Sub-Fund 2**

Financial year ended **31st December 2005**

Units **£000**

| | | Financial year | Previous year |
|---|---|---|---|
| | | **1** | **2** |
| **Income** | | | |
| Earned premiums | **11** | 5086064 | |
| Investment income receivable before deduction of tax | **12** | 722149 | |
| Increase (decrease) in the value of non-linked assets brought into account | **13** | (292742) | |
| Increase (decrease) in the value of linked assets | **14** | 1858103 | |
| Other income | **15** | 44059 | |
| **Total income** | **19** | 7417633 | |
| | | | |
| **Expenditure** | | | |
| Claims incurred | **21** | 1479791 | |
| Expenses payable | **22** | 449861 | |
| Interest payable before deduction of tax | **23** | 6992 | |
| Taxation | **24** | (20611) | |
| Other expenditure | **25** | (560000) | |
| Transfer to (from) non technical account | **26** | | |
| **Total expenditure** | **29** | 1356033 | |
| | | | |
| Business transfers-in | **31** | 12767214 | |
| Business transfers-out | **32** | | |
| Increase (decrease) in fund in financial year (19-29+31-32) | **39** | 18828814 | |
| Fund brought forward | **49** | | |
| Fund carried forward (39+49) | **59** | 18828814 | |

**Long-term insurance business : Revenue account**

Name of insurer **Norwich Union Life & Pensions 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** | 3903485 | 1190724 |
| Investment income receivable before deduction of tax | **12** | 2399931 | 1370358 |
| Increase (decrease) in the value of non-linked assets brought into account | **13** | 380117 | 869356 |
| Increase (decrease) in the value of linked assets | **14** | 2619682 | |
| Other income | **15** | | |
| **Total income** | **19** | 9303215 | 3430438 |
| | | | |
| **Expenditure** | | | |
| Claims incurred | **21** | 5265097 | 2374432 |
| Expenses payable | **22** | 1077835 | 869755 |
| Interest payable before deduction of tax | **23** | 23606 | 11666 |
| Taxation | **24** | 24297 | 43911 |
| Other expenditure | **25** | | |
| Transfer to (from) non technical account | **26** | 126856 | 150261 |
| **Total expenditure** | **29** | 6517691 | 3450025 |
| | | | |
| Business transfers-in | **31** | 23765711 | |
| Business transfers-out | **32** | | |
| Increase (decrease) in fund in financial year (19-29+31-32) | **39** | 26551235 | (19587) |
| Fund brought forward | **49** | 25126799 | 25146386 |
| Fund carried forward (39+49) | **59** | 51678034 | 25126799 |

**Long term insurance business : Analysis of premiums**

Name of insurer **Norwich Union Life & Pensions Limited**

Total business/subfund **With Profits Sub-Fund**

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 | 274401 | 157609 | 25581 | 457591 | 516771 |
| Single premiums | 12 | (6062) | 87286 | 2597 | 83821 | 166546 |
| | | | | | | |
| **Reinsurance - external** | | | | | | |
| Regular premiums | 13 | | | | | |
| Single premiums | 14 | | | | | |
| | | | | | | |
| **Reinsurance - intra-group** | | | | | | |
| Regular premiums | 15 | | | | | |
| Single premiums | 16 | 925134 | 266000 | 9000 | 1200134 | |
| | | | | | | |
| **Net of reinsurance** | | | | | | |
| Regular premiums | 17 | 274401 | 157609 | 25581 | 457591 | 516771 |
| Single premiums | 18 | (931196) | (178714) | (6403) | (1116313) | 166546 |
| | | | | | | |
| **Total** | | | | | | |
| Gross | 19 | 268339 | 244895 | 28178 | 541412 | 683317 |
| Reinsurance | 20 | 925134 | 266000 | 9000 | 1200134 | |
| Net | 21 | (656795) | (21105) | 19178 | (658722) | 683317 |

**Long term insurance business : Analysis of premiums**

Name of insurer **Norwich Union Life & Pensions Limited**

Total business/subfund **Provident Mutual Sub-Fund**

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 | 14595 | 26184 | | 40779 | |
| Single premiums | 12 | (273989) | (2514309) | | (2788298) | |
| | | | | | | |
| **Reinsurance - external** | | | | | | |
| Regular premiums | 13 | | | | | |
| Single premiums | 14 | | | | | |
| | | | | | | |
| **Reinsurance - intra-group** | | | | | | |
| Regular premiums | 15 | 300 | | | 300 | |
| Single premiums | 16 | 222100 | 299200 | | 521300 | |
| | | | | | | |
| **Net of reinsurance** | | | | | | |
| Regular premiums | 17 | 14295 | 26184 | | 40479 | |
| Single premiums | 18 | (496089) | (2813509) | | (3309598) | |
| | | | | | | |
| **Total** | | | | | | |
| Gross | 19 | (259394) | (2488125) | | (2747519) | |
| Reinsurance | 20 | 222400 | 299200 | | 521600 | |
| Net | 21 | (481794) | (2787325) | | (3269119) | |

**Long term insurance business : Analysis of premiums**

| | |
|---|---|
| Name of insurer | **Norwich Union Life & Pensions Limited** |
| Total business/subfund | **Belgian Sub-Fund** |
| 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 | | | | | 16851 |
| Single premiums | 12 | | | | | |
| | | | | | | |
| **Reinsurance - external** | | | | | | |
| Regular premiums | 13 | | | | | |
| Single premiums | 14 | | | | | |
| | | | | | | |
| **Reinsurance - intra-group** | | | | | | |
| Regular premiums | 15 | | | | | |
| Single premiums | 16 | | | | | |
| | | | | | | |
| **Net of reinsurance** | | | | | | |
| Regular premiums | 17 | | | | | (41493) |
| Single premiums | 18 | | | | | |
| | | | | | | |
| **Total** | | | | | | |
| Gross | 19 | | | | | 16851 |
| Reinsurance | 20 | | | | | 58344 |
| Net | 21 | | | | | (41493) |

**Long term insurance business : Analysis of premiums**

| | |
|---|---|
| Name of insurer | **Norwich Union Life & Pensions Limited** |
| Total business/subfund | **Non-Profit Sub-Fund 1** |
| 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 | 558388 | | | 558388 | 1126260 |
| Single premiums | 12 | 2397246 | | | 2397246 | 3753951 |
| | | | | | | |
| **Reinsurance - external** | | | | | | |
| Regular premiums | 13 | 144259 | | | 144259 | |
| Single premiums | 14 | 54404 | | | 54404 | |
| | | | | | | |
| **Reinsurance - intra-group** | | | | | | |
| Regular premiums | 15 | 11709 | | | 11709 | |
| Single premiums | 16 | | | | | |
| | | | | | | |
| **Net of reinsurance** | | | | | | |
| Regular premiums | 17 | 402420 | | | 402420 | 508327 |
| Single premiums | 18 | 2342842 | | | 2342842 | 40573 |
| | | | | | | |
| **Total** | | | | | | |
| Gross | 19 | 2955634 | | | 2955634 | 4880211 |
| Reinsurance | 20 | 210372 | | | 210372 | 4331311 |
| Net | 21 | 2745262 | | | 2745262 | 548900 |

**Long term insurance business : Analysis of premiums**

| | |
|---|---|
| Name of insurer | **Norwich Union Life & Pensions Limited** |
| Total business/subfund | **Non-Profit Sub-Fund 2** |
| 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 | 74415 | 1052889 | 10372 | 1137676 | |
| Single premiums | 12 | 180928 | 3970134 | 16831 | 4167893 | |
| | | | | | | |
| **Reinsurance - external** | | | | | | |
| Regular premiums | 13 | 14767 | 63964 | 55 | 78786 | |
| Single premiums | 14 | 100244 | 14313 | | 114557 | |
| | | | | | | |
| **Reinsurance - intra-group** | | | | | | |
| Regular premiums | 15 | 7267 | 4958 | 283 | 12508 | |
| Single premiums | 16 | | 6398 | 7256 | 13654 | |
| | | | | | | |
| **Net of reinsurance** | | | | | | |
| Regular premiums | 17 | 52381 | 983967 | 10034 | 1046382 | |
| Single premiums | 18 | 80684 | 3949423 | 9575 | 4039682 | |
| | | | | | | |
| **Total** | | | | | | |
| Gross | 19 | 255343 | 5023023 | 27203 | 5305569 | |
| Reinsurance | 20 | 122278 | 89633 | 7594 | 219505 | |
| Net | 21 | 133065 | 4933390 | 19609 | 5086064 | |

**Long term insurance business : Analysis of premiums**

Name of insurer **Norwich Union Life & Pensions 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 | 921799 | 1236682 | 35953 | 2194434 | 1659882 |
| Single premiums | 12 | 2298123 | 1543111 | 19428 | 3860662 | 3920497 |
| | | | | | | |
| **Reinsurance - external** | | | | | | |
| Regular premiums | 13 | 159026 | 63964 | 55 | 223045 | |
| Single premiums | 14 | 154648 | 14313 | | 168961 | |
| | | | | | | |
| **Reinsurance - intra-group** | | | | | | |
| Regular premiums | 15 | 19276 | 4958 | 283 | 24517 | |
| Single premiums | 16 | 1147234 | 571598 | 16256 | 1735088 | |
| | | | | | | |
| **Net of reinsurance** | | | | | | |
| Regular premiums | 17 | 743497 | 1167760 | 35615 | 1946872 | 983605 |
| Single premiums | 18 | 996241 | 957200 | 3172 | 1956613 | 207119 |
| | | | | | | |
| **Total** | | | | | | |
| Gross | 19 | 3219922 | 2779793 | 55381 | 6055096 | 5580379 |
| Reinsurance | 20 | 1480184 | 654833 | 16594 | 2151611 | 4389655 |
| Net | 21 | 1739738 | 2124960 | 38787 | 3903485 | 1190724 |

**Long term insurance business : Analysis of claims**

| | |
|---|---|
| Name of insurer | **Norwich Union Life & Pensions Limited** |
| Total business/subfund | **With Profits Sub-Fund** |
| 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 | 107160 | 32640 | 2208 | 142008 | 150048 |
| Disability periodic payments | 12 | 33 | 144 | | 177 | |
| Surrender or partial surrender | 13 | 632426 | 406276 | 29845 | 1068547 | 945925 |
| Annuity payments | 14 | | 12213 | | 12213 | 12042 |
| Lump sums on maturity | 15 | 548035 | 494247 | 32119 | 1074401 | 1134404 |
| **Total** | 16 | 1287654 | 945520 | 64172 | 2297346 | 2242419 |
| | | | | | | |
| **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 | 107160 | 32640 | 2208 | 142008 | 150048 |
| Disability periodic payments | 42 | 33 | 144 | | 177 | |
| Surrender or partial surrender | 43 | 632426 | 406276 | 29845 | 1068547 | 945925 |
| Annuity payments | 44 | | 12213 | | 12213 | 12042 |
| Lump sums on maturity | 45 | 548035 | 494247 | 32119 | 1074401 | 1134404 |
| **Total** | 46 | 1287654 | 945520 | 64172 | 2297346 | 2242419 |

**Long term insurance business : Analysis of claims**

| | |
|---|---|
| Name of insurer | **Norwich Union Life & Pensions Limited** |
| Total business/subfund | **Provident Mutual Sub-Fund** |
| 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 | 92 | 2618 | | 2710 | |
| Disability periodic payments | 12 | 3549 | | | 3549 | |
| Surrender or partial surrender | 13 | 25571 | 106574 | | 132145 | |
| Annuity payments | 14 | 4167 | 73016 | | 77183 | |
| Lump sums on maturity | 15 | 57306 | 74982 | | 132288 | |
| **Total** | 16 | 90685 | 257190 | | 347875 | |
| | | | | | | |
| **Reinsurance - external** | | | | | | |
| Death or disability lump sums | 21 | 3022 | | | 3022 | |
| Disability periodic payments | 22 | | | | | |
| Surrender or partial surrender | 23 | | | | | |
| Annuity payments | 24 | | | | | |
| Lump sums on maturity | 25 | | | | | |
| **Total** | 26 | 3022 | | | 3022 | |
| | | | | | | |
| **Reinsurance - intra-group** | | | | | | |
| Death or disability lump sums | 31 | 65 | | | 65 | |
| Disability periodic payments | 32 | | | | | |
| Surrender or partial surrender | 33 | 421 | | | 421 | |
| Annuity payments | 34 | | | | | |
| Lump sums on maturity | 35 | 916 | | | 916 | |
| **Total** | 36 | 1402 | | | 1402 | |
| | | | | | | |
| **Net of reinsurance** | | | | | | |
| Death or disability lump sums | 41 | (2995) | 2618 | | (377) | |
| Disability periodic payments | 42 | 3549 | | | 3549 | |
| Surrender or partial surrender | 43 | 25150 | 106574 | | 131724 | |
| Annuity payments | 44 | 4167 | 73016 | | 77183 | |
| Lump sums on maturity | 45 | 56390 | 74982 | | 131372 | |
| **Total** | 46 | 86261 | 257190 | | 343451 | |

**Long term insurance business : Analysis of claims**

Name of insurer **Norwich Union Life & Pensions Limited**

Total business/subfund **Belgian Sub-Fund**

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 | | | | | 5169 |
| Disability periodic payments | 12 | | | | | |
| Surrender or partial surrender | 13 | | | | | 685 |
| Annuity payments | 14 | | | | | |
| Lump sums on maturity | 15 | | | | | 374 |
| **Total** | 16 | | | | | 6228 |
| | | | | | | |
| **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 | | | | | |
| Disability periodic payments | 42 | | | | | |
| Surrender or partial surrender | 43 | | | | | |
| Annuity payments | 44 | | | | | |
| Lump sums on maturity | 45 | | | | | |
| **Total** | 46 | | | | | |

**Long term insurance business : Analysis of claims**

Name of insurer **Norwich Union Life & Pensions Limited**

Total business/subfund **Non-Profit Sub-Fund 1**

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 | 315040 | | | 315040 | 176957 |
| Disability periodic payments | 12 | 170 | | | 170 | 38758 |
| Surrender or partial surrender | 13 | 988265 | | | 988265 | 477836 |
| Annuity payments | 14 | 1862 | | | 1862 | 195155 |
| Lump sums on maturity | 15 | 34166 | | | 34166 | 91151 |
| **Total** | 16 | 1339503 | | | 1339503 | 979857 |
| | | | | | | |
| **Reinsurance - external** | | | | | | |
| Death or disability lump sums | 21 | 173565 | | | 173565 | |
| Disability periodic payments | 22 | | | | | |
| Surrender or partial surrender | 23 | | | | | |
| Annuity payments | 24 | 3263 | | | 3263 | |
| Lump sums on maturity | 25 | 1224 | | | 1224 | |
| **Total** | 26 | 178052 | | | 178052 | |
| | | | | | | |
| **Reinsurance - intra-group** | | | | | | |
| Death or disability lump sums | 31 | 16941 | | | 16941 | |
| Disability periodic payments | 32 | | | | | |
| Surrender or partial surrender | 33 | | | | | |
| Annuity payments | 34 | | | | | |
| Lump sums on maturity | 35 | 1 | | | 1 | |
| **Total** | 36 | 16942 | | | 16942 | |
| | | | | | | |
| **Net of reinsurance** | | | | | | |
| Death or disability lump sums | 41 | 124534 | | | 124534 | 67496 |
| Disability periodic payments | 42 | 170 | | | 170 | 36341 |
| Surrender or partial surrender | 43 | 988265 | | | 988265 | 2471 |
| Annuity payments | 44 | (1401) | | | (1401) | |
| Lump sums on maturity | 45 | 32941 | | | 32941 | 25705 |
| **Total** | 46 | 1144509 | | | 1144509 | 132013 |

**Long term insurance business : Analysis of claims**

Name of insurer **Norwich Union Life & Pensions Limited**

Total business/subfund **Non-Profit Sub-Fund 2**

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 | 653 | 68989 | 367 | 70009 | |
| Disability periodic payments | 12 | 32011 | 202 | 3 | 32216 | |
| Surrender or partial surrender | 13 | 24906 | 1141302 | 9189 | 1175397 | |
| Annuity payments | 14 | 14333 | 2523 | | 16856 | |
| Lump sums on maturity | 15 | 15157 | 212905 | 1037 | 229099 | |
| **Total** | 16 | 87060 | 1425921 | 10596 | 1523577 | |
| | | | | | | |
| **Reinsurance - external** | | | | | | |
| Death or disability lump sums | 21 | 10252 | 1557 | | 11809 | |
| Disability periodic payments | 22 | 4142 | | | 4142 | |
| Surrender or partial surrender | 23 | | 3145 | | 3145 | |
| Annuity payments | 24 | | 116 | | 116 | |
| Lump sums on maturity | 25 | 856 | 9216 | | 10072 | |
| **Total** | 26 | 15250 | 14034 | | 29284 | |
| | | | | | | |
| **Reinsurance - intra-group** | | | | | | |
| Death or disability lump sums | 31 | (6198) | 657 | 326 | (5215) | |
| Disability periodic payments | 32 | 73 | | | 73 | |
| Surrender or partial surrender | 33 | 1214 | 13322 | 3135 | 17671 | |
| Annuity payments | 34 | | 71 | | 71 | |
| Lump sums on maturity | 35 | | 1502 | 400 | 1902 | |
| **Total** | 36 | (4911) | 15552 | 3861 | 14502 | |
| | | | | | | |
| **Net of reinsurance** | | | | | | |
| Death or disability lump sums | 41 | (3401) | 66775 | 41 | 63415 | |
| Disability periodic payments | 42 | 27796 | 202 | 3 | 28001 | |
| Surrender or partial surrender | 43 | 23692 | 1124835 | 6054 | 1154581 | |
| Annuity payments | 44 | 14333 | 2336 | | 16669 | |
| Lump sums on maturity | 45 | 14301 | 202187 | 637 | 217125 | |
| **Total** | 46 | 76721 | 1396335 | 6735 | 1479791 | |

**Long term insurance business : Analysis of claims**

| | |
|---|---|
| Name of insurer | **Norwich Union Life & Pensions 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 | 422945 | 104247 | 2575 | 529767 | 332699 |
| Disability periodic payments | 12 | 35763 | 346 | 3 | 36112 | 38758 |
| Surrender or partial surrender | 13 | 1671168 | 1654152 | 39034 | 3364354 | 1423921 |
| Annuity payments | 14 | 20362 | 87752 | | 108114 | 207197 |
| Lump sums on maturity | 15 | 654664 | 782134 | 33156 | 1469954 | 1225929 |
| **Total** | 16 | 2804902 | 2628631 | 74768 | 5508301 | 3228504 |
| | | | | | | |
| **Reinsurance - external** | | | | | | |
| Death or disability lump sums | 21 | 186839 | 1557 | | 188396 | |
| Disability periodic payments | 22 | 4142 | | | 4142 | |
| Surrender or partial surrender | 23 | | 3145 | | 3145 | |
| Annuity payments | 24 | 3263 | 116 | | 3379 | |
| Lump sums on maturity | 25 | 2080 | 9216 | | 11296 | |
| **Total** | 26 | 196324 | 14034 | | 210358 | |
| | | | | | | |
| **Reinsurance - intra-group** | | | | | | |
| Death or disability lump sums | 31 | 10808 | 657 | 326 | 11791 | |
| Disability periodic payments | 32 | 73 | | | 73 | |
| Surrender or partial surrender | 33 | 1635 | 13322 | 3135 | 18092 | |
| Annuity payments | 34 | | 71 | | 71 | |
| Lump sums on maturity | 35 | 917 | 1502 | 400 | 2819 | |
| **Total** | 36 | 13433 | 15552 | 3861 | 32846 | |
| | | | | | | |
| **Net of reinsurance** | | | | | | |
| Death or disability lump sums | 41 | 225298 | 102033 | 2249 | 329580 | 217544 |
| Disability periodic payments | 42 | 31548 | 346 | 3 | 31897 | 36341 |
| Surrender or partial surrender | 43 | 1669533 | 1637685 | 35899 | 3343117 | 948395 |
| Annuity payments | 44 | 17099 | 87565 | | 104664 | 12042 |
| Lump sums on maturity | 45 | 651667 | 771416 | 32756 | 1455839 | 1160110 |
| **Total** | 46 | 2595145 | 2599045 | 70907 | 5265097 | 2374432 |

**Long term insurance business : Analysis of expenses**

| | |
|---|---|
| Name of insurer | **Norwich Union Life & Pensions Limited** |
| Total business/subfund | **With Profits Sub-Fund** |
| 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 | 43 | 1994 | 771 | 2808 | 2978 |
| Commission - other | 12 | 6535 | 685 | 53 | 7273 | 7802 |
| Management - acquisition | 13 | 93 | (5377) | | (5284) | 4688 |
| Management - maintenance | 14 | 25300 | 10760 | | 36060 | 48876 |
| Management - other | 15 | 30974 | 2675 | | 33649 | (876) |
| **Total** | 16 | 62945 | 10737 | 824 | 74506 | 63468 |
| | | | | | | |
| **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 | 43 | 1994 | 771 | 2808 | 2978 |
| Commission - other | 42 | 6535 | 685 | 53 | 7273 | 7802 |
| Management - acquisition | 43 | 93 | (5377) | | (5284) | 4688 |
| Management - maintenance | 44 | 25300 | 10760 | | 36060 | 48876 |
| Management - other | 45 | 30974 | 2675 | | 33649 | (876) |
| **Total** | 46 | 62945 | 10737 | 824 | 74506 | 63468 |

**Long term insurance business : Analysis of expenses**

| | |
|---|---|
| Name of insurer | **Norwich Union Life & Pensions Limited** |
| Total business/subfund | **Provident Mutual Sub-Fund** |
| 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 | 386 | 1389 | | 1775 | |
| Commission - other | 12 | (2594) | 1034 | | (1560) | |
| Management - acquisition | 13 | | | | | |
| Management - maintenance | 14 | 5359 | 17945 | | 23304 | |
| Management - other | 15 | 2049 | 56 | | 2105 | |
| **Total** | 16 | 5200 | 20424 | | 25624 | |
| | | | | | | |
| **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 | | 321 | | 321 | |
| Management - other | 35 | | | | | |
| **Total** | 36 | | 321 | | 321 | |
| | | | | | | |
| **Net of reinsurance** | | | | | | |
| Commission - acquisition | 41 | 386 | 1389 | | 1775 | |
| Commission - other | 42 | (2594) | 1034 | | (1560) | |
| Management - acquisition | 43 | | | | | |
| Management - maintenance | 44 | 5359 | 17624 | | 22983 | |
| Management - other | 45 | 2049 | 56 | | 2105 | |
| **Total** | 46 | 5200 | 20103 | | 25303 | |

**Long term insurance business : Analysis of expenses**

| | |
|---|---|
| Name of insurer | **Norwich Union Life & Pensions Limited** |
| Total business/subfund | **Belgian Sub-Fund** |
| 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 | | | | | 172 |
| Management - other | 15 | | | | | |
| **Total** | 16 | | | | | 172 |
| | | | | | | |
| **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 | | | | | 172 |
| Management - other | 45 | | | | | |
| **Total** | 46 | | | | | 172 |

**Long term insurance business : Analysis of expenses**

Name of insurer **Norwich Union Life & Pensions Limited**

Total business/subfund **Non-Profit Sub-Fund 1**

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 | 396118 | | | 396118 | 430706 |
| Commission - other | 12 | 31903 | | | 31903 | 120034 |
| Management - acquisition | 13 | 94844 | | 1 | 94845 | 201956 |
| Management - maintenance | 14 | 49253 | | 134 | 49387 | 11398 |
| Management - other | 15 | 32648 | | 1 | 32649 | 42085 |
| **Total** | 16 | 604766 | | 136 | 604902 | 806179 |
| | | | | | | |
| **Reinsurance - external** | | | | | | |
| Commission - acquisition | 21 | 74494 | | | 74494 | |
| Commission - other | 22 | 43 | | | 43 | |
| Management - acquisition | 23 | | | | | |
| Management - maintenance | 24 | | | | | |
| Management - other | 25 | | | | | |
| **Total** | 26 | 74537 | | | 74537 | |
| | | | | | | |
| **Reinsurance - intra-group** | | | | | | |
| Commission - acquisition | 31 | 1497 | | | 1497 | |
| Commission - other | 32 | 703 | | | 703 | |
| Management - acquisition | 33 | | | | | |
| Management - maintenance | 34 | | | | | |
| Management - other | 35 | | | | | |
| **Total** | 36 | 2200 | | | 2200 | |
| | | | | | | |
| **Net of reinsurance** | | | | | | |
| Commission - acquisition | 41 | 320127 | | | 320127 | 430706 |
| Commission - other | 42 | 31157 | | | 31157 | 119970 |
| Management - acquisition | 43 | 94844 | | 1 | 94845 | 201956 |
| Management - maintenance | 44 | 49253 | | 134 | 49387 | 11398 |
| Management - other | 45 | 32648 | | 1 | 32649 | 42085 |
| **Total** | 46 | 528029 | | 136 | 528165 | 806115 |

**Long term insurance business : Analysis of expenses**

| | |
|---|---|
| Name of insurer | **Norwich Union Life & Pensions Limited** |
| Total business/subfund | **Non-Profit Sub-Fund 2** |
| 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 | 127702 | 73161 | 1244 | 202107 | |
| Commission - other | 12 | 2551 | 12668 | 69 | 15288 | |
| Management - acquisition | 13 | 24339 | 76453 | | 100792 | |
| Management - maintenance | 14 | 34096 | 95705 | (579) | 129222 | |
| Management - other | 15 | 1162 | 52746 | | 53908 | |
| **Total** | 16 | 189850 | 310733 | 734 | 501317 | |
| | | | | | | |
| **Reinsurance - external** | | | | | | |
| Commission - acquisition | 21 | 51373 | | | 51373 | |
| Commission - other | 22 | 22 | 61 | | 83 | |
| Management - acquisition | 23 | | | | | |
| Management - maintenance | 24 | | | | | |
| Management - other | 25 | | | | | |
| **Total** | 26 | 51395 | 61 | | 51456 | |
| | | | | | | |
| **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 | 76329 | 73161 | 1244 | 150734 | |
| Commission - other | 42 | 2529 | 12607 | 69 | 15205 | |
| Management - acquisition | 43 | 24339 | 76453 | | 100792 | |
| Management - maintenance | 44 | 34096 | 95705 | (579) | 129222 | |
| Management - other | 45 | 1162 | 52746 | | 53908 | |
| **Total** | 46 | 138455 | 310672 | 734 | 449861 | |

**Long term insurance business : Analysis of expenses**

Name of insurer **Norwich Union Life & Pensions 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 | 524249 | 76544 | 2015 | 602808 | 433684 |
| Commission - other | 12 | 38395 | 14387 | 122 | 52904 | 127836 |
| Management - acquisition | 13 | 119276 | 71076 | 1 | 190353 | 206644 |
| Management - maintenance | 14 | 114008 | 124410 | (445) | 237973 | 60446 |
| Management - other | 15 | 66833 | 55477 | 1 | 122311 | 41209 |
| **Total** | 16 | 862761 | 341894 | 1694 | 1206349 | 869819 |
| | | | | | | |
| **Reinsurance - external** | | | | | | |
| Commission - acquisition | 21 | 125867 | | | 125867 | |
| Commission - other | 22 | 65 | 61 | | 126 | |
| Management - acquisition | 23 | | | | | |
| Management - maintenance | 24 | | | | | |
| Management - other | 25 | | | | | |
| **Total** | 26 | 125932 | 61 | | 125993 | |
| | | | | | | |
| **Reinsurance - intra-group** | | | | | | |
| Commission - acquisition | 31 | 1497 | | | 1497 | |
| Commission - other | 32 | 703 | | | 703 | |
| Management - acquisition | 33 | | | | | |
| Management - maintenance | 34 | | 321 | | 321 | |
| Management - other | 35 | | | | | |
| **Total** | 36 | 2200 | 321 | | 2521 | |
| | | | | | | |
| **Net of reinsurance** | | | | | | |
| Commission - acquisition | 41 | 396885 | 76544 | 2015 | 475444 | 433684 |
| Commission - other | 42 | 37627 | 14326 | 122 | 52075 | 127772 |
| Management - acquisition | 43 | 119276 | 71076 | 1 | 190353 | 206644 |
| Management - maintenance | 44 | 114008 | 124089 | (445) | 237652 | 60446 |
| Management - other | 45 | 66833 | 55477 | 1 | 122311 | 41209 |
| **Total** | 46 | 734629 | 341512 | 1694 | 1077835 | 869755 |

**Long term insurance business : Linked funds balance sheet**

| | |
|---|---|
| Name of insurer | **Norwich Union Life & Pensions 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 | 24796498 | |
| Directly held assets in collective investment schemes of connected companies | 12 | 2068768 | |
| Directly held assets in other collective investment schemes | 13 | | |
| **Total assets (excluding cross investment) (11+12+13)** | 14 | 26865266 | |
| Provision for tax on unrealised capital gains | 15 | 93100 | |
| Secured and unsecured loans | 16 | | |
| Other liabilities | 17 | 2183962 | |
| **Total net assets (14-15-16-17)** | 18 | 24588204 | |
| | | | |
| **Directly held linked assets** | | | |
| Value of directly held linked assets | 21 | 8452 | |
| | | | |
| **Total** | | | |
| Value of directly held linked assets and units held (18+21) | 31 | 24596656 | |
| Surplus units | 32 | 156085 | |
| Deficit units | 33 | | |
| **Net unit liability (31-32+33)** | 34 | 24440571 | |

**Long term insurance business : Revenue account for internal linked funds**

Name of insurer **Norwich Union Life & Pensions 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 | 3093494 | |
| Investment income attributable to the funds before deduction of tax | 12 | 840285 | |
| Increase (decrease) in the value of investments in the financial year | 13 | 2562139 | |
| Other income | 14 | 19623274 | |
| **Total income** | 19 | 26119192 | |
| | | | |
| **Expenditure** | | | |
| Value of total cancellation units | 21 | 1225264 | |
| Charges for management | 22 | 129136 | |
| Charges in respect of tax on investment income | 23 | 58134 | |
| Taxation on realised capital gains | 24 | 31449 | |
| Increase (decrease) in amount set aside for tax on capital gains not yet realised | 25 | 71891 | |
| Other expenditure | 26 | 15114 | |
| **Total expenditure** | 29 | 1530988 | |
| | | | |
| Increase (decrease) in funds in financial year (19-29) | 39 | 24588204 | |
| Internal linked fund brought forward | 49 | | |
| Internal linked funds carried forward (39 + 49) | 59 | 24588204 | |

**Long term insurance business : Summary of new business**

Name of insurer **Norwich Union Life & Pensions 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 | 331169 | 4851 | 26764 | 362784 | |
| Single premium business | 12 | 73 | 785 | 352 | 1210 | |
| **Total** | 13 | 331242 | 5636 | 27116 | 363994 | |
| | | | | | | |
| **Amount of new regular premiums** | | | | | | |
| Direct insurance business | 21 | 115384 | 61942 | 10992 | 188318 | 64171 |
| External reinsurance | 22 | | | | | |
| Intra-group reinsurance | 23 | 136 | 194354 | 3026 | 197516 | 221056 |
| **Total** | 24 | 115520 | 256296 | 14018 | 385834 | 285227 |
| | | | | | | |
| **Amount of new single premiums** | | | | | | |
| Direct insurance business | 25 | 357024 | 233793 | 20857 | 611674 | 1147247 |
| External reinsurance | 26 | | | | | |
| Intra-group reinsurance | 27 | 2004515 | 1226967 | 9340 | 3240822 | 2773559 |
| **Total** | 28 | 2361539 | 1460760 | 30197 | 3852496 | 3920806 |

**Long term insurance business : Analysis of new business**

Name of insurer **Norwich Union Life & Pensions Limited**

Total business

Financial year ended **31st December 2005**

Units **£000**

UK Life / Direct insurance business

| Product code number | Product description | Regular premium business: Number of policyholders / scheme members | Regular premium business: Amount of premiums | Single premium business: Number of policyholders / scheme members | Single premium business: Amount of premiums |
|---|---|---|---|---|---|
| **1** | **2** | **3** | **4** | **5** | **6** |
| 120 | Conventional endowment with-profits OB savings | | 329 | | |
| 205 | Miscellaneous conventional with-profits | | 3 | | |
| 300 | Regular premium non-profit WL/EA OB | 2745 | 534 | | 4 |
| 305 | Single premium non-profit WL/EA OB | | | 14 | 135 |
| 325 | Level term assurance | 130313 | 50775 | | |
| 330 | Decreasing term assurance | 150645 | 36340 | | |
| 365 | Income protection non-profit (reviewable premiums) | 46863 | 16575 | | |
| 370 | Long-term care policy | | | | 7 |
| 395 | Annuity non-profit (PLA) | | | 59 | 179 |
| 415 | Collective Life | | 801 | | 204030 |
| 420 | Group income protection | 539 | 9470 | | 151323 |
| 500 | Life UWP single premium | | | | 56 |
| | | | | | |

**Form 47**
**(Sheet 2)**

**Long term insurance business : Analysis of new business**

Name of insurer **Norwich Union Life & Pensions Limited**

Total business

Financial year ended **31st December 2005**

Units **£000**

UK Life / Direct insurance business

| | | Regular premium business | | Single premium business | |
|---|---|---|---|---|---|
| Product code number | Product description | Number of policyholders / scheme members | Amount of premiums | Number of policyholders / scheme members | Amount of premiums |
| **1** | **2** | **3** | **4** | **5** | **6** |
| 505 | Life UWP whole life regular premium | | 349 | | |
| 510 | Life UWP endowment regular premium -savings | 30 | 31 | | |
| 575 | Miscellaneous UWP | | 16 | | 31 |
| 700 | Life property linked single premium | | | | 1221 |
| 710 | Life property linked whole life regular premium | | 107 | | 21 |
| 715 | Life property linked endowment regular premium -savings | 34 | 43 | | |
| 795 | Miscellaneous property linked | | 11 | | 17 |

**Long term insurance business : Analysis of new business**

Name of insurer **Norwich Union Life & Pensions 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: Number of policyholders / scheme members | Regular premium business: Amount of premiums | Single premium business: Number of policyholders / scheme members | Single premium business: Amount of premiums |
|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 |
| 360 | Income protection non-profit (guaranteed premiums) | | 104 | | |
| 700 | Life property linked single premium | | | | 2004515 |
| 710 | Life property linked whole life regular premium | | 29 | | |
| 720 | Life property linked endowment regular premium – target cash | | 3 | | |

**Form 47**
**(Sheet 4)**

**Long term insurance business : Analysis of new business**

Name of insurer **Norwich Union Life & Pensions Limited**

Total business

Financial year ended **31st December 2005**

Units **£000**

UK Pension / Direct insurance business

| | | Regular premium business | | Single premium business | |
|---|---|---|---|---|---|
| Product code number | Product description | Number of policyholders / scheme members | Amount of premiums | Number of policyholders / scheme members | Amount of premiums |
| **1** | **2** | **3** | **4** | **5** | **6** |
| 155 | Conventional pensions endowment with-profits | | 683 | 95 | 3148 |
| 160 | Conventional pensions endowment with-profits -increments | | | | 2710 |
| 165 | Conventional deferred annuity with-profits | | | | 22 |
| 180 | Group conventional deferred annuity with-profits -increments | | 6 | | 5 |
| 190 | Group conventional pensions endowment with-profits -increments | | 194 | | 32 |
| 200 | Annuity with-profits (CPA) | | | 206 | 15290 |
| 410 | Group Life | 1061 | 33849 | | |
| 525 | Individual pensions UWP | 17 | | 22 | 1962 |
| 530 | Individual pensions UWP -increments | | 379 | | 2610 |
| 535 | Group money purchase pensions UWP | 912 | 1099 | 105 | 1272 |
| 540 | Group money purchase pensions UWP -increments | | 2460 | | 13871 |
| 560 | Group deposit administration with-profits -increments | | 1269 | | |
| | | | | | |

**Long term insurance business : Analysis of new business**

Name of insurer **Norwich Union Life & Pensions Limited**

Total business

Financial year ended **31st December 2005**

Units **£000**

UK Pension / Direct insurance business

| | | Regular premium business | | Single premium business | |
|---|---|---|---|---|---|
| Product code number | Product description | Number of policyholders / scheme members | Amount of premiums | Number of policyholders / scheme members | Amount of premiums |
| **1** | **2** | **3** | **4** | **5** | **6** |
| 565 | DWP National Insurance rebates UWP | | 129 | | 66631 |
| 575 | Miscellaneous UWP | | 1235 | | 3665 |
| 720 | Life property linked endowment regular premium – target cash | | 2 | | |
| 725 | Individual pensions property linked | 44 | 712 | 23 | 7240 |
| 730 | Individual pensions property linked -increments | | 2703 | | 16536 |
| 735 | Group money purchase pensions property linked | 2817 | 5711 | 334 | 4053 |
| 740 | Group money purchase pensions property linked -increments | | 11386 | | 26267 |
| 745 | DWP National Insurance rebates property linked | | 125 | | 68479 |

**Long term insurance business : Analysis of new business**

Name of insurer **Norwich Union Life & Pensions Limited**

Total business

Financial year ended **31st December 2005**

Units **£000**

UK Pension / Reinsurance accepted intra-group

| | | Regular premium business | | Single premium business | |
|---|---|---|---|---|---|
| Product code number | Product description | Number of policyholders / scheme members | Amount of premiums | Number of policyholders / scheme members | Amount of premiums |
| **1** | **2** | **3** | **4** | **5** | **6** |
| 725 | Individual pensions property linked | | 28511 | | 560441 |
| 730 | Individual pensions property linked -increments | | 15166 | | 246487 |
| 735 | Group money purchase pensions property linked | | 99808 | | 85211 |
| 740 | Group money purchase pensions property linked -increments | | 50869 | | 166765 |
| 745 | DWP National Insurance rebates property linked | | | | 42533 |
| 755 | Trustee investment plan | | | | 125530 |

**Form 47**
**(Sheet 7)**

**Long term insurance business : Analysis of new business**

Name of insurer **Norwich Union Life & Pensions Limited**

Total business

Financial year ended **31st December 2005**

Units **£000**

Overseas / Direct insurance business

| | | Regular premium business | | Single premium business | |
|---|---|---|---|---|---|
| Product code number | Product description | Number of policyholders / scheme members | Amount of premiums | Number of policyholders / scheme members | Amount of premiums |
| **1** | **2** | **3** | **4** | **5** | **6** |
| 120 | Conventional endowment with-profits OB savings | 41 | 905 | | 244 |
| 155 | Conventional pensions endowment with-profits | | 28 | | |
| 300 | Regular premium non-profit WL/EA OB | 4600 | 118 | | |
| 325 | Level term assurance | 18448 | 4740 | | |
| 330 | Decreasing term assurance | 2522 | 945 | | |
| 395 | Annuity non-profit (PLA) | | | 222 | 7205 |
| 410 | Group Life | 50 | 227 | | |
| 525 | Individual pensions UWP | 8 | 28 | | 755 |
| 530 | Individual pensions UWP -increments | | 66 | | 1152 |
| 535 | Group money purchase pensions UWP | 4 | 144 | 1 | 278 |
| 540 | Group money purchase pensions UWP -increments | | 111 | | 100 |
| 565 | DWP National Insurance rebates UWP | | 15 | | 1031 |
| | | | | | |

**Form 47**
**(Sheet 8)**

**Long term insurance business : Analysis of new business**

Name of insurer **Norwich Union Life & Pensions Limited**

Total business

Financial year ended **31st December 2005**

Units **£000**

Overseas / Direct insurance business

| | | Regular premium business | | Single premium business | |
|---|---|---|---|---|---|
| Product code number | Product description | Number of policyholders / scheme members | Amount of premiums | Number of policyholders / scheme members | Amount of premiums |
| **1** | **2** | **3** | **4** | **5** | **6** |
| 725 | Individual pensions property linked | 1091 | 2612 | 129 | 1321 |
| 730 | Individual pensions property linked -increments | | 122 | | 2242 |
| 740 | Group money purchase pensions property linked -increments | | 927 | | 5881 |
| 745 | DWP National Insurance rebates property linked | | 4 | | 648 |

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**Form 47**
**(Sheet 9)**

**Long term insurance business : Analysis of new business**

Name of insurer **Norwich Union Life & Pensions Limited**

Total business

Financial year ended **31st December 2005**

Units **£000**

Overseas / Reinsurance accepted intra-group

| Product code number | Product description | Regular premium business: Number of policyholders / scheme members | Regular premium business: Amount of premiums | Single premium business: Number of policyholders / scheme members | Single premium business: Amount of premiums |
|---|---|---|---|---|---|
| **1** | **2** | **3** | **4** | **5** | **6** |
| 360 | Income protection non-profit (guaranteed premiums) | | 2 | | |
| 700 | Life property linked single premium | | | | 34 |
| 715 | Life property linked endowment regular premium -savings | | 1 | | |
| 725 | Individual pensions property linked | | 2399 | | 8080 |
| 730 | Individual pensions property linked -increments | | 624 | | 1226 |

**Long term insurance business : Non-linked assets**

Name of insurer **Norwich Union Life & Pensions 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 | 12626 | 12626 | | | |
| Approved fixed interest securities | 12 | 2120999 | 2120999 | 81173 | 4.05 | |
| Other fixed interest securities | 13 | 711688 | 711688 | 32192 | 4.39 | |
| Variable interest securities | 14 | 19803 | 19841 | 150 | 0.51 | |
| UK listed equity shares | 15 | 33022 | 87653 | 1548 | 2.72 | |
| Non-UK listed equity shares | 16 | | 8266 | 158 | 1.91 | |
| Unlisted equity shares | 17 | 23952 | 24245 | 1 | | |
| Other assets | 18 | 2057791 | 1994563 | 12653 | 3.11 | |
| **Total** | 19 | 4979881 | 4979881 | 127875 | 3.65 | |
| | | | | | | |
| **Assets backing with-profits liabilities and with-profits capital requirement** | | | | | | |
| Land and buildings | 21 | 1875978 | 3405667 | 105391 | 4.94 | 4.94 |
| Approved fixed interest securities | 22 | 9564170 | 8648633 | 519889 | 4.10 | 4.1 |
| Other fixed interest securities | 23 | 3808677 | 4285173 | 230996 | 4.46 | 4.46 |
| Variable interest securities | 24 | 218075 | 241443 | 6478 | 3.17 | 3.17 |
| UK listed equity shares | 25 | 6562411 | 6634654 | 193566 | 4.10 | 4.1 |
| Non-UK listed equity shares | 26 | 2074039 | 2462597 | 46043 | 4.16 | 4.16 |
| Unlisted equity shares | 27 | 1600866 | 191835 | 40 | 0.03 | .03 |
| Other assets | 28 | 3440413 | 3274627 | 108761 | 4.81 | 4.81 |
| **Total** | 29 | 29144629 | 29144629 | 1211164 | 4.30 | 4.3 |
| | | | | | | |
| **Overall return on with-profits assets** | | | | | | |
| Post investment costs but pre-tax | 31 | | | | | |
| Return allocated to non taxable 'asset shares' | 32 | | | | | |
| Return allocated to taxable 'asset shares' | 33 | | | | | |

**Long term insurance business : Non-linked assets**

| | |
|---|---|
| Name of insurer | **Norwich Union Life & Pensions Limited** |
| Category of assets | **With Profits Sub-Fund** |
| 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 | 796414 | 796414 | 32910 | 4.13 | |
| Other fixed interest securities | 13 | | | | | |
| Variable interest securities | 14 | | | | | |
| UK listed equity shares | 15 | | | | | |
| Non-UK listed equity shares | 16 | | | | | |
| Unlisted equity shares | 17 | | | | | |
| Other assets | 18 | | | | | |
| **Total** | 19 | 796414 | 796414 | 32910 | 4.13 | |
| | | | | | | |
| **Assets backing with-profits liabilities and with-profits capital requirement** | | | | | | |
| Land and buildings | 21 | 1875978 | 3351622 | 105391 | 4.93 | 22 |
| Approved fixed interest securities | 22 | 8719065 | 7803528 | 457937 | 4.08 | 8.05 |
| Other fixed interest securities | 23 | 2849402 | 3164075 | 158376 | 4.62 | 10.73 |
| Variable interest securities | 24 | 138302 | 161588 | 4951 | 4.06 | 1.01 |
| UK listed equity shares | 25 | 6360166 | 6432312 | 187849 | 4.10 | 22.48 |
| Non-UK listed equity shares | 26 | 2052098 | 2436902 | 45392 | 4.16 | 32.24 |
| Unlisted equity shares | 27 | 1546821 | 191835 | 40 | 0.03 | |
| Other assets | 28 | 3195874 | 3195844 | 104571 | 4.86 | |
| **Total** | 29 | 26737706 | 26737706 | 1064507 | 4.33 | 14.73 |
| | | | | | | |
| **Overall return on with-profits assets** | | | | | | |
| Post investment costs but pre-tax | 31 | | | | | 14.6 |
| Return allocated to non taxable 'asset shares' | 32 | | | | | 16.24 |
| Return allocated to taxable 'asset shares' | 33 | | | | | 13.42 |

**Long term insurance business : Non-linked assets**

Name of insurer **Norwich Union Life & Pensions Limited**

Category of assets **Provident Mutual Sub-Fund**

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 | 414482 | 414482 | 16402 | 3.96 | |
| Other fixed interest securities | 13 | 399273 | 399273 | 19726 | 4.94 | |
| Variable interest securities | 14 | | | | | |
| UK listed equity shares | 15 | | | | | |
| Non-UK listed equity shares | 16 | | | | | |
| Unlisted equity shares | 17 | | | | | |
| Other assets | 18 | 4801 | 4801 | | | |
| **Total** | 19 | 818556 | 818556 | 36128 | 4.41 | |
| | | | | | | |
| **Assets backing with-profits liabilities and with-profits capital requirement** | | | | | | |
| Land and buildings | 21 | | 54045 | | 5.74 | 7.02 |
| Approved fixed interest securities | 22 | 845105 | 845105 | 61952 | 4.25 | 10.26 |
| Other fixed interest securities | 23 | 959275 | 1121098 | 72620 | 4.00 | 12.28 |
| Variable interest securities | 24 | 79773 | 79855 | 1527 | 1.37 | 11.94 |
| UK listed equity shares | 25 | 202245 | 202342 | 5717 | 4.01 | 20.6 |
| Non-UK listed equity shares | 26 | 21941 | 25695 | 651 | 3.75 | 22.81 |
| Unlisted equity shares | 27 | 54045 | | | | |
| Other assets | 28 | 244539 | 78783 | 4190 | 2.83 | |
| **Total** | 29 | 2406923 | 2406923 | 146657 | 4.00 | 11.85 |
| | | | | | | |
| **Overall return on with-profits assets** | | | | | | |
| Post investment costs but pre-tax | 31 | | | | | 14.6 |
| Return allocated to non taxable 'asset shares' | 32 | | | | | 9.17 |
| Return allocated to taxable 'asset shares' | 33 | | | | | 7.08 |

**Long term insurance business : Non-linked assets**

Name of insurer **Norwich Union Life & Pensions Limited**

Category of assets **Belgian Sub-Fund**

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 | 7231 | 7231 | 294 | 4.06 | |
| Other fixed interest securities | 13 | | | | | |
| Variable interest securities | 14 | | | | | |
| UK listed equity shares | 15 | | | | | |
| Non-UK listed equity shares | 16 | | | | | |
| Unlisted equity shares | 17 | | | | | |
| Other assets | 18 | | | | | |
| **Total** | 19 | 7231 | 7231 | 294 | 4.06 | |
| | | | | | | |
| **Assets backing with-profits liabilities and with-profits capital requirement** | | | | | | |
| Land and buildings | 21 | | | | | |
| Approved fixed interest securities | 22 | | | | | |
| Other fixed interest securities | 23 | | | | | |
| Variable interest securities | 24 | | | | | |
| UK listed equity shares | 25 | | | | | |
| Non-UK listed equity shares | 26 | | | | | |
| Unlisted equity shares | 27 | | | | | |
| Other assets | 28 | | | | | |
| **Total** | 29 | | | | | |
| | | | | | | |
| **Overall return on with-profits assets** | | | | | | |
| Post investment costs but pre-tax | 31 | | | | | |
| Return allocated to non taxable 'asset shares' | 32 | | | | | |
| Return allocated to taxable 'asset shares' | 33 | | | | | |

**Long term insurance business : Non-linked assets**

Name of insurer **Norwich Union Life & Pensions Limited**

Category of assets **Non-Profit Sub-Fund 1**

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 | 59039 | 59039 | 2797 | 4.21 | |
| Other fixed interest securities | 13 | 64243 | 64243 | 3509 | 4.87 | |
| Variable interest securities | 14 | 9318 | 9318 | 149 | 1.07 | |
| UK listed equity shares | 15 | 33022 | 63777 | 882 | 2.67 | |
| Non-UK listed equity shares | 16 | | | | | |
| Unlisted equity shares | 17 | 23748 | 24035 | 1 | | |
| Other assets | 18 | 827684 | 796642 | 8194 | 3.37 | |
| **Total** | 19 | 1017054 | 1017054 | 15532 | 3.37 | |
| | | | | | | |
| **Assets backing with-profits liabilities and with-profits capital requirement** | | | | | | |
| Land and buildings | 21 | | | | | |
| Approved fixed interest securities | 22 | | | | | |
| Other fixed interest securities | 23 | | | | | |
| Variable interest securities | 24 | | | | | |
| UK listed equity shares | 25 | | | | | |
| Non-UK listed equity shares | 26 | | | | | |
| Unlisted equity shares | 27 | | | | | |
| Other assets | 28 | | | | | |
| **Total** | 29 | | | | | |
| | | | | | | |
| **Overall return on with-profits assets** | | | | | | |
| Post investment costs but pre-tax | 31 | | | | | |
| Return allocated to non taxable 'asset shares' | 32 | | | | | |
| Return allocated to taxable 'asset shares' | 33 | | | | | |

**Long term insurance business : Non-linked assets**

| | |
|---|---|
| Name of insurer | **Norwich Union Life & Pensions Limited** |
| Category of assets | **Non-Profit Sub-Fund 2** |
| 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 | 12626 | 12626 | | | |
| Approved fixed interest securities | 12 | 843833 | 843833 | 28770 | 4.00 | |
| Other fixed interest securities | 13 | 248172 | 248172 | 8957 | 3.39 | |
| Variable interest securities | 14 | 10485 | 10523 | 1 | 0.01 | |
| UK listed equity shares | 15 | | 23876 | 666 | 2.79 | |
| Non-UK listed equity shares | 16 | | 8266 | 158 | 1.91 | |
| Unlisted equity shares | 17 | 204 | 210 | | 0.03 | |
| Other assets | 18 | 1225306 | 1193120 | 4459 | 2.95 | |
| **Total** | 19 | 2340626 | 2340626 | 43011 | 3.34 | |
| | | | | | | |
| **Assets backing with-profits liabilities and with-profits capital requirement** | | | | | | |
| Land and buildings | 21 | | | | | |
| Approved fixed interest securities | 22 | | | | | |
| Other fixed interest securities | 23 | | | | | |
| Variable interest securities | 24 | | | | | |
| UK listed equity shares | 25 | | | | | |
| Non-UK listed equity shares | 26 | | | | | |
| Unlisted equity shares | 27 | | | | | |
| Other assets | 28 | | | | | |
| **Total** | 29 | | | | | |
| | | | | | | |
| **Overall return on with-profits assets** | | | | | | |
| Post investment costs but pre-tax | 31 | | | | | |
| Return allocated to non taxable 'asset shares' | 32 | | | | | |
| Return allocated to taxable 'asset shares' | 33 | | | | | |

**Long term insurance business : Fixed and variable interest assets**

Name of insurer **Norwich Union Life & Pensions 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 | 10130358 | 8.07 | 4.11 | 4.11 |
| | | | | | |
| **Other approved fixed interest securities** | 21 | 658119 | 10.87 | 3.77 | 3.77 |
| | | | | | |
| **Other fixed interest securities** | | | | | |
| AAA/Aaa | 31 | 1323775 | 9.90 | 4.49 | 4.40 |
| AA/Aa | 32 | 815814 | 8.19 | 4.73 | 4.45 |
| A/A | 33 | 1582683 | 7.42 | 4.86 | 4.54 |
| BBB/Baa | 34 | 844487 | 5.88 | 5.06 | 4.39 |
| BB/Ba | 35 | 89733 | 5.30 | 7.45 | 5.77 |
| B/B | 36 | 83431 | 6.37 | 4.61 | 1.51 |
| CCC/Caa | 37 | 4659 | 12.16 | 5.11 | 0.16 |
| Other (including unrated) | 38 | 327254 | 11.27 | 0.44 | 0.12 |
| **Total other fixed interest securities** | 39 | 5071836 | 8.13 | 4.53 | 4.15 |
| | | | | | |
| **Approved variable interest securities** | 41 | 94126 | | | |
| | | | | | |
| **Other variable interest securities** | 51 | 162581 | 31.47 | 4.04 | 1.04 |
| | | | | | |
| **Total** (11+21+39+41+51) | 61 | 16117020 | 8.39 | 4.20 | 4.05 |

**Long term insurance business : Fixed and variable interest assets**

Name of insurer **Norwich Union Life & Pensions Limited**

Category of assets **With Profits Sub-Fund**

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 | 8109573 | 7.64 | 4.11 | 4.11 |
| | | | | | |
| **Other approved fixed interest securities** | 21 | 490368 | 11.47 | 3.52 | 3.52 |
| | | | | | |
| **Other fixed interest securities** | | | | | |
| AAA/Aaa | 31 | 1018194 | 9.95 | 4.59 | 4.50 |
| AA/Aa | 32 | 362307 | 6.24 | 4.98 | 4.70 |
| A/A | 33 | 780553 | 4.92 | 4.66 | 4.34 |
| BBB/Baa | 34 | 675064 | 5.33 | 5.01 | 4.34 |
| BB/Ba | 35 | 85459 | 5.33 | 7.36 | 5.68 |
| B/B | 36 | 82027 | 6.38 | 4.55 | 1.45 |
| CCC/Caa | 37 | 4659 | 12.16 | 5.11 | 0.16 |
| Other (including unrated) | 38 | 155812 | 17.92 | 0.61 | |
| **Total other fixed interest securities** | 39 | 3164075 | 7.48 | 4.62 | 4.17 |
| | | | | | |
| **Approved variable interest securities** | 41 | | | | |
| | | | | | |
| **Other variable interest securities** | 51 | 161588 | 31.60 | 4.06 | 4.06 |
| | | | | | |
| **Total** (11+21+39+41+51) | 61 | 11925604 | 8.08 | 4.22 | 4.10 |

**Long term insurance business : Fixed and variable interest assets**

Name of insurer **Norwich Union Life & Pensions Limited**

Category of assets **Provident Mutual Sub-Fund**

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 | 1117727 | 10.58 | 4.08 | 4.08 |
| | | | | | |
| **Other approved fixed interest securities** | 21 | 141860 | 9.39 | 4.76 | 4.76 |
| | | | | | |
| **Other fixed interest securities** | | | | | |
| AAA/Aaa | 31 | 241884 | 9.76 | 3.97 | 3.88 |
| AA/Aa | 32 | 374560 | 9.13 | 4.43 | 4.15 |
| A/A | 33 | 617587 | 9.19 | 5.08 | 4.76 |
| BBB/Baa | 34 | 122384 | 9.01 | 5.31 | 4.64 |
| BB/Ba | 35 | 686 | 8.18 | 11.71 | 10.03 |
| B/B | 36 | 1404 | 5.78 | 8.41 | 5.31 |
| CCC/Caa | 37 | | | | |
| Other (including unrated) | 38 | 161866 | 4.99 | 0.02 | |
| **Total other fixed interest securities** | 39 | 1520371 | 8.80 | 4.23 | 3.96 |
| | | | | | |
| **Approved variable interest securities** | 41 | 79554 | 16.96 | 1.37 | 1.37 |
| | | | | | |
| **Other variable interest securities** | 51 | 301 | | 0.34 | 0.34 |
| | | | | | |
| **Total** (11+21+39+41+51) | 61 | 2859813 | 9.75 | 4.12 | 3.97 |

**Long term insurance business : Fixed and variable interest assets**

Name of insurer **Norwich Union Life & Pensions Limited**

Category of assets **Belgian Sub-Fund**

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 | | | | |
| | | | | | |
| **Other approved fixed interest securities** | 21 | 7231 | 8.65 | 4.06 | 4.06 |
| | | | | | |
| **Other fixed interest securities** | | | | | |
| AAA/Aaa | 31 | | | | |
| AA/Aa | 32 | | | | |
| A/A | 33 | | | | |
| BBB/Baa | 34 | | | | |
| BB/Ba | 35 | | | | |
| B/B | 36 | | | | |
| CCC/Caa | 37 | | | | |
| Other (including unrated) | 38 | | | | |
| **Total other fixed interest securities** | 39 | | | | |
| | | | | | |
| **Approved variable interest securities** | 41 | | | | |
| | | | | | |
| **Other variable interest securities** | 51 | | | | |
| | | | | | |
| **Total** (11+21+39+41+51) | 61 | 7231 | 8.65 | 4.06 | 4.06 |

**Long term insurance business : Fixed and variable interest assets**

Name of insurer **Norwich Union Life & Pensions Limited**

Category of assets **Non-Profit Sub-Fund 1**

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 | 234652 | 3.74 | 4.21 | 4.21 |
| | | | | | |
| **Other approved fixed interest securities** | 21 | 4411 | 8.65 | 4.29 | 4.29 |
| | | | | | |
| **Other fixed interest securities** | | | | | |
| AAA/Aaa | 31 | 2693 | 14.01 | 4.79 | 4.70 |
| AA/Aa | 32 | 17486 | 10.06 | 4.76 | 4.48 |
| A/A | 33 | 25018 | 10.44 | 4.89 | 4.57 |
| BBB/Baa | 34 | 18971 | 7.76 | 5.29 | 4.62 |
| BB/Ba | 35 | 74 | 7.43 | 6.09 | 4.41 |
| B/B | 36 | | | | |
| CCC/Caa | 37 | | | | |
| Other (including unrated) | 38 | | | | |
| **Total other fixed interest securities** | 39 | 64242 | 9.69 | 4.97 | 4.57 |
| | | | | | |
| **Approved variable interest securities** | 41 | 5988 | 10.87 | 1.46 | 1.46 |
| | | | | | |
| **Other variable interest securities** | 51 | 654 | 16.85 | 1.98 | 1.29 |
| | | | | | |
| **Total** (11+21+39+41+51) | 61 | 309947 | 5.21 | 4.31 | 4.23 |

**Long term insurance business : Fixed and variable interest assets**

Name of insurer **Norwich Union Life & Pensions Limited**

Category of assets **Non-Profit Sub-Fund 2**

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 | 668406 | 10.63 | 4.14 | 4.14 |
| | | | | | |
| **Other approved fixed interest securities** | 21 | 14249 | 6.64 | 2.38 | 2.38 |
| | | | | | |
| **Other fixed interest securities** | | | | | |
| AAA/Aaa | 31 | 61004 | 9.43 | 4.89 | 4.80 |
| AA/Aa | 32 | 61461 | 13.41 | 5.08 | 4.80 |
| A/A | 33 | 159525 | 12.33 | 5.03 | 4.71 |
| BBB/Baa | 34 | 28068 | 4.08 | 4.96 | 4.29 |
| BB/Ba | 35 | 3514 | 3.99 | 8.94 | 7.26 |
| B/B | 36 | | | | |
| CCC/Caa | 37 | | | | |
| Other (including unrated) | 38 | 9576 | 9.37 | 4.88 | 4.19 |
| **Total other fixed interest securities** | 39 | 323148 | 11.09 | 5.05 | 4.72 |
| | | | | | |
| **Approved variable interest securities** | 41 | 8584 | | | |
| | | | | | |
| **Other variable interest securities** | 51 | 38 | 0.02 | 1.54 | 0.85 |
| | | | | | |
| **Total** (11+21+39+41+51) | 61 | 1014425 | 10.63 | 4.37 | 4.26 |

**Long term insurance business : Summary of mathematical reserves**

| | |
|---|---|
| Name of insurer | **Norwich Union Life & Pensions Limited** |
| Total business/subfund | **With Profits Sub-Fund** |
| 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 | 5927623 | 4956156 | 308846 | 11192625 | 11400236 |
| Form 51 - non-profit | 12 | 22535 | 723345 | 17709 | 763589 | 663841 |
| Form 52 | 13 | 2562624 | 6582702 | 336848 | 9482174 | 10699922 |
| Form 53 - linked | 14 | | | | | |
| Form 53 - non-linked | 15 | | | | | |
| Form 54 - linked | 16 | | | | | |
| Form 54 - non-linked | 17 | | | | | |
| **Total** | 18 | 8512782 | 12262203 | 663403 | 21438388 | 22763999 |
| | | | | | | |
| **Reinsurance - external** | | | | | | |
| Form 51 - with-profits | 21 | 6387 | | 1561 | 7948 | 8545 |
| 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 | 6387 | | 1561 | 7948 | 8545 |
| | | | | | | |
| **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 | 5921236 | 4956156 | 307285 | 11184677 | 11391691 |
| Form 51 - non-profit | 42 | 22535 | 723345 | 17709 | 763589 | 663841 |
| Form 52 | 43 | 2562624 | 6582702 | 336848 | 9482174 | 10699922 |
| Form 53 - linked | 44 | | | | | |
| Form 53 - non-linked | 45 | | | | | |
| Form 54 - linked | 46 | | | | | |
| Form 54 - non-linked | 47 | | | | | |
| **Total** | 48 | 8506395 | 12262203 | 661842 | 21430440 | 22755454 |

**Long term insurance business : Summary of mathematical reserves**

| | |
|---|---|
| Name of insurer | **Norwich Union Life & Pensions Limited** |
| Total business/subfund | **Provident Mutual Sub-Fund** |
| 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 | 467337 | 424071 | | 891408 | |
| Form 51 - non-profit | 12 | 32923 | 721892 | | 754815 | |
| Form 52 | 13 | 114 | 1412958 | | 1413072 | |
| Form 53 - linked | 14 | | | | | |
| Form 53 - non-linked | 15 | 1258 | 9890 | | 11148 | |
| Form 54 - linked | 16 | | | | | |
| Form 54 - non-linked | 17 | | | | | |
| **Total** | 18 | 501632 | 2568811 | | 3070443 | |
| | | | | | | |
| **Reinsurance - external** | | | | | | |
| Form 51 - with-profits | 21 | 642 | | | 642 | |
| Form 51 - non-profit | 22 | 4426 | 45243 | | 49669 | |
| Form 52 | 23 | | | | | |
| Form 53 - linked | 24 | | | | | |
| Form 53 - non-linked | 25 | | | | | |
| Form 54 - linked | 26 | | | | | |
| Form 54 - non-linked | 27 | | | | | |
| **Total** | 28 | 5068 | 45243 | | 50311 | |
| | | | | | | |
| **Reinsurance - intra-group** | | | | | | |
| Form 51 - with-profits | 31 | 188446 | | | 188446 | |
| 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 | 188446 | | | 188446 | |
| | | | | | | |
| **Net of reinsurance** | | | | | | |
| Form 51 - with-profits | 41 | 278249 | 424071 | | 702320 | |
| Form 51 - non-profit | 42 | 28497 | 676649 | | 705146 | |
| Form 52 | 43 | 114 | 1412958 | | 1413072 | |
| Form 53 - linked | 44 | | | | | |
| Form 53 - non-linked | 45 | 1258 | 9890 | | 11148 | |
| Form 54 - linked | 46 | | | | | |
| Form 54 - non-linked | 47 | | | | | |
| **Total** | 48 | 308118 | 2523568 | | 2831686 | |

**Long term insurance business : Summary of mathematical reserves**

Name of insurer **Norwich Union Life & Pensions Limited**

Total business/subfund **Belgian Sub-Fund**

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 | | | 47459 | 47459 | 43820 |
| Form 51 - non-profit | 12 | | | 36020 | 36020 | 33468 |
| Form 52 | 13 | | | | | |
| Form 53 - linked | 14 | | | | | |
| Form 53 - non-linked | 15 | | | | | |
| Form 54 - linked | 16 | | | | | |
| Form 54 - non-linked | 17 | | | | | |
| **Total** | 18 | | | 83479 | 83479 | 77288 |
| | | | | | | |
| **Reinsurance - external** | | | | | | |
| Form 51 - with-profits | 21 | | | 47459 | 47459 | 43820 |
| Form 51 - non-profit | 22 | | | 36020 | 36020 | 33468 |
| Form 52 | 23 | | | | | |
| Form 53 - linked | 24 | | | | | |
| Form 53 - non-linked | 25 | | | | | |
| Form 54 - linked | 26 | | | | | |
| Form 54 - non-linked | 27 | | | | | |
| **Total** | 28 | | | 83479 | 83479 | 77288 |
| | | | | | | |
| **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 | | | | | |
| Form 52 | 43 | | | | | |
| Form 53 - linked | 44 | | | | | |
| Form 53 - non-linked | 45 | | | | | |
| Form 54 - linked | 46 | | | | | |
| Form 54 - non-linked | 47 | | | | | |
| **Total** | 48 | | | | | |

**Long term insurance business : Summary of mathematical reserves**

Name of insurer **Norwich Union Life & Pensions Limited**

Total business/subfund **Non-Profit Sub-Fund 1**

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 | 1686497 | | | 1686497 | 6955637 |
| Form 52 | 13 | 3496 | | | 3496 | 139044 |
| Form 53 - linked | 14 | 7699860 | | | 7699860 | 10540137 |
| Form 53 - non-linked | 15 | (124246) | | | (124246) | (17776) |
| Form 54 - linked | 16 | 359362 | | | 359362 | |
| Form 54 - non-linked | 17 | 10111 | | | 10111 | 342461 |
| **Total** | 18 | 9635080 | | | 9635080 | 17959503 |
| | | | | | | |
| **Reinsurance - external** | | | | | | |
| Form 51 - with-profits | 21 | | | | | |
| Form 51 - non-profit | 22 | 1309710 | | | 1309710 | |
| Form 52 | 23 | 113 | | | 113 | |
| Form 53 - linked | 24 | | | | | |
| Form 53 - non-linked | 25 | 147 | | | 147 | |
| Form 54 - linked | 26 | | | | | |
| Form 54 - non-linked | 27 | | | | | |
| **Total** | 28 | 1309970 | | | 1309970 | |
| | | | | | | |
| **Reinsurance - intra-group** | | | | | | |
| Form 51 - with-profits | 31 | | | | | |
| Form 51 - non-profit | 32 | 59469 | | | 59469 | |
| Form 52 | 33 | | | | | |
| Form 53 - linked | 34 | | | | | |
| Form 53 - non-linked | 35 | 138 | | | 138 | |
| Form 54 - linked | 36 | | | | | |
| Form 54 - non-linked | 37 | 1181 | | | 1181 | |
| **Total** | 38 | 60788 | | | 60788 | |
| | | | | | | |
| **Net of reinsurance** | | | | | | |
| Form 51 - with-profits | 41 | | | | | |
| Form 51 - non-profit | 42 | 317318 | | | 317318 | 1311655 |
| Form 52 | 43 | 3383 | | | 3383 | 136089 |
| Form 53 - linked | 44 | 7699860 | | | 7699860 | |
| Form 53 - non-linked | 45 | (124531) | | | (124531) | (19866) |
| Form 54 - linked | 46 | 359362 | | | 359362 | |
| Form 54 - non-linked | 47 | 8930 | | | 8930 | 56701 |
| **Total** | 48 | 8264322 | | | 8264322 | 1484579 |

**Long term insurance business : Summary of mathematical reserves**

Name of insurer **Norwich Union Life & Pensions Limited**

Total business/subfund **Non-Profit Sub-Fund 2**

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 | 704870 | 1115850 | 159247 | 1979967 | |
| Form 52 | 13 | | 128482 | 3678 | 132160 | |
| Form 53 - linked | 14 | 26952 | 17385832 | 153256 | 17566040 | |
| Form 53 - non-linked | 15 | 407 | 303245 | 1712 | 305364 | |
| Form 54 - linked | 16 | | | | | |
| Form 54 - non-linked | 17 | 59853 | | 2373 | 62226 | |
| **Total** | 18 | 792082 | 18933409 | 320266 | 20045757 | |
| | | | | | | |
| **Reinsurance - external** | | | | | | |
| Form 51 - with-profits | 21 | | | | | |
| Form 51 - non-profit | 22 | 208685 | 28781 | 17645 | 255111 | |
| Form 52 | 23 | | | | | |
| Form 53 - linked | 24 | | 826729 | | 826729 | |
| Form 53 - non-linked | 25 | | 2 | | 2 | |
| Form 54 - linked | 26 | | | | | |
| Form 54 - non-linked | 27 | | | | | |
| **Total** | 28 | 208685 | 855512 | 17645 | 1081842 | |
| | | | | | | |
| **Reinsurance - intra-group** | | | | | | |
| Form 51 - with-profits | 31 | | | | | |
| Form 51 - non-profit | 32 | | | 132728 | 132728 | |
| Form 52 | 33 | | | | | |
| Form 53 - linked | 34 | | | | | |
| Form 53 - non-linked | 35 | | | | | |
| Form 54 - linked | 36 | | | | | |
| Form 54 - non-linked | 37 | | | 2373 | 2373 | |
| **Total** | 38 | | | 135101 | 135101 | |
| | | | | | | |
| **Net of reinsurance** | | | | | | |
| Form 51 - with-profits | 41 | | | | | |
| Form 51 - non-profit | 42 | 496185 | 1087069 | 8874 | 1592128 | |
| Form 52 | 43 | | 128482 | 3678 | 132160 | |
| Form 53 - linked | 44 | 26952 | 16559103 | 153256 | 16739311 | |
| Form 53 - non-linked | 45 | 407 | 303243 | 1712 | 305362 | |
| Form 54 - linked | 46 | | | | | |
| Form 54 - non-linked | 47 | 59853 | | | 59853 | |
| **Total** | 48 | 583397 | 18077897 | 167520 | 18828814 | |

**Long term insurance business : Summary of mathematical reserves**

Name of insurer **Norwich Union Life & Pensions Limited**

Total business/subfund **Stakeholder Fund**

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 | | | | | 72906 |
| Form 53 - linked | 14 | | | | | |
| Form 53 - non-linked | 15 | | | | | |
| Form 54 - linked | 16 | | | | | |
| Form 54 - non-linked | 17 | | | | | |
| **Total** | 18 | | | | | 72906 |
| | | | | | | |
| **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 | | | | | |
| Form 52 | 43 | | | | | 72906 |
| Form 53 - linked | 44 | | | | | |
| Form 53 - non-linked | 45 | | | | | |
| Form 54 - linked | 46 | | | | | |
| Form 54 - non-linked | 47 | | | | | |
| **Total** | 48 | | | | | 72906 |

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

Name of insurer **Norwich Union Life & Pensions Limited**
Total business / subfund **With Profits Sub-Fund**
Financial year ended **31st December 2005**
Units **£000**
**UK Life / Gross**

| Product code number | Product description | Number of policyholders / scheme members | Amount of benefit | Amount of annual office premiums | Nominal value of units | Discounted value of units | Other liabilities | Amount of mathematical reserves |
|---|---|---|---|---|---|---|---|---|
| **1** | **2** | **3** | **4** | **5** | **6** | **7** | **8** | **9** |
| 100 | Conventional whole life with-profits OB | 28126 | 1057751 | 14769 | n/a | n/a | n/a | 545106 |
| 120 | Conventional endowment with-profits OB savings | 85901 | 870902 | 28766 | n/a | n/a | n/a | 595656 |
| 125 | Conventional endowment with-profits OB target cash | 482509 | 6544040 | 193195 | n/a | n/a | n/a | 4583473 |
| 165 | Conventional deferred annuity with-profits | 321 | 75 | | n/a | n/a | n/a | 688 |
| 210 | Additional reserves with-profits OB | | | | n/a | n/a | n/a | 202700 |
| 325 | Level term assurance | 46126 | 480427 | 578 | n/a | n/a | n/a | 18776 |
| 330 | Decreasing term assurance | 41778 | 281413 | 1329 | n/a | n/a | n/a | 3751 |
| 390 | Deferred annuity non-profit | 7 | | | n/a | n/a | n/a | 8 |

**Form 51**
**(Sheet 2)**

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

Name of insurer **Norwich Union Life & Pensions Limited**
Total business / subfund **With Profits Sub-Fund**
Financial year ended **31st December 2005**
Units **£000**
**UK Life / Reinsurance ceded external**

| Product code number | Product description | Number of policyholders / scheme members | Amount of benefit | Amount of annual office premiums | Nominal value of units | Discounted value of units | Other liabilities | Amount of mathematical reserves |
|---|---|---|---|---|---|---|---|---|
| **1** | **2** | **3** | **4** | **5** | **6** | **7** | **8** | **9** |
| 100 | Conventional whole life with-profits OB | | 9686 | 96 | n/a | n/a | n/a | 5309 |
| 120 | Conventional endowment with-profits OB savings | | 542 | 8 | n/a | n/a | n/a | 480 |
| 125 | Conventional endowment with-profits OB target cash | | 679 | 14 | n/a | n/a | n/a | 598 |

**Form 51**
**(Sheet 3)**

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

Name of insurer **Norwich Union Life & Pensions Limited**
Total business / subfund **With Profits Sub-Fund**
Financial year ended **31st December 2005**
Units **£000**
**UK Pension / Gross**

| Product code number | Product description | Number of policyholders / scheme members | Amount of benefit | Amount of annual office premiums | Nominal value of units | Discounted value of units | Other liabilities | Amount of mathematical reserves |
|---|---|---|---|---|---|---|---|---|
| **1** | **2** | **3** | **4** | **5** | **6** | **7** | **8** | **9** |
| 155 | Conventional pensions endowment with-profits | 125091 | 4169304 | 17592 | n/a | n/a | n/a | 4242990 |
| 165 | Conventional deferred annuity with-profits | 13292 | 42587 | 2131 | n/a | n/a | n/a | 524923 |
| 175 | Group conventional deferred annuity with-profits | 531 | 2026 | | n/a | n/a | n/a | 27374 |
| 185 | Group conventional pensions endowment with-profits | 310 | 18973 | 509 | n/a | n/a | n/a | 7289 |
| 200 | Annuity with-profits (CPA) | 3054 | 14355 | 35 | n/a | n/a | n/a | 144580 |
| 210 | Additional reserves with-profits OB | | | | n/a | n/a | n/a | 9000 |
| 305 | Single premium non-profit WL/EA OB | 2093 | 116747 | | n/a | n/a | n/a | 116735 |
| 390 | Deferred annuity non-profit | 8795 | 42235 | | n/a | n/a | n/a | 555664 |
| 400 | Annuity non-profit (CPA) | | 16057 | | n/a | n/a | n/a | 50946 |

**Form 51**
**(Sheet 4)**

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

Name of insurer **Norwich Union Life & Pensions Limited**
Total business / subfund **With Profits Sub-Fund**
Financial year ended **31st December 2005**
Units **£000**
**Overseas / Gross**

| Product code number | Product description | Number of policyholders / scheme members | Amount of benefit | Amount of annual office premiums | Nominal value of units | Discounted value of units | Other liabilities | Amount of mathematical reserves |
|---|---|---|---|---|---|---|---|---|
| **1** | **2** | **3** | **4** | **5** | **6** | **7** | **8** | **9** |
| 100 | Conventional whole life with-profits OB | 167 | 17724 | 244 | n/a | n/a | n/a | 9775 |
| 120 | Conventional endowment with-profits OB savings | 4580 | 89717 | 3879 | n/a | n/a | n/a | 78736 |
| 125 | Conventional endowment with-profits OB target cash | 2934 | 62431 | 2145 | n/a | n/a | n/a | 41265 |
| 155 | Conventional pensions endowment with-profits | 4077 | 122623 | 2305 | n/a | n/a | n/a | 109143 |
| 165 | Conventional deferred annuity with-profits | 770 | 6171 | 1005 | n/a | n/a | n/a | 60851 |
| 175 | Group conventional deferred annuity with-profits | 1 | 14 | | n/a | n/a | n/a | 94 |
| 185 | Group conventional pensions endowment with-profits | 1441 | 131985 | 5160 | n/a | n/a | n/a | 8982 |
| 305 | Single premium non-profit WL/EA OB | 13 | 582 | | n/a | n/a | n/a | 557 |
| 325 | Level term assurance | 449 | 6560 | 12 | n/a | n/a | n/a | 258 |
| 330 | Decreasing term assurance | 1169 | 12247 | 54 | n/a | n/a | n/a | 140 |
| 390 | Deferred annuity non-profit | 298 | 1424 | | n/a | n/a | n/a | 15502 |
| | | | | | | | | |

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

Name of insurer **Norwich Union Life & Pensions Limited**
Total business / subfund **With Profits Sub-Fund**
Financial year ended **31st December 2005**
Units **£000**
**Overseas / Gross**

| Product code number | Product description | Number of policyholders / scheme members | Amount of benefit | Amount of annual office premiums | Nominal value of units | Discounted value of units | Other liabilities | Amount of mathematical reserves |
|---|---|---|---|---|---|---|---|---|
| **1** | **2** | **3** | **4** | **5** | **6** | **7** | **8** | **9** |
| 395 | Annuity non-profit (PLA) | | 396 | | n/a | n/a | n/a | 1252 |

**Form 51**
**(Sheet 6)**

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

Name of insurer **Norwich Union Life & Pensions Limited**
Total business / subfund **With Profits Sub-Fund**
Financial year ended **31st December 2005**
Units **£000**
**Overseas / Reinsurance ceded external**

| Product code number | Product description | Number of policyholders / scheme members | Amount of benefit | Amount of annual office premiums | Nominal value of units | Discounted value of units | Other liabilities | Amount of mathematical reserves |
|---|---|---|---|---|---|---|---|---|
| **1** | **2** | **3** | **4** | **5** | **6** | **7** | **8** | **9** |
| 100 | Conventional whole life with-profits OB | | 781 | 25 | n/a | n/a | n/a | 587 |
| 120 | Conventional endowment with-profits OB savings | | 1323 | 22 | n/a | n/a | n/a | 974 |

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

Name of insurer **Norwich Union Life & Pensions Limited**
Total business / subfund **Provident Mutual Sub-Fund**
Financial year ended **31st December 2005**
Units **£000**
**UK Life / Gross**

| Product code number | Product description | Number of policyholders / scheme members | Amount of benefit | Amount of annual office premiums | Nominal value of units | Discounted value of units | Other liabilities | Amount of mathematical reserves |
|---|---|---|---|---|---|---|---|---|
| **1** | **2** | **3** | **4** | **5** | **6** | **7** | **8** | **9** |
| 100 | Conventional whole life with-profits OB | 2836 | 10041 | 112 | n/a | n/a | n/a | 6641 |
| 120 | Conventional endowment with-profits OB savings | 12131 | 66811 | 1763 | n/a | n/a | n/a | 52661 |
| 125 | Conventional endowment with-profits OB target cash | 33975 | 498281 | 13155 | n/a | n/a | n/a | 376364 |
| 165 | Conventional deferred annuity with-profits | 622 | 155 | | n/a | n/a | n/a | 1989 |
| 195 | Annuity with-profits (PLA) | 120 | 315 | | n/a | n/a | n/a | 3316 |
| 205 | Miscellaneous conventional with-profits | 39120 | 104565 | 1873 | n/a | n/a | n/a | 11066 |
| 210 | Additional reserves with-profits OB | | | | n/a | n/a | n/a | 15300 |
| 300 | Regular premium non-profit WL/EA OB | 2806 | 6381 | 81 | n/a | n/a | n/a | 4107 |
| 365 | Income protection non-profit (reviewable premiums) | 1785 | 12328 | 269 | n/a | n/a | n/a | 2278 |
| 385 | Income protection claims in payment | 64 | 452 | | n/a | n/a | n/a | 3852 |
| 390 | Deferred annuity non-profit | 753 | 229 | | n/a | n/a | n/a | 2337 |
| | | | | | | | | |

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

Name of insurer **Norwich Union Life & Pensions Limited**
Total business / subfund **Provident Mutual Sub-Fund**
Financial year ended **31st December 2005**
Units **£000**
**UK Life / Gross**

| Product code number | Product description | Number of policyholders / scheme members | Amount of benefit | Amount of annual office premiums | Nominal value of units | Discounted value of units | Other liabilities | Amount of mathematical reserves |
|---|---|---|---|---|---|---|---|---|
| **1** | **2** | **3** | **4** | **5** | **6** | **7** | **8** | **9** |
| 395 | Annuity non-profit (PLA) | 998 | 543 | | n/a | n/a | n/a | 5155 |
| 410 | Group Life | 1615 | 2008 | 62 | n/a | n/a | n/a | 276 |
| 420 | Group income protection | 881 | 5903 | 81 | n/a | n/a | n/a | 367 |
| 425 | Group income protection claims in payment | 142 | 933 | | n/a | n/a | n/a | 7184 |
| 435 | Miscellaneous non-profit | 5732 | 350287 | 1380 | n/a | n/a | n/a | 7367 |

30032006:09:00:00

**Form 51**
**(Sheet 9)**

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

Name of insurer **Norwich Union Life & Pensions Limited**
Total business / subfund **Provident Mutual Sub-Fund**
Financial year ended **31st December 2005**
Units **£000**
**UK Life / Reinsurance ceded external**

| Product code number | Product description | Number of policyholders / scheme members | Amount of benefit | Amount of annual office premiums | Nominal value of units | Discounted value of units | Other liabilities | Amount of mathematical reserves |
|---|---|---|---|---|---|---|---|---|
| **1** | **2** | **3** | **4** | **5** | **6** | **7** | **8** | **9** |
| 205 | Miscellaneous conventional with-profits | | 26059 | 705 | n/a | n/a | n/a | 642 |
| 365 | Income protection non-profit (reviewable premiums) | | | | n/a | n/a | n/a | 697 |
| 385 | Income protection claims in payment | | | | n/a | n/a | n/a | 1223 |
| 410 | Group Life | | 120 | 3 | n/a | n/a | n/a | 2 |
| 420 | Group income protection | | 2569 | 43 | n/a | n/a | n/a | 104 |
| 425 | Group income protection claims in payment | | 338 | | n/a | n/a | n/a | 2400 |

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

Name of insurer **Norwich Union Life & Pensions Limited**
Total business / subfund **Provident Mutual Sub-Fund**
Financial year ended **31st December 2005**
Units **£000**
**UK Life / Reinsurance ceded intra-group**

| Product code number | Product description | Number of policyholders / scheme members | Amount of benefit | Amount of annual office premiums | Nominal value of units | Discounted value of units | Other liabilities | Amount of mathematical reserves |
|---|---|---|---|---|---|---|---|---|
| **1** | **2** | **3** | **4** | **5** | **6** | **7** | **8** | **9** |
| 120 | Conventional endowment with-profits OB savings | | 29117 | 815 | n/a | n/a | n/a | 20231 |
| 125 | Conventional endowment with-profits OB target cash | | 234172 | 6220 | n/a | n/a | n/a | 167879 |
| 205 | Miscellaneous conventional with-profits | | 449 | 5 | n/a | n/a | n/a | 336 |

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

Name of insurer **Norwich Union Life & Pensions Limited**
Total business / subfund **Provident Mutual Sub-Fund**
Financial year ended **31st December 2005**
Units **£000**
**UK Pension / Gross**

| Product code number | Product description | Number of policyholders / scheme members | Amount of benefit | Amount of annual office premiums | Nominal value of units | Discounted value of units | Other liabilities | Amount of mathematical reserves |
|---|---|---|---|---|---|---|---|---|
| **1** | **2** | **3** | **4** | **5** | **6** | **7** | **8** | **9** |
| 100 | Conventional whole life with-profits OB | 289 | 438 | | n/a | n/a | n/a | 368 |
| 165 | Conventional deferred annuity with-profits | 1077 | 1045 | 6 | n/a | n/a | n/a | 12643 |
| 200 | Annuity with-profits (CPA) | 10240 | 51177 | | n/a | n/a | n/a | 411060 |
| 390 | Deferred annuity non-profit | 110613 | 14075 | | n/a | n/a | n/a | 157071 |
| 400 | Annuity non-profit (CPA) | | 52543 | | n/a | n/a | n/a | 552645 |
| 410 | Group Life | 2237 | 165505 | 754 | n/a | n/a | n/a | 3263 |
| 435 | Miscellaneous non-profit | 2963 | 147532 | 517 | n/a | n/a | n/a | 4113 |
| 440 | Additional reserves non-profit OB | | | | n/a | n/a | n/a | 4800 |

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

Name of insurer **Norwich Union Life & Pensions Limited**
Total business / subfund **Provident Mutual Sub-Fund**
Financial year ended **31st December 2005**
Units **£000**
**UK Pension / Reinsurance ceded external**

| Product code number | Product description | Number of policyholders / scheme members | Amount of benefit | Amount of annual office premiums | Nominal value of units | Discounted value of units | Other liabilities | Amount of mathematical reserves |
|---|---|---|---|---|---|---|---|---|
| **1** | **2** | **3** | **4** | **5** | **6** | **7** | **8** | **9** |
| 390 | Deferred annuity non-profit | | | | n/a | n/a | n/a | 45000 |
| 410 | Group Life | | 30668 | 108 | n/a | n/a | n/a | 65 |
| 435 | Miscellaneous non-profit | | 19181 | 155 | n/a | n/a | n/a | 178 |

**Form 51**
**(Sheet 13)**

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

Name of insurer **Norwich Union Life & Pensions Limited**
Total business / subfund **Belgian Sub-Fund**
Financial year ended **31st December 2005**
Units **£000**
**Overseas / Gross**

| Product code number | Product description | Number of policyholders / scheme members | Amount of benefit | Amount of annual office premiums | Nominal value of units | Discounted value of units | Other liabilities | Amount of mathematical reserves |
|---|---|---|---|---|---|---|---|---|
| **1** | **2** | **3** | **4** | **5** | **6** | **7** | **8** | **9** |
| 100 | Conventional whole life with-profits OB | 71452 | 201434 | 12641 | n/a | n/a | n/a | 34047 |
| 120 | Conventional endowment with-profits OB savings | 2777 | 16936 | 175 | n/a | n/a | n/a | 8320 |
| 175 | Group conventional deferred annuity with-profits | 234 | 9877 | 185 | n/a | n/a | n/a | 2570 |
| 195 | Annuity with-profits (PLA) | 18 | 19 | | n/a | n/a | n/a | 278 |
| 210 | Additional reserves with-profits OB | | | | n/a | n/a | n/a | 2244 |
| 300 | Regular premium non-profit WL/EA OB | 33398 | 206534 | 431 | n/a | n/a | n/a | 194 |
| 325 | Level term assurance | 124184 | 5959581 | 14397 | n/a | n/a | n/a | 35826 |
| 435 | Miscellaneous non-profit | 45 | | 511 | n/a | n/a | n/a | |

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

Name of insurer **Norwich Union Life & Pensions Limited**
Total business / subfund **Belgian Sub-Fund**
Financial year ended **31st December 2005**
Units **£000**
**Overseas / Reinsurance ceded external**

| Product code number | Product description | Number of policyholders / scheme members | Amount of benefit | Amount of annual office premiums | Nominal value of units | Discounted value of units | Other liabilities | Amount of mathematical reserves |
|---|---|---|---|---|---|---|---|---|
| **1** | **2** | **3** | **4** | **5** | **6** | **7** | **8** | **9** |
| 100 | Conventional whole life with-profits OB | | 201434 | 12641 | n/a | n/a | n/a | 34047 |
| 120 | Conventional endowment with-profits OB savings | | 16936 | 175 | n/a | n/a | n/a | 8320 |
| 175 | Group conventional deferred annuity with-profits | | 9877 | 185 | n/a | n/a | n/a | 2570 |
| 195 | Annuity with-profits (PLA) | | 19 | | n/a | n/a | n/a | 278 |
| 210 | Additional reserves with-profits OB | | | | n/a | n/a | n/a | 2244 |
| 300 | Regular premium non-profit WL/EA OB | | 206534 | 431 | n/a | n/a | n/a | 194 |
| 325 | Level term assurance | | 5959581 | 14397 | n/a | n/a | n/a | 35826 |
| 435 | Miscellaneous non-profit | | | 511 | n/a | n/a | n/a | |

**Form 51**
**(Sheet 15)**

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

Name of insurer **Norwich Union Life & Pensions Limited**
Total business / subfund **Non-Profit Sub-Fund 1**
Financial year ended **31st December 2005**
Units **£000**
**UK Life / Gross**

| Product code number | Product description | Number of policyholders / scheme members | Amount of benefit | Amount of annual office premiums | Nominal value of units | Discounted value of units | Other liabilities | Amount of mathematical reserves |
|---|---|---|---|---|---|---|---|---|
| **1** | **2** | **3** | **4** | **5** | **6** | **7** | **8** | **9** |
| 300 | Regular premium non-profit WL/EA OB | 78561 | 183755 | 8258 | n/a | n/a | n/a | 83230 |
| 305 | Single premium non-profit WL/EA OB | 8433 | 1081 | | n/a | n/a | n/a | 1273 |
| 325 | Level term assurance | 720753 | 101645305 | 252856 | n/a | n/a | n/a | 967949 |
| 330 | Decreasing term assurance | 965634 | 93961081 | 250058 | n/a | n/a | n/a | 336028 |
| 390 | Deferred annuity non-profit | 3945 | 1106 | 450 | n/a | n/a | n/a | 14191 |
| 395 | Annuity non-profit (PLA) | 4502 | 3310 | 5 | n/a | n/a | n/a | 41370 |
| 410 | Group Life | 15493 | 1984025 | 3029 | n/a | n/a | n/a | 3738 |
| 415 | Collective Life | | 10946889 | | n/a | n/a | n/a | 123778 |
| 435 | Miscellaneous non-profit | 1977 | 387698 | 12063 | n/a | n/a | n/a | 11181 |
| 440 | Additional reserves non-profit OB | | 9698689 | 29 | n/a | n/a | n/a | 103759 |

**Form 51**
**(Sheet 16)**

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

Name of insurer **Norwich Union Life & Pensions Limited**
Total business / subfund **Non-Profit Sub-Fund 1**
Financial year ended **31st December 2005**
Units **£000**
**UK Life / Reinsurance ceded external**

| Product code number | Product description | Number of policyholders / scheme members | Amount of benefit | Amount of annual office premiums | Nominal value of units | Discounted value of units | Other liabilities | Amount of mathematical reserves |
|---|---|---|---|---|---|---|---|---|
| **1** | **2** | **3** | **4** | **5** | **6** | **7** | **8** | **9** |
| 300 | Regular premium non-profit WL/EA OB | | 108083 | 5282 | n/a | n/a | n/a | 60129 |
| 325 | Level term assurance | | 97382047 | 240707 | n/a | n/a | n/a | 878159 |
| 330 | Decreasing term assurance | | 77715457 | 183090 | n/a | n/a | n/a | 290042 |
| 410 | Group Life | | 1139224 | 1593 | n/a | n/a | n/a | 315 |
| 415 | Collective Life | | 5394156 | | n/a | n/a | n/a | 70134 |
| 435 | Miscellaneous non-profit | | 368489 | 11589 | n/a | n/a | n/a | 10796 |
| 440 | Additional reserves non-profit OB | | | | n/a | n/a | n/a | 135 |

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

Name of insurer **Norwich Union Life & Pensions Limited**
Total business / subfund **Non-Profit Sub-Fund 1**
Financial year ended **31st December 2005**
Units **£000**
**UK Life / Reinsurance ceded intra-group**

| Product code number | Product description | Number of policyholders / scheme members | Amount of benefit | Amount of annual office premiums | Nominal value of units | Discounted value of units | Other liabilities | Amount of mathematical reserves |
|---|---|---|---|---|---|---|---|---|
| **1** | **2** | **3** | **4** | **5** | **6** | **7** | **8** | **9** |
| 325 | Level term assurance | | 1101710 | 1582 | n/a | n/a | n/a | 40905 |
| 330 | Decreasing term assurance | | 630704 | 2989 | n/a | n/a | n/a | 7521 |
| 395 | Annuity non-profit (PLA) | | 1570 | | n/a | n/a | n/a | 11043 |

**Form 51**
**(Sheet 18)**

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

Name of insurer **Norwich Union Life & Pensions Limited**
Total business / subfund **Non-Profit Sub-Fund 2**
Financial year ended **31st December 2005**
Units **£000**
**UK Life / Gross**

| Product code number | Product description | Number of policyholders / scheme members | Amount of benefit | Amount of annual office premiums | Nominal value of units | Discounted value of units | Other liabilities | Amount of mathematical reserves |
|---|---|---|---|---|---|---|---|---|
| **1** | **2** | **3** | **4** | **5** | **6** | **7** | **8** | **9** |
| 350 | Stand-alone critical illness (guaranteed premiums) | 14878 | 1073767 | 5651 | n/a | n/a | n/a | 51702 |
| 355 | Stand-alone critical illness (reviewable premiums) | 2161 | 166834 | 953 | n/a | n/a | n/a | 3204 |
| 360 | Income protection non-profit (guaranteed premiums) | 34205 | 293267 | 8662 | n/a | n/a | n/a | 58191 |
| 365 | Income protection non-profit (reviewable premiums) | 121010 | 1005188 | 29724 | n/a | n/a | n/a | 88176 |
| 370 | Long-term care policy | 7629 | 44740 | 6460 | n/a | n/a | n/a | 83970 |
| 385 | Income protection claims in payment | | | | n/a | n/a | n/a | 94618 |
| 415 | Collective Life | | 332214 | | n/a | n/a | n/a | 112530 |
| 420 | Group income protection | 2392 | 891236 | 22380 | n/a | n/a | n/a | 131516 |
| 425 | Group income protection claims in payment | | | | n/a | n/a | n/a | 39060 |
| 435 | Miscellaneous non-profit | 11353 | 10201 | 959 | n/a | n/a | n/a | 2079 |
| 440 | Additional reserves non-profit OB | | | 85 | n/a | n/a | n/a | 39824 |
| | | | | | | | | |

**Form 51**
**(Sheet 19)**

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

Name of insurer **Norwich Union Life & Pensions Limited**
Total business / subfund **Non-Profit Sub-Fund 2**
Financial year ended **31st December 2005**
Units **£000**
**UK Life / Reinsurance ceded external**

| Product code number | Product description | Number of policyholders / scheme members | Amount of benefit | Amount of annual office premiums | Nominal value of units | Discounted value of units | Other liabilities | Amount of mathematical reserves |
|---|---|---|---|---|---|---|---|---|
| **1** | **2** | **3** | **4** | **5** | **6** | **7** | **8** | **9** |
| 350 | Stand-alone critical illness (guaranteed premiums) | | 620674 | 3045 | n/a | n/a | n/a | 27782 |
| 355 | Stand-alone critical illness (reviewable premiums) | | 122532 | 699 | n/a | n/a | n/a | 3095 |
| 360 | Income protection non-profit (guaranteed premiums) | | 110 | 77 | n/a | n/a | n/a | 2602 |
| 365 | Income protection non-profit (reviewable premiums) | | 631 | 688 | n/a | n/a | n/a | 8881 |
| 370 | Long-term care policy | | 33292 | 2033 | n/a | n/a | n/a | 43124 |
| 385 | Income protection claims in payment | | | | n/a | n/a | n/a | 8418 |
| 415 | Collective Life | | 320231 | | n/a | n/a | n/a | 91800 |
| 420 | Group income protection | | 242813 | 572 | n/a | n/a | n/a | 9455 |
| 425 | Group income protection claims in payment | | | | n/a | n/a | n/a | 13459 |
| 435 | Miscellaneous non-profit | | 4221 | 72 | n/a | n/a | n/a | 69 |
| | | | | | | | | |

**Form 51**
**(Sheet 20)**

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

Name of insurer **Norwich Union Life & Pensions Limited**
Total business / subfund **Non-Profit Sub-Fund 2**
Financial year ended **31st December 2005**
Units **£000**
**UK Pension / Gross**

| Product code number | Product description | Number of policyholders / scheme members | Amount of benefit | Amount of annual office premiums | Nominal value of units | Discounted value of units | Other liabilities | Amount of mathematical reserves |
|---|---|---|---|---|---|---|---|---|
| **1** | **2** | **3** | **4** | **5** | **6** | **7** | **8** | **9** |
| 300 | Regular premium non-profit WL/EA OB | 41 | 20 | | n/a | n/a | n/a | 18 |
| 320 | Group deposit administration non-profit | 3 | 26 | | n/a | n/a | n/a | 26 |
| 325 | Level term assurance | 29063 | 1759167 | 6868 | n/a | n/a | n/a | 33589 |
| 390 | Deferred annuity non-profit | 32831 | 82878 | 75 | n/a | n/a | n/a | 754418 |
| 400 | Annuity non-profit (CPA) | | 22142 | | n/a | n/a | n/a | 256492 |
| 410 | Group Life | 270 | 57578167 | 70246 | n/a | n/a | n/a | 29528 |
| 411 | Group death in service dependants' annuities | | 497271 | 13245 | n/a | n/a | n/a | 5641 |
| 435 | Miscellaneous non-profit | 13408 | 22098 | 46 | n/a | n/a | n/a | 13333 |
| 440 | Additional reserves non-profit OB | | | | n/a | n/a | n/a | 22805 |

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

Name of insurer **Norwich Union Life & Pensions Limited**
Total business / subfund **Non-Profit Sub-Fund 2**
Financial year ended **31st December 2005**
Units **£000**
**UK Pension / Reinsurance ceded external**

| Product code number | Product description | Number of policyholders / scheme members | Amount of benefit | Amount of annual office premiums | Nominal value of units | Discounted value of units | Other liabilities | Amount of mathematical reserves |
|---|---|---|---|---|---|---|---|---|
| **1** | **2** | **3** | **4** | **5** | **6** | **7** | **8** | **9** |
| 325 | Level term assurance | | 1192973 | 4799 | n/a | n/a | n/a | 27708 |
| 390 | Deferred annuity non-profit | | | 13 | n/a | n/a | n/a | 5 |
| 400 | Annuity non-profit (CPA) | | 182 | | n/a | n/a | n/a | 1068 |

**Form 51**
**(Sheet 22)**

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

Name of insurer **Norwich Union Life & Pensions Limited**
Total business / subfund **Non-Profit Sub-Fund 2**
Financial year ended **31st December 2005**
Units **£000**
**Overseas / Gross**

| Product code number | Product description | Number of policyholders / scheme members | Amount of benefit | Amount of annual office premiums | Nominal value of units | Discounted value of units | Other liabilities | Amount of mathematical reserves |
|---|---|---|---|---|---|---|---|---|
| **1** | **2** | **3** | **4** | **5** | **6** | **7** | **8** | **9** |
| 300 | Regular premium non-profit WL/EA OB | 39 | 182 | 3 | n/a | n/a | n/a | 109 |
| 325 | Level term assurance | 7009 | 1522067 | 3524 | n/a | n/a | n/a | 13416 |
| 330 | Decreasing term assurance | 19103 | 2730648 | 7055 | n/a | n/a | n/a | 8807 |
| 350 | Stand-alone critical illness (guaranteed premiums) | 109 | 11144 | 51 | n/a | n/a | n/a | 515 |
| 355 | Stand-alone critical illness (reviewable premiums) | 20 | 2051 | 15 | n/a | n/a | n/a | 58 |
| 390 | Deferred annuity non-profit | 62 | 408 | 6 | n/a | n/a | n/a | 3213 |
| 395 | Annuity non-profit (PLA) | 3036 | 8658 | | n/a | n/a | n/a | 131914 |
| 410 | Group Life | 2763 | 1216976 | 1760 | n/a | n/a | n/a | 790 |
| 411 | Group death in service dependants' annuities | | 19396 | 612 | n/a | n/a | n/a | 222 |
| 435 | Miscellaneous non-profit | 96 | 176 | 3 | n/a | n/a | n/a | 154 |
| 440 | Additional reserves non-profit OB | | | | n/a | n/a | n/a | 49 |
| | | | | | | | | |

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

Name of insurer **Norwich Union Life & Pensions Limited**
Total business / subfund **Non-Profit Sub-Fund 2**
Financial year ended **31st December 2005**
Units **£000**
**Overseas / Reinsurance ceded external**

| Product code number | Product description | Number of policyholders / scheme members | Amount of benefit | Amount of annual office premiums | Nominal value of units | Discounted value of units | Other liabilities | Amount of mathematical reserves |
|---|---|---|---|---|---|---|---|---|
| **1** | **2** | **3** | **4** | **5** | **6** | **7** | **8** | **9** |
| 325 | Level term assurance | | 1283074 | 3349 | n/a | n/a | n/a | 10099 |
| 330 | Decreasing term assurance | | 2324006 | 5119 | n/a | n/a | n/a | 7047 |
| 350 | Stand-alone critical illness (guaranteed premiums) | | 9842 | 45 | n/a | n/a | n/a | 437 |
| 355 | Stand-alone critical illness (reviewable premiums) | | 1565 | 11 | n/a | n/a | n/a | 57 |
| 435 | Miscellaneous non-profit | | | | n/a | n/a | n/a | 5 |

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

Name of insurer **Norwich Union Life & Pensions Limited**
Total business / subfund **Non-Profit Sub-Fund 2**
Financial year ended **31st December 2005**
Units **£000**
**Overseas / Reinsurance ceded intra-group**

| Product code number | Product description | Number of policyholders / scheme members | Amount of benefit | Amount of annual office premiums | Nominal value of units | Discounted value of units | Other liabilities | Amount of mathematical reserves |
|---|---|---|---|---|---|---|---|---|
| **1** | **2** | **3** | **4** | **5** | **6** | **7** | **8** | **9** |
| 325 | Level term assurance | | 13121 | 24 | n/a | n/a | n/a | 517 |
| 330 | Decreasing term assurance | | 24494 | 108 | n/a | n/a | n/a | 280 |
| 390 | Deferred annuity non-profit | | 40 | 1 | n/a | n/a | n/a | 17 |
| 395 | Annuity non-profit (PLA) | | 8658 | | n/a | n/a | n/a | 131914 |

**Form 52**
**(Sheet 1)**

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

Name of insurer **Norwich Union Life & Pensions Limited**
Total business / subfund **With Profits Sub-Fund**
Financial year ended **31st December 2005**
Units **£000**
**UK Life / Gross**

| Product code number | Product description | Number of policyholders / scheme members | Amount of benefit | Amount of annual office premiums | Nominal value of units | Discounted value of units | Other liabilities | Amount of mathematical reserves |
|---|---|---|---|---|---|---|---|---|
| **1** | **2** | **3** | **4** | **5** | **6** | **7** | **8** | **9** |
| 500 | Life UWP single premium | 70874 | 2313344 | | 2294368 | 2267410 | | 2267410 |
| 505 | Life UWP whole life regular premium | 14063 | 32174 | 6450 | 32174 | 31796 | | 31796 |
| 510 | Life UWP endowment regular premium - savings | 12345 | 63454 | 5993 | 63454 | 62709 | | 62709 |
| 515 | Life UWP endowment regular premium - target cash | 23707 | 196680 | 20876 | 196680 | 194369 | | 194369 |
| 575 | Miscellaneous UWP | 2094 | 6340 | 988 | 6340 | 6340 | | 6340 |

**Form 52**
**(Sheet 2)**

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

| | |
|---|---|
| Name of insurer | **Norwich Union Life & Pensions Limited** |
| Total business / subfund | **With Profits Sub-Fund** |
| Financial year ended | **31st December 2005** |
| Units | **£000** |

**UK Pension / Gross**

| Product code number | Product description | Number of policyholders / scheme members | Amount of benefit | Amount of annual office premiums | Nominal value of units | Discounted value of units | Other liabilities | Amount of mathematical reserves |
|---|---|---|---|---|---|---|---|---|
| **1** | **2** | **3** | **4** | **5** | **6** | **7** | **8** | **9** |
| 525 | Individual pensions UWP | 319660 | 4648250 | 67364 | 4648250 | 4823013 | | 4823013 |
| 535 | Group money purchase pensions UWP | 164833 | 1682348 | 68916 | 1681902 | 1726594 | | 1726594 |
| 570 | Income drawdown UWP | 49 | 13073 | | 13073 | 13565 | | 13565 |
| 575 | Miscellaneous UWP | | | | | | 19530 | 19530 |

**Form 52**
**(Sheet 3)**

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

| | |
|---|---|
| Name of insurer | **Norwich Union Life & Pensions Limited** |
| Total business / subfund | **With Profits Sub-Fund** |
| Financial year ended | **31st December 2005** |
| Units | **£000** |

**Overseas / Gross**

| Product code number | Product description | Number of policyholders / scheme members | Amount of benefit | Amount of annual office premiums | Nominal value of units | Discounted value of units | Other liabilities | Amount of mathematical reserves |
|---|---|---|---|---|---|---|---|---|
| **1** | **2** | **3** | **4** | **5** | **6** | **7** | **8** | **9** |
| 525 | Individual pensions UWP | 12460 | 234434 | 7980 | 234434 | 243249 | | 243249 |
| 535 | Group money purchase pensions UWP | 5654 | 92300 | 5862 | 92444 | 93599 | | 93599 |

Form 52
(Sheet 4)

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

Name of insurer **Norwich Union Life & Pensions Limited**
Total business / subfund **Provident Mutual Sub-Fund**
Financial year ended **31st December 2005**
Units **£000**
**UK Life / Gross**

| Product code number | Product description | Number of policyholders / scheme members | Amount of benefit | Amount of annual office premiums | Nominal value of units | Discounted value of units | Other liabilities | Amount of mathematical reserves |
|---|---|---|---|---|---|---|---|---|
| **1** | **2** | **3** | **4** | **5** | **6** | **7** | **8** | **9** |
| 575 | Miscellaneous UWP | 3 | 68 | 3 | 72 | 71 | 43 | 114 |

**Form 52**
**(Sheet 5)**

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

Name of insurer **Norwich Union Life & Pensions Limited**
Total business / subfund **Provident Mutual Sub-Fund**
Financial year ended **31st December 2005**
Units **£000**
**UK Pension / Gross**

| Product code number | Product description | Number of policyholders / scheme members | Amount of benefit | Amount of annual office premiums | Nominal value of units | Discounted value of units | Other liabilities | Amount of mathematical reserves |
|---|---|---|---|---|---|---|---|---|
| **1** | **2** | **3** | **4** | **5** | **6** | **7** | **8** | **9** |
| 555 | Group deposit administration with-profits | 2869 | 145492 | 5898 | 145492 | 145492 | 41703 | 187195 |
| 575 | Miscellaneous UWP | 48995 | 746050 | 9200 | 1051133 | 821431 | 404332 | 1225763 |

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

Name of insurer **Norwich Union Life & Pensions Limited**
Total business / subfund **Non-Profit Sub-Fund 1**
Financial year ended **31st December 2005**
Units **£000**
**UK Life / Gross**

| Product code number | Product description | Number of policyholders / scheme members | Amount of benefit | Amount of annual office premiums | Nominal value of units | Discounted value of units | Other liabilities | Amount of mathematical reserves |
|---|---|---|---|---|---|---|---|---|
| **1** | **2** | **3** | **4** | **5** | **6** | **7** | **8** | **9** |
| 500 | Life UWP single premium | | 55272 | | | | 219 | 219 |
| 505 | Life UWP whole life regular premium | | 1235429 | 323 | | | 16 | 16 |
| 510 | Life UWP endowment regular premium -savings | | 9395 | 309 | | | 1 | 1 |
| 515 | Life UWP endowment regular premium – target cash | | 645464 | 1044 | | | 1885 | 1885 |
| 610 | Additional reserves UWP | | | | | | 1375 | 1375 |

Form 52
(Sheet 7)

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

Name of insurer **Norwich Union Life & Pensions Limited**
Total business / subfund **Non-Profit Sub-Fund 1**
Financial year ended **31st December 2005**
Units **£000**
**UK Life / Reinsurance ceded external**

| Product code number | Product description | Number of policyholders / scheme members | Amount of benefit | Amount of annual office premiums | Nominal value of units | Discounted value of units | Other liabilities | Amount of mathematical reserves |
|---|---|---|---|---|---|---|---|---|
| **1** | **2** | **3** | **4** | **5** | **6** | **7** | **8** | **9** |
| 505 | Life UWP whole life regular premium | | 137818 | 597 | | | 1 | 1 |
| 515 | Life UWP endowment regular premium – target cash | | 101741 | 235 | | | 112 | 112 |

**Form 52**
**(Sheet 8)**

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

Name of insurer **Norwich Union Life & Pensions Limited**
Total business / subfund **Non-Profit Sub-Fund 2**
Financial year ended **31st December 2005**
Units **£000**
**UK Pension / Gross**

| Product code number | Product description | Number of policyholders / scheme members | Amount of benefit | Amount of annual office premiums | Nominal value of units | Discounted value of units | Other liabilities | Amount of mathematical reserves |
|---|---|---|---|---|---|---|---|---|
| **1** | **2** | **3** | **4** | **5** | **6** | **7** | **8** | **9** |
| 525 | Individual pensions UWP | | 60095 | 3168 | | | 39861 | 39861 |
| 535 | Group money purchase pensions UWP | | 49398 | 2301 | | | 85006 | 85006 |
| 570 | Income drawdown UWP | | 519 | | | | 1 | 1 |
| 610 | Additional reserves UWP | | | | | | 3614 | 3614 |

**Form 52**
**(Sheet 9)**

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

Name of insurer **Norwich Union Life & Pensions Limited**
Total business / subfund **Non-Profit Sub-Fund 2**
Financial year ended **31st December 2005**
Units **£000**
**Overseas / Gross**

| Product code number | Product description | Number of policyholders / scheme members | Amount of benefit | Amount of annual office premiums | Nominal value of units | Discounted value of units | Other liabilities | Amount of mathematical reserves |
|---|---|---|---|---|---|---|---|---|
| **1** | **2** | **3** | **4** | **5** | **6** | **7** | **8** | **9** |
| 525 | Individual pensions UWP | | 8862 | 401 | | | 1108 | 1108 |
| 535 | Group money purchase pensions UWP | | 1769 | 75 | | | 2570 | 2570 |

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

Name of insurer **Norwich Union Life & Pensions Limited**
Total business / subfund **Provident Mutual Sub-Fund**
Financial year ended **31st December 2005**
Units **£000**
**UK Life / Gross**

| Product code number | Product description | Number of policyholders / scheme members | Amount of benefit | Amount of annual office premiums | Nominal value of units | Discounted value of units | Other liabilities | Amount of mathematical reserves |
|---|---|---|---|---|---|---|---|---|
| **1** | **2** | **3** | **4** | **5** | **6** | **7** | **8** | **9** |
| 700 | Life property linked single premium | 11413 | | | | | 611 | 611 |
| 710 | Life property linked whole life regular premium | 2991 | 90316 | 1 | | | 584 | 584 |
| 715 | Life property linked endowment regular premium - savings | 1764 | 6093 | | | | 16 | 16 |
| 720 | Life property linked endowment regular premium - target cash | 6492 | 148489 | 1 | | | 47 | 47 |

**Form 53**
**(Sheet 2)**

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

| | |
|---|---|
| Name of insurer | **Norwich Union Life & Pensions Limited** |
| Total business / subfund | **Provident Mutual Sub-Fund** |
| Financial year ended | **31st December 2005** |
| Units | **£000** |

**UK Pension / Gross**

| Product code number | Product description | Number of policyholders / scheme members | Amount of benefit | Amount of annual office premiums | Nominal value of units | Discounted value of units | Other liabilities | Amount of mathematical reserves |
|---|---|---|---|---|---|---|---|---|
| **1** | **2** | **3** | **4** | **5** | **6** | **7** | **8** | **9** |
| 725 | Individual pensions property linked | 133449 | 143889 | | | | 9810 | 9810 |
| 735 | Group money purchase pensions property linked | 81847 | 2904 | 18 | | | 76 | 76 |
| 755 | Trustee investment plan | 138 | | | | | 4 | 4 |

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

Name of insurer **Norwich Union Life & Pensions Limited**
Total business / subfund **Provident Mutual Sub-Fund**
Financial year ended **31st December 2005**
Units **£000**
**UK Pension / Reinsurance ceded external**

| Product code number | Product description | Number of policyholders / scheme members | Amount of benefit | Amount of annual office premiums | Nominal value of units | Discounted value of units | Other liabilities | Amount of mathematical reserves |
|---|---|---|---|---|---|---|---|---|
| **1** | **2** | **3** | **4** | **5** | **6** | **7** | **8** | **9** |
| 725 | Individual pensions property linked | | 12128 | | | | | |
| 735 | Group money purchase pensions property linked | | 45 | | | | | |

**Form 53**
**(Sheet 4)**

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

Name of insurer **Norwich Union Life & Pensions Limited**
Total business / subfund **Non-Profit Sub-Fund 1**
Financial year ended **31st December 2005**
Units **£000**
**UK Life / Gross**

| Product code number | Product description | Number of policyholders / scheme members | Amount of benefit | Amount of annual office premiums | Nominal value of units | Discounted value of units | Other liabilities | Amount of mathematical reserves |
|---|---|---|---|---|---|---|---|---|
| **1** | **2** | **3** | **4** | **5** | **6** | **7** | **8** | **9** |
| 700 | Life property linked single premium | 81366 | 7104716 | | 7040579 | 7040579 | (177165) | 6863414 |
| 710 | Life property linked whole life regular premium | 26073 | 3089174 | 16179 | 144272 | 143043 | 942 | 143985 |
| 715 | Life property linked endowment regular premium -savings | 41867 | 862302 | 11728 | 164571 | 164431 | 1763 | 166194 |
| 720 | Life property linked endowment regular premium – target cash | 26702 | 1446362 | 27282 | 334484 | 330203 | 2770 | 332973 |
| 775 | Accelerated critical illness rider | | | 576 | | | | |
| 780 | Stand-alone critical illness rider | 2770 | 240654 | 969 | 2085 | 2085 | | 2085 |
| 790 | Miscellaneous protection rider | | 65477 | 277 | | | 12 | 12 |
| 795 | Miscellaneous property linked | 7350 | 42244 | 848 | 10641 | 13519 | 941 | 14460 |
| 800 | Additional reserves property linked | | | | | 6000 | 46491 | 52491 |

**Form 53**
**(Sheet 5)**

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

Name of insurer **Norwich Union Life & Pensions Limited**
Total business / subfund **Non-Profit Sub-Fund 1**
Financial year ended **31st December 2005**
Units **£000**
**UK Life / Reinsurance ceded external**

| Product code number | Product description | Number of policyholders / scheme members | Amount of benefit | Amount of annual office premiums | Nominal value of units | Discounted value of units | Other liabilities | Amount of mathematical reserves |
|---|---|---|---|---|---|---|---|---|
| **1** | **2** | **3** | **4** | **5** | **6** | **7** | **8** | **9** |
| 710 | Life property linked whole life regular premium | | 397203 | 1995 | | | 57 | 57 |
| 720 | Life property linked endowment regular premium – target cash | | 173255 | 564 | | | 88 | 88 |
| 775 | Accelerated critical illness rider | | | 338 | | | | |
| 780 | Stand-alone critical illness rider | | 122261 | 204 | | | | |
| 790 | Miscellaneous protection rider | | 9536 | 48 | | | 2 | 2 |
| 795 | Miscellaneous property linked | | 514 | | | | | |

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

Name of insurer **Norwich Union Life & Pensions Limited**
Total business / subfund **Non-Profit Sub-Fund 1**
Financial year ended **31st December 2005**
Units **£000**
**UK Life / Reinsurance ceded intra-group**

| Product code number | Product description | Number of policyholders / scheme members | Amount of benefit | Amount of annual office premiums | Nominal value of units | Discounted value of units | Other liabilities | Amount of mathematical reserves |
|---|---|---|---|---|---|---|---|---|
| **1** | **2** | **3** | **4** | **5** | **6** | **7** | **8** | **9** |
| 710 | Life property linked whole life regular premium | | 112120 | 403 | | | 17 | 17 |
| 715 | Life property linked endowment regular premium -savings | | 116920 | | | | 121 | 121 |
| 790 | Miscellaneous protection rider | | 2799 | 4 | | | | |

**Form 53**
**(Sheet 7)**

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

Name of insurer **Norwich Union Life & Pensions Limited**
Total business / subfund **Non-Profit Sub-Fund 2**
Financial year ended **31st December 2005**
Units **£000**
**UK Life / Gross**

| Product code number | Product description | Number of policyholders / scheme members | Amount of benefit | Amount of annual office premiums | Nominal value of units | Discounted value of units | Other liabilities | Amount of mathematical reserves |
|---|---|---|---|---|---|---|---|---|
| **1** | **2** | **3** | **4** | **5** | **6** | **7** | **8** | **9** |
| 700 | Life property linked single premium | | 16291 | | 16291 | 16291 | | 16291 |
| 725 | Individual pensions property linked | | 10661 | 736 | 10661 | 10661 | 407 | 11068 |

**Form 53**
**(Sheet 8)**

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

Name of insurer **Norwich Union Life & Pensions Limited**
Total business / subfund **Non-Profit Sub-Fund 2**
Financial year ended **31st December 2005**
Units **£000**
**UK Pension / Gross**

| Product code number | Product description | Number of policyholders / scheme members | Amount of benefit | Amount of annual office premiums | Nominal value of units | Discounted value of units | Other liabilities | Amount of mathematical reserves |
|---|---|---|---|---|---|---|---|---|
| **1** | **2** | **3** | **4** | **5** | **6** | **7** | **8** | **9** |
| 725 | Individual pensions property linked | 225938 | 12285664 | 382960 | 12294978 | 12267651 | 102635 | 12370287 |
| 735 | Group money purchase pensions property linked | 93193 | 4834022 | 447946 | 4764561 | 4762242 | 116726 | 4878968 |
| 750 | Income drawdown property linked | 131 | 16321 | | 16318 | 16318 | 1 | 16320 |
| 755 | Trustee investment plan | 173 | 19560 | | 339621 | 339621 | (2410) | 337210 |
| 790 | Miscellaneous protection rider | | 46048 | 1903 | | | 247 | 247 |
| 800 | Additional reserves property linked | | | | | | 86046 | 86046 |

**Form 53**
**(Sheet 9)**

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

Name of insurer **Norwich Union Life & Pensions Limited**
Total business / subfund **Non-Profit Sub-Fund 2**
Financial year ended **31st December 2005**
Units **£000**
**UK Pension / Reinsurance ceded external**

| Product code number | Product description | Number of policyholders / scheme members | Amount of benefit | Amount of annual office premiums | Nominal value of units | Discounted value of units | Other liabilities | Amount of mathematical reserves |
|---|---|---|---|---|---|---|---|---|
| **1** | **2** | **3** | **4** | **5** | **6** | **7** | **8** | **9** |
| 725 | Individual pensions property linked | | 65787 | | 65184 | 65184 | 1 | 65185 |
| 735 | Group money purchase pensions property linked | | 27771 | | 761545 | 761545 | | 761545 |
| 790 | Miscellaneous protection rider | | 2551 | 29 | | | 1 | 1 |

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

| | |
|---|---|
| Name of insurer | **Norwich Union Life & Pensions Limited** |
| Total business / subfund | **Non-Profit Sub-Fund 2** |
| Financial year ended | **31st December 2005** |
| Units | **£000** |

**UK Pension / Reinsurance ceded intra-group**

| Product code number | Product description | Number of policyholders / scheme members | Amount of benefit | Amount of annual office premiums | Nominal value of units | Discounted value of units | Other liabilities | Amount of mathematical reserves |
|---|---|---|---|---|---|---|---|---|
| **1** | **2** | **3** | **4** | **5** | **6** | **7** | **8** | **9** |
| 725 | Individual pensions property linked | | 26 | | | | | |
| 790 | Miscellaneous protection rider | | 635 | 3 | | | | |

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

Name of insurer **Norwich Union Life & Pensions Limited**
Total business / subfund **Non-Profit Sub-Fund 2**
Financial year ended **31st December 2005**
Units **£000**
**Overseas / Gross**

| Product code number | Product description | Number of policyholders / scheme members | Amount of benefit | Amount of annual office premiums | Nominal value of units | Discounted value of units | Other liabilities | Amount of mathematical reserves |
|---|---|---|---|---|---|---|---|---|
| **1** | **2** | **3** | **4** | **5** | **6** | **7** | **8** | **9** |
| 715 | Life property linked endowment regular premium -savings | 337 | 8110 | 361 | 6406 | 6406 | 470 | 6876 |
| 725 | Individual pensions property linked | 4903 | 141572 | 18533 | 140268 | 140268 | 1195 | 141463 |
| 735 | Group money purchase pensions property linked | 270 | 3646 | 422 | 3646 | 3646 | 102 | 3748 |
| 755 | Trustee investment plan | 3 | 876 | | 2936 | 2936 | (57) | 2879 |
| 790 | Miscellaneous protection rider | | 1930 | 57 | | | 2 | 2 |

**Form 54**
**(Sheet 1)**

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

| | |
|---|---|
| Name of insurer | **Norwich Union Life & Pensions Limited** |
| Total business / subfund | **Non-Profit Sub-Fund 1** |
| Financial year ended | **31st December 2005** |
| Units | **£000** |

**UK Life / Gross**

| Product code number | Product description | Number of policyholders / scheme members | Amount of benefit | Amount of annual office premiums | Nominal value of units | Discounted value of units | Other liabilities | Amount of mathematical reserves |
|---|---|---|---|---|---|---|---|---|
| **1** | **2** | **3** | **4** | **5** | **6** | **7** | **8** | **9** |
| 900 | Life index linked single premium | 24386 | 362522 | | | 359362 | 821 | 360183 |
| 905 | Index linked annuity | 39 | 646 | | | | 9290 | 9290 |

**Form 54**
**(Sheet 2)**

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

Name of insurer **Norwich Union Life & Pensions Limited**
Total business / subfund **Non-Profit Sub-Fund 1**
Financial year ended **31st December 2005**
Units **£000**
**UK Life / Reinsurance ceded intra-group**

| Product code number | Product description | Number of policyholders / scheme members | Amount of benefit | Amount of annual office premiums | Nominal value of units | Discounted value of units | Other liabilities | Amount of mathematical reserves |
|---|---|---|---|---|---|---|---|---|
| **1** | **2** | **3** | **4** | **5** | **6** | **7** | **8** | **9** |
| 905 | Index linked annuity | | 322 | | | | 1181 | 1181 |

**Form 54**
**(Sheet 3)**

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

| | |
|---|---|
| Name of insurer | **Norwich Union Life & Pensions Limited** |
| Total business / subfund | **Non-Profit Sub-Fund 2** |
| Financial year ended | **31st December 2005** |
| Units | **£000** |

**UK Life / Gross**

| Product code number | Product description | Number of policyholders / scheme members | Amount of benefit | Amount of annual office premiums | Nominal value of units | Discounted value of units | Other liabilities | Amount of mathematical reserves |
|---|---|---|---|---|---|---|---|---|
| **1** | **2** | **3** | **4** | **5** | **6** | **7** | **8** | **9** |
| 901 | Index linked income protection claims in payment | | | | | | 45441 | 45441 |
| 902 | Group index linked income protection claims in payment | | | | | | 14412 | 14412 |

**Form 54**
**(Sheet 4)**

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

| | |
|---|---|
| Name of insurer | **Norwich Union Life & Pensions Limited** |
| Total business / subfund | **Non-Profit Sub-Fund 2** |
| Financial year ended | **31st December 2005** |
| Units | **£000** |

**Overseas / Gross**

| Product code number | Product description | Number of policyholders / scheme members | Amount of benefit | Amount of annual office premiums | Nominal value of units | Discounted value of units | Other liabilities | Amount of mathematical reserves |
|---|---|---|---|---|---|---|---|---|
| **1** | **2** | **3** | **4** | **5** | **6** | **7** | **8** | **9** |
| 905 | Index linked annuity | 94 | 99 | | | | 2373 | 2373 |

**Form 54**
**(Sheet 5)**

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

Name of insurer **Norwich Union Life & Pensions Limited**
Total business / subfund **Non-Profit Sub-Fund 2**
Financial year ended **31st December 2005**
Units **£000**
**Overseas / Reinsurance ceded intra-group**

| Product code number | Product description | Number of policyholders / scheme members | Amount of benefit | Amount of annual office premiums | Nominal value of units | Discounted value of units | Other liabilities | Amount of mathematical reserves |
|---|---|---|---|---|---|---|---|---|
| **1** | **2** | **3** | **4** | **5** | **6** | **7** | **8** | **9** |
| 905 | Index linked annuity | | 99 | | | | 2373 | 2373 |

**Form 55**

**Long term insurance business : Unit prices for internal linked funds**

Name of insurer **Norwich Union Life & Pensions Limited**

**(Sheet 1)**

Total Business

Financial year ended **31st December 2005**

Units **£000**

| Fund name | Type of fund | Net assets | Main series | Unit mgmt charge | Price at previous valuation date | Price at current valuation date | Change in price during year |
|---|---|---|---|---|---|---|---|
| **1** | **2** | **3** | **4** | **5** | **6** | **7** | **8** |
| Life Property - E500YA | 07 - life - property | 2026911 | Life Property Accum S4 F380YL | .75 | 2.729816 | 3.127753 | 14.58 |
| Life Balanced Managed - L006YA | 02 - life - balanced managed fund | 1810624 | Life Balanced Managed Accum S1 F096YL | .75 | 2.411166 | 2.773577 | 15.03 |
| Life UK Equity - L003YA | 05 - life - UK equity | 223603 | Life UK Equity Accum S1 F068YL | 1 | 4.427956 | 5.121814 | 15.67 |
| Life European Equity - L027YA | 06 - life - overseas equity | 116487 | Life European Equity Accum S1 F169YL | .75 | 3.573998 | 4.218881 | 18.04 |
| Life Balanced Distribution - L142YA | 02 - life - balanced managed fund | 282896 | Life Balanced Distribution Accum S4 F007Y | 1 | 1.088555 | 1.191064 | 9.42 |
| Life Cautious Managed - L011YA | 04 - life - other managed fund | 240887 | Life Cautious Managed Accum S4 F031YL | 1 | 1.999045 | 2.223299 | 11.22 |
| Life Defensive Managed - L138YA | 03 - life - defensive managed fund | 161959 | Life Defensive Managed Accum S4 F052YL | 1 | 1.857168 | 2.023476 | 8.95 |
| | | | | | | | |

**Form 55**

**Long term insurance business : Unit prices for internal linked funds**

Name of insurer **Norwich Union Life & Pensions Limited**

**(Sheet 2)**

Total Business

Financial year ended **31st December 2005**

Units **£000**

| Fund name | Type of fund | Net assets | Main series | Unit mgmt charge | Price at previous valuation date | Price at current valuation date | Change in price during year |
|---|---|---|---|---|---|---|---|
| **1** | **2** | **3** | **4** | **5** | **6** | **7** | **8** |
| Pensions Balanced Managed - M008YA | 12 - individual pension - balanced managed fund | 8400623 | Pensions Balanced Managed Accum S2 F641YP | 1 | 4.328247 | 5.174457 | 19.55 |
| Pensions UK Equity - M003YA | 15 - individual pension - UK equity | 1390530 | Pensions UK Equity Accum S2 F658YP | 1 | 4.887473 | 5.858687 | 19.87 |
| Pensions Property - E501YA | 17 - individual pension - property | 1515726 | Pensions Property Accum S2 F681YP | 1 | 5.015207 | 5.840973 | 16.47 |
| Pensions European Equity - M024YA | 16 - individual pension - overseas equity | 566474 | Pensions European Equity Accum S2 F720YP | 1 | 6.482939 | 7.924064 | 22.23 |
| Pensions US Equity - M022YA | 16 - individual pension - overseas equity | 145831 | Pensions US Equity Accum S2 F713YP | 1 | 3.468447 | 4.12548 | 18.94 |
| Pensions Defensive Managed - M030YA | 13 - individual pension - defensive managed fund | 421153 | Pensions Defensive Managed Accum S2 F644YP | 1 | 2.129455 | 2.375152 | 11.54 |

**Form 55**

**Long term insurance business : Unit prices for internal linked funds**

**(Sheet 3)**

Name of insurer **Norwich Union Life & Pensions Limited**

Total Business

Financial year ended **31st December 2005**

Units **£000**

| Fund name | Type of fund | Net assets | Main series | Unit mgmt charge | Price at previous valuation date | Price at current valuation date | Change in price during year |
|---|---|---|---|---|---|---|---|
| **1** | **2** | **3** | **4** | **5** | **6** | **7** | **8** |
| Pensions Global Equity - M004YA | 16 - individual pension - overseas equity | 334154 | Pensions Global Equity Accum S2 F672YP | 1 | 3.651383 | 4.532542 | 24.13 |
| Pensions Sustainable Future Managed - M049YA | 14 - individual pension - other managed fund | 116533 | Pensions Sustainable Future Managed AccumS2 F778YP | 1 | .927793 | 1.100609 | 18.63 |
| Pensions Pacific including Japan - M035YA | 16 - individual pension - overseas equity | 113680 | Pensions Pacific inc Japan Accum S1 F725YP | .88 | 1.837438 | 2.461861 | 33.98 |

**Long term insurance business : index linked business**

Name of insurer **Norwich Union Life & Pensions Limited**

Global business

Total business

Financial year ended **31st December 2005**

Units **£000**

| Type of assets and liabilities | Name of index link | Value of assets or liabilities | Gross derivative value |
|---|---|---|---|
| | 1 | 2 | 3 |
| Options | DJ Euro Stoxx 50 | 4477 | 56755 |
| Deposits | DJ Euro Stoxx 50 | 52279 | 52279 |
| Variation Margin | DJ Euro Stoxx 50 | | (52279) |
| **Sub total assets** | | **56756** | |
| **Sub total liabilities** | | | |
| **Sub total net assets** | | **56756** | |
| Options | FTSE 100 | 17999 | 302606 |
| Deposits | FTSE 100 | 284608 | 284608 |
| Floating rate notes | FTSE 100 | | |
| Variation Margin | FTSE 100 | | (284608) |
| **Sub total assets** | | **302607** | |
| **Sub total liabilities** | | | |
| **Sub total net assets** | | **302607** | |
| | | | |
| Total assets | | **359363** | **n/a** |
| Total liabilities | | | **n/a** |
| Net total assets | | **359363** | **n/a** |

**Long-term insurance business - analysis of valuation interest rates**

Name of insurer **Norwich Union Life & Pensions Limited**

Total business / subfund **With Profits Sub-Fund**

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 Life WP Form 51 | 5857595 | 3.10 | 3.65 | 4.43 |
| UK Pens WP Form 51 With Profit Annuity | 141575 | | 2.00 | 4.43 |
| UK Pens WP Form 51 Other Pensions | 4769248 | | 3.90 | 4.43 |
| UK Pens NP Form 51 | 632417 | | 3.60 | 4.10 |
| OS WP Form 51 | 176052 | | 3.90 | 4.43 |
| OS NP Form 51 | 16379 | | 3.60 | 4.10 |
| Misc Form 51 | 372349 | | | 3.61 |
| UK Life WP Form 52 | 2618949 | 3.60 | 4.24 | 4.43 |
| UK Pens WP Form 52 | 6808664 | | 4.30 | 4.43 |
| OS WP Form 52 | 348287 | | 4.30 | 4.43 |
| Total: | **21741515** | n/a | n/a | n/a |

**Long-term insurance business - analysis of valuation interest rates**

Name of insurer **Norwich Union Life & Pensions Limited**

Total business / subfund **Provident Mutual Sub-Fund**

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 Life WP Form 51 Assurances | 258299 | 3.35 | 4.07 | 4.34 |
| UK Life WP Form 51 Annuities | 3249 | | 4.35 | 4.46 |
| UK Life NP Form 51 Annuities | 5155 | | 4.35 | 4.46 |
| UK Pens WP Form 51 With Profit Annuity | 419854 | | 4.35 | 4.46 |
| UK Pens NP Form 51 Deferred Annuity | 121542 | | 3.85 | 4.02 |
| UK Pens NP Form 51 Immediate Annuity | 552645 | | 4.35 | 4.46 |
| UK Pens WP Form 52 Compact | 56756 | | 3.25 | 3.33 |
| UK Pens WP Form 52 | 1373261 | | 4.10 | 4.34 |
| Misc | 52622 | n/a | n/a | |
| Total: | **2843383** | n/a | n/a | n/a |

**Long-term insurance business - analysis of valuation interest rates**

Name of insurer **Norwich Union Life & Pensions Limited**

Total business / subfund **Non-Profit Sub-Fund 1**

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** |
| Form 51 NP UK L&GA Assurances | 54996 | | | |
| Form 51 NP UK L&GA Assurances | 98134 | 2.90 | 3.63 | 3.77 |
| Form 51 NP UK L&GA Assurances | 1077 | 3.00 | 3.75 | 4.14 |
| Form 51 NP UK L&GA Assurances | 9504 | | 3.75 | 4.14 |
| Form 51 NP UK L&GA Assurances | 7494 | | 4.00 | 4.14 |
| Form 51 NP UK L&GA Annuities | 39189 | | 3.98 | 4.07 |
| Form 51 NP UK L&GA Deferred Annuity | 1827 | | 4.10 | 4.14 |
| Form 51 NP UK L&GA Additional Reserve | 103380 | | | |
| Form 52 NP UK L&GA Assurances | 3497 | 3.20 | 4.00 | 4.04 |
| Form 53 NP UK L&GA Assurances | 5001 | | | |
| Form 53 NP UK L&GA Assurances | (176409) | 3.20 | 4.00 | |
| Form 53 NP UK L&GA Additional Reserve | 41873 | | | |
| NPSF1 Miscellaneous | 15537 | | | 2.96 |
| Total: | **205100** | n/a | n/a | n/a |

**Long-term insurance business - analysis of valuation interest rates**

Name of insurer **Norwich Union Life & Pensions Limited**

Total business / subfund **Non-Profit Sub-Fund 2**

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** |
| Form 51 NP UK Pens Assurances | 39989 | | | |
| Form 51 NP UK Pens Annuities | 253394 | | 3.98 | 4.07 |
| Form 51 NP UK Pens Deferred Annuity | 728801 | | 4.10 | 4.14 |
| Form 51 NP UK Pens Additional reserves | 20934 | | | |
| Form 51 NP UK PHI | 127103 | | | |
| Form 51 NP UK PHI Claims Reserves | 12191 | | 3.50 | 3.77 |
| Form 51 NP UK PHI | 50897 | | 3.60 | 3.77 |
| Form 51 NP UK Income Protection | 147995 | | 3.25 | 4.11 |
| Form 51 NP UK Income Protection CIP | 111801 | | 3.75 | 4.58 |
| Form 51 NP UK PHI Additional Reserve | 39739 | | | |
| Form 52 NP UK Pens Assurances | 124868 | | 3.90 | 4.12 |
| Form 53 NP UK Pens Assurances | 215790 | | 3.90 | 4.12 |
| Form 53 NP UK Pens Additional Reserve | 77357 | | | |
| Form 54 NP UK Income Protection CIP | 59853 | | 2.10 | 2.26 |
| NPSF2 Miscellaneous | 78791 | | | 2.42 |
| Total: | **2089503** | n/a | n/a | n/a |

**Long term insurance business : distribution of surplus**

Name of insurer **Norwich Union Life & Pensions Limited**

Total business/subfund **With Profits Sub-Fund**

Financial year ended **31st December 2005**

Units **£000**

| | | Financial year | Previous year |
|---|---|---|---|
| | | 1 | 2 |
| **Valuation result** | | | |
| Fund carried forward | 11 | 21741515 | 23566896 |
| Bonus payments in anticipation of a surplus | 12 | 154852 | 153899 |
| Transfer to non-technical account | 13 | 19523 | 21861 |
| Transfer to other funds/parts of funds | 14 | | |
| Subtotal (11 to 14) | 15 | 21915890 | 23742656 |
| Mathematical reserves | 21 | 21430440 | 22755454 |
| Surplus including contingency and other reserves held towards the solvency margin (deficiency) (15-21) | 29 | 485450 | 987202 |
| | | | |
| **Composition of Surplus** | | | |
| Balance brought forward | 31 | 426764 | 535712 |
| Transfer from non-technical account | 32 | | |
| Transfer from other funds/parts of funds | 33 | | |
| Surplus arising since the last valuation | 34 | 58686 | 451490 |
| Total | 39 | 485450 | 987202 |
| | | | |
| **Distribution of Surplus** | | | |
| Bonus paid in anticipation of a surplus | 41 | 154852 | 153899 |
| Cash bonuses | 42 | | |
| Reversionary bonuses | 43 | 311075 | 384678 |
| Other bonuses | 44 | | |
| Premium reductions | 45 | | |
| Total allocated to policyholders (41 to 45) | 46 | 465927 | 538577 |
| Net transfer out of fund/part of fund | 47 | 19523 | 21861 |
| Total distributed surplus (46+47) | 48 | 485450 | 560438 |
| Surplus carried forward | 49 | | 426764 |
| Total (48+49) | 59 | 485450 | 987202 |
| | | | |
| **Percentage of distributed surplus allocated to policyholders** | | | |
| Current year | 61 | 95.98 | 96.10 |
| Current year - 1 | 62 | 96.10 | 95.14 |
| Current year - 2 | 63 | 95.14 | 95.30 |
| Current year - 3 | 64 | 95.30 | 95.39 |

**Long term insurance business : distribution of surplus**

Name of insurer **Norwich Union Life & Pensions Limited**

Total business/subfund **Provident Mutual Sub-Fund**

Financial year ended **31st December 2005**

Units **£000**

| | | Financial year | Previous year |
|---|---|---|---|
| | | 1 | 2 |
| **Valuation result** | | | |
| Fund carried forward | 11 | 2843383 | |
| Bonus payments in anticipation of a surplus | 12 | 26710 | |
| Transfer to non-technical account | 13 | 4133 | |
| Transfer to other funds/parts of funds | 14 | | |
| Subtotal (11 to 14) | 15 | 2874226 | |
| Mathematical reserves | 21 | 2831686 | |
| Surplus including contingency and other reserves held towards the solvency margin (deficiency) (15-21) | 29 | 42540 | |
| | | | |
| **Composition of Surplus** | | | |
| Balance brought forward | 31 | | |
| Transfer from non-technical account | 32 | | |
| Transfer from other funds/parts of funds | 33 | 91672 | |
| Surplus arising since the last valuation | 34 | (49132) | |
| Total | 39 | 42540 | |
| | | | |
| **Distribution of Surplus** | | | |
| Bonus paid in anticipation of a surplus | 41 | 26710 | |
| Cash bonuses | 42 | | |
| Reversionary bonuses | 43 | 11697 | |
| Other bonuses | 44 | | |
| Premium reductions | 45 | | |
| Total allocated to policyholders (41 to 45) | 46 | 38407 | |
| Net transfer out of fund/part of fund | 47 | 4133 | |
| Total distributed surplus (46+47) | 48 | 42540 | |
| Surplus carried forward | 49 | | |
| Total (48+49) | 59 | 42540 | |
| | | | |
| **Percentage of distributed surplus allocated to policyholders** | | | |
| Current year | 61 | 90.28 | |
| Current year - 1 | 62 | 89.08 | |
| Current year - 2 | 63 | 90.64 | |
| Current year - 3 | 64 | 90.83 | |

**Long term insurance business : distribution of surplus**

Name of insurer **Norwich Union Life & Pensions Limited**

Total business/subfund **Non-Profit Sub-Fund 1**

Financial year ended **31st December 2005**

Units **£000**

| | | Financial year | Previous year |
|---|---|---|---|
| | | 1 | 2 |
| **Valuation result** | | | |
| Fund carried forward | 11 | 8264322 | 1484579 |
| Bonus payments in anticipation of a surplus | 12 | | |
| Transfer to non-technical account | 13 | 103200 | 128400 |
| Transfer to other funds/parts of funds | 14 | 557600 | |
| Subtotal (11 to 14) | 15 | 8925122 | 1612979 |
| Mathematical reserves | 21 | 8264322 | 1484579 |
| Surplus including contingency and other reserves held towards the solvency margin (deficiency) (15-21) | 29 | 660800 | 128400 |
| | | | |
| **Composition of Surplus** | | | |
| Balance brought forward | 31 | | 165001 |
| Transfer from non-technical account | 32 | | |
| Transfer from other funds/parts of funds | 33 | | |
| Surplus arising since the last valuation | 34 | 660800 | (36601) |
| Total | 39 | 660800 | 128400 |
| | | | |
| **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 | 660800 | 128400 |
| Total distributed surplus (46+47) | 48 | 660800 | 128400 |
| Surplus carried forward | 49 | | |
| Total (48+49) | 59 | 660800 | 128400 |
| | | | |
| **Percentage of distributed surplus allocated to policyholders** | | | |
| Current year | 61 | | |
| Current year - 1 | 62 | | |
| Current year - 2 | 63 | | |
| Current year - 3 | 64 | | |

**Long term insurance business : distribution of surplus**

Name of insurer **Norwich Union Life & Pensions Limited**

Total business/subfund **Non-Profit Sub-Fund 2**

Financial year ended **31st December 2005**

Units **£000**

| | | Financial year | Previous year |
|---|---|---|---|
| | | 1 | 2 |
| **Valuation result** | | | |
| Fund carried forward | 11 | 18828814 | |
| 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 | 18828814 | |
| Mathematical reserves | 21 | 18828814 | |
| Surplus including contingency and other reserves held towards the solvency margin (deficiency) (15-21) | 29 | | |
| | | | |
| **Composition of Surplus** | | | |
| Balance brought forward | 31 | | |
| Transfer from non-technical account | 32 | | |
| Transfer from other funds/parts of funds | 33 | 560000 | |
| Surplus arising since the last valuation | 34 | (560000) | |
| Total | 39 | | |
| | | | |
| **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 | | |
| Total (48+49) | 59 | | |
| | | | |
| **Percentage of distributed surplus allocated to policyholders** | | | |
| Current year | 61 | | |
| Current year - 1 | 62 | | |
| Current year - 2 | 63 | | |
| Current year - 3 | 64 | | |

**Long term insurance business : distribution of surplus**

Name of insurer **Norwich Union Life & Pensions Limited**

Total business/subfund **Stakeholder Fund**

Financial year ended **31st December 2005**

Units **£000**

| | | Financial year | Previous year |
|---|---|---|---|
| | | 1 | 2 |
| **Valuation result** | | | |
| Fund carried forward | 11 | | 75324 |
| Bonus payments in anticipation of a surplus | 12 | | (66) |
| Transfer to non-technical account | 13 | | |
| Transfer to other funds/parts of funds | 14 | | |
| Subtotal (11 to 14) | 15 | | 75258 |
| Mathematical reserves | 21 | | 72906 |
| Surplus including contingency and other reserves held towards the solvency margin (deficiency) (15-21) | 29 | | 2352 |
| | | | |
| **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 | | 2352 |
| Total | 39 | | 2352 |
| | | | |
| **Distribution of Surplus** | | | |
| Bonus paid in anticipation of a surplus | 41 | | (66) |
| Cash bonuses | 42 | | |
| Reversionary bonuses | 43 | | 2419 |
| Other bonuses | 44 | | |
| Premium reductions | 45 | | |
| Total allocated to policyholders (41 to 45) | 46 | | 2353 |
| Net transfer out of fund/part of fund | 47 | | |
| Total distributed surplus (46+47) | 48 | | 2353 |
| Surplus carried forward | 49 | | |
| Total (48+49) | 59 | | 2353 |
| | | | |
| **Percentage of distributed surplus allocated to policyholders** | | | |
| Current year | 61 | | 100.00 |
| Current year - 1 | 62 | | 100.00 |
| Current year - 2 | 63 | | 100.00 |
| Current year - 3 | 64 | | 100.00 |

**Long term insurance business : distribution of surplus**

| | |
|---|---|
| Name of insurer | **Norwich Union Life & Pensions 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 | 51678034 | 25126799 |
| Bonus payments in anticipation of a surplus | 12 | 181563 | 153833 |
| Transfer to non-technical account | 13 | 126856 | 150261 |
| Transfer to other funds/parts of funds | 14 | 557600 | |
| Subtotal (11 to 14) | 15 | 52544053 | 25430893 |
| Mathematical reserves | 21 | 51355263 | 24312939 |
| Surplus including contingency and other reserves held towards the solvency margin (deficiency) (15-21) | 29 | 1188790 | 1117954 |
| | | | |
| **Composition of Surplus** | | | |
| Balance brought forward | 31 | 426764 | 700713 |
| Transfer from non-technical account | 32 | | |
| Transfer from other funds/parts of funds | 33 | 91672 | |
| Surplus arising since the last valuation | 34 | 110354 | 417241 |
| Total | 39 | 628790 | 1117954 |
| | | | |
| **Distribution of Surplus** | | | |
| Bonus paid in anticipation of a surplus | 41 | 181563 | 153833 |
| Cash bonuses | 42 | | |
| Reversionary bonuses | 43 | 322771 | 384678 |
| Other bonuses | 44 | | 2419 |
| Premium reductions | 45 | | |
| Total allocated to policyholders (41 to 45) | 46 | 504334 | 540930 |
| Net transfer out of fund/part of fund | 47 | 684456 | 150261 |
| Total distributed surplus (46+47) | 48 | 1188790 | 691191 |
| Surplus carried forward | 49 | | 426764 |
| Total (48+49) | 59 | 1188790 | 1117955 |
| | | | |
| **Percentage of distributed surplus allocated to policyholders** | | | |
| Current year | 61 | | |
| Current year - 1 | 62 | | |
| Current year - 2 | 63 | | |
| Current year - 3 | 64 | | |

Form 59A

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

Name of insurer **Norwich Union Life & Pensions Limited**

Original insurer **Norwich Union Life & Pensions 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 | 6991 | 353 | | UWP | N | 7705 |
| Endowment assurance | 15 | 13478 | 2218 | | CWP | N | 13478 |
| Endowment assurance | 20 | 23878 | 3581 | | CWP | N | 23878 |
| Endowment assurance | 25 | 46652 | 13115 | | CWP | N | 46652 |
| Regular premium pension | 5 | n/a | n/a | n/a | n/a | n/a | n/a |
| Regular premium pension | 10 | 29779 | 1498 | | UWP | N | 29779 |
| Regular premium pension | 15 | 57987 | 6374 | | UWP | N | 57987 |
| Regular premium pension | 20 | 108298 | 2844 | | CWP | N | 108298 |
| Single premium pension | 5 | n/a | n/a | n/a | n/a | n/a | n/a |
| Single premium pension | 10 | 18553 | 1972 | | UWP | N | 18553 |
| Single premium pension | 15 | 31752 | 5937 | | UWP | N | 31752 |
| Single premium pension | 20 | 70248 | 12210 | | CWP | N | 70248 |

**Form 59A**

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

Name of insurer **Norwich Union Life & Pensions Limited**

Original insurer **Provident Mutual Sub-Fund**

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 | n/a | n/a | n/a | n/a | n/a | n/a |
| Endowment assurance | 15 | 12394 | 1023 | | CWP | N | 12394 |
| Endowment assurance | 20 | 22502 | 2763 | | CWP | N | 22502 |
| Endowment assurance | 25 | 38061 | 6077 | | CWP | N | 38061 |
| Regular premium pension | 5 | n/a | n/a | n/a | n/a | n/a | n/a |
| Regular premium pension | 10 | n/a | n/a | n/a | n/a | n/a | n/a |
| Regular premium pension | 15 | n/a | n/a | n/a | n/a | n/a | n/a |
| Regular premium pension | 20 | 103426 | 10887 | | CWP | N | 103426 |
| Single premium pension | 5 | n/a | n/a | n/a | n/a | n/a | n/a |
| Single premium pension | 10 | n/a | n/a | n/a | n/a | n/a | n/a |
| Single premium pension | 15 | n/a | n/a | n/a | n/a | n/a | n/a |
| Single premium pension | 20 | 53500 | 9806 | | CWP | N | 53500 |

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

Name of insurer **Norwich Union Life & Pensions Limited**

Original insurer **Norwich Union Life & Pensions 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 | n/a | n/a | n/a | n/a | n/a | n/a |
| Endowment assurance | 10 | 6626 | 338 | (70) | UWP | Y | 13945 |
| Endowment assurance | 15 | 12166 | | | CWP | N | 23113 |
| Endowment assurance | 20 | 21953 | | | CWP | N | 30269 |
| With-profits bond | 2 | n/a | n/a | n/a | n/a | n/a | n/a |
| With-profits bond | 3 | n/a | n/a | n/a | n/a | n/a | n/a |
| With-profits bond | 5 | n/a | n/a | n/a | n/a | n/a | n/a |
| With-profits bond | 10 | 16754 | 1795 | 0 | UWP | Y | 16922 |
| Single premium pension | 2 | n/a | n/a | n/a | n/a | n/a | n/a |
| Single premium pension | 3 | n/a | n/a | n/a | n/a | n/a | n/a |
| Single premium pension | 5 | n/a | n/a | n/a | n/a | n/a | n/a |
| Single premium pension | 10 | 18553 | 1972 | 0 | UWP | Y | 18553 |

**Form 59B**

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

Name of insurer **Norwich Union Life & Pensions Limited**

Original insurer **Provident Mutual Sub-Fund**

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 | n/a | n/a | n/a | n/a | n/a | n/a |
| Endowment assurance | 10 | n/a | n/a | n/a | n/a | n/a | n/a |
| Endowment assurance | 15 | 11605 | | | CWP | N | 21776 |
| Endowment assurance | 20 | 21144 | | | CWP | N | 28940 |
| With-profits bond | 2 | n/a | n/a | n/a | n/a | n/a | n/a |
| With-profits bond | 3 | n/a | n/a | n/a | n/a | n/a | n/a |
| With-profits bond | 5 | n/a | n/a | n/a | n/a | n/a | n/a |
| With-profits bond | 10 | n/a | n/a | n/a | n/a | n/a | n/a |
| Single premium pension | 2 | n/a | n/a | n/a | n/a | n/a | n/a |
| Single premium pension | 3 | n/a | n/a | n/a | n/a | n/a | n/a |
| Single premium pension | 5 | n/a | n/a | n/a | n/a | n/a | n/a |
| Single premium pension | 10 | n/a | n/a | n/a | n/a | n/a | n/a |

**Long term insurance capital requirement**

Name of insurer **Norwich Union Life & Pensions 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% | 79670519 | 78540891 | | 39835 | 41504 |
| Classes I, II and IX | 12 | 0.15% | 7199535 | 2097211 | 0.50 | 5400 | 3715 |
| Classes I, II and IX | 13 | 0.3% | 169844807 | 41684827 | | 254767 | 114565 |
| Classes III, VII and VIII | 14 | 0.3% | 6043735 | 5090560 | 0.84 | 15272 | 4024 |
| **Total** | 15 | | 262758596 | 127413489 | | 315274 | 163808 |
| | | | | | | | |
| **Insurance health risk capital component** | | | | | | | |
| Class IV and supplementary classes 1 and 2 | 21 | | | | | 30819 | 30819 |
| **Insurance expense risk capital component** | | | | | | | |
| Classes I, II and IX | 31 | 1% | 19021690 | 17647017 | 0.93 | 176470 | 175046 |
| Classes III, VII and VIII (investment risk) | 32 | 1% | 11368470 | 10759562 | 0.95 | 107596 | 97702 |
| Classes III, VII and VIII (expenses fixed 5 yrs +) | 33 | 1% | 9565107 | 9564986 | 1.00 | 95650 | 43892 |
| Classes III, VII and VIII (other) | 34 | 25% | | | | 6884 | 2199 |
| Class IV | 35 | 1% | 1160099 | 632359 | 0.85 | 9861 | 4719 |
| Class V | 36 | 1% | | | | | |
| Class VI | 37 | 1% | 33 | 33 | 1.00 | | |
| **Total** | 38 | | | | | 396461 | 323558 |
| | | | | | | | |
| **Insurance market risk capital component** | | | | | | | |
| Classes I, II and IX | 41 | 3% | 19021690 | 17458588 | 0.92 | 523758 | 525139 |
| Classes III, VII and VIII (investment risk) | 42 | 3% | 11368470 | 10759562 | 0.95 | 322787 | 293105 |
| Classes III, VII and VIII (expenses fixed 5 yrs +) | 43 | 0% | 9565107 | 9564986 | | | |
| Classes III, VII and VIII (other) | 44 | 0% | 13478964 | 13260980 | | | |
| Class IV | 45 | 3% | 1160099 | 632359 | 0.85 | 29583 | 14157 |
| Class V | 46 | 0% | | | | | |
| Class VI | 47 | 3% | 33 | 33 | 1.00 | 1 | |
| **Total** | 48 | | 54594363 | 51676508 | | 876129 | 832401 |
| | | | | | | | |
| **Long term insurance capital requirement** | 51 | | | | | 1618683 | 1350586 |

**Supplementary notes**

Name of insurer **Norwich Union Life & Pensions Limited**

Global business

Financial year ended **31st December 2005**

**Code**

**0204 Section 148 waivers**

**Beneficial Interests 526539**

The FSA on the application of the firm issued to the firm in October 2005 a direction under section 148 of FSMA 2000. The effect of the direction is to enable the firm to contract to pay benefits which are determined wholly or partly, by reference to units in the firm's Linked Property Fund which itself holds units in The Mall Unit Trust, The Junction Unit Trust, The Quercus Healthcare Property Unit Trust, The Airport Property Unit Trust, The Henderson UK Retail Warehouse Fund and the Cardiff Bay Limited Partnership.

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

| | | £'000 |
|---|---|---|
| i) | Net admissible assets | |
| | Form 13 Line 89 (Long term business) | 58,984,355 |
| | Form 13 Line 89 (Other than long term business) | 678,734 |
| | Form 14 Lines 11, 12 and 49 | (53,533,978) |
| | Form 15 Line 69 | (236,875) |
| | | 5,892,236 |
| ii) | Components of capital resources that are treated as a liability: | |
| | Subordinated loan capital | 200,000 |
| 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 – implicit items | 362,000 |
| iv) | Capital resources requirement of regulated related undertakings | 729,749 |
| | Total i) to iv) above | |
| | Form 3, Line 79 | 7,183,987 |

**0306 Line 92 - Financial Reinsurance**

The impact of the financial reinsurance shown at line 92 is to reduce mathematical reserves by £339.7m. The amount of contingent liability for payment to the reinsurer is £345.1m. The commutation value of the reinsurance arrangement at the end of the financial year is £345.1m.

**0308 Financial engineering adjustments**

Included in line 94 is a contingent loan due to Anglia Funding Limited. This is repayable on the emergence of a future surplus arising on term and mortgage protection business. The impact is to reduce liabilities in the non profit fund by £142.4m. The commutation value of the contingent loan at the end of the financial year is £142.4m.

**Supplementary notes**

Name of insurer **Norwich Union Life & Pensions Limited**

Global business

Financial year ended **31st December 2005**

**Code**

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

| | | £'000 |
|---|---|---|
| a) | Positive valuation differences in respect of assets where valuation in PRU exceeds the valuation that the firm uses for external financial reporting purposes | - |
| b) | Positive valuation differences in respect of liabilities where valuation in PRU is lower than the valuation that the firm uses for external financial reporting purposes | |
| | Deferred taxation provision | 149,600 |
| | Contingent loan | 142,400 |
| | Difference in technical provisions | 3,591,297 |
| | Deferred income reserve | 35,800 |
| c) | Negative valuation differences in respect of assets where valuation in PRU is lower than the valuation that the firm uses for external financial reporting purposes | |
| | Valuation of investments in Group Undertakings | (30,579) |
| d) | 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** | 3,888,518 |

**0312 Section 148 waivers**

**Implicit items 526848**

The Financial Services Authority made, on the application of the firm, a direction in October 2005 under section 148 of the Financial Services and Markets Act 2000. The effect of the direction is to allow the firm to take into account the implicit item shown in this form.

**1104 Provision for claims outstanding**

Discounting has been used at Form 11 line 51 for income replacement policy claims in payment, where the projected amounts constitute a form of annuity.

**1301 Aggregate value of assets**
**1308**

The aggregate values of types of assets specified in instruction 5 to Form 13 are:-

(i) Unlisted investments on lines 41 and 46 are £1919m (Long term business) and £0.3m (Other than long term business).
(ii) Listed investments on lines 41, 46 and 48, which are not readily realisable £nil.
(iii) Units in collective investment schemes that are not schemes falling within the UCITS Directive or are not authorised unit trust schemes or recognised schemes within the meaning of Part XVII of the Act are £182m (all Long term business).
(iv) Reversionary interests or remainders in property other than land or buildings £nil.

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

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

**1305 Counterparty limits during the year**
**1311**

The investment guidelines operated by the Company specify exposure to counterparties by asset type as follows:

**Deposits**

The maximum permitted exposure to counterparties is set out in the lending limit list approved by the Group Risk Committee. Each fund cannot hold more than 2% of funds under management (but subject to minimum of £20m and a maximum of £100m) with individual 'Tier 1' counterparties, 1.5% of funds under management (but subject to a minimum of £15m and a maximum of £75m) with individual 'Tier 2' counterparties and 0.5% of funds under management (but subject to a minimum of £10m and a maximum of £50m) with individual 'Tier 3' counterparties. Tier 1 represents AAA rated institutions, Tier 2 represents institutions rated AA- or better whilst Tier 3 represents institutions rated A- or better.

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%.

**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**

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 period, which falls into the description above. This is the only example of such contracts that were transacted during the financial period. However, none of the amounts recorded in Form 13 would have been materially changed if the insurer became obligated to purchase these assets.

The amounts recorded in Form 13 would have 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 £118.4m. This would not have been materially greater at any one time during the year or under other foreseeable market conditions.

**Supplementary notes**

Name of insurer **Norwich Union Life & Pensions Limited**

Global business

Financial year ended **31st December 2005**

**Code**

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 period, the company's use of derivatives included the granting of rights under derivative contracts for a fixed consideration. This was in the activity of Stock Underwriting. The fee income over the financial period was £0.2m.

Summary of derivative exposure limits:

| | WP Fund | Shareholder Fund | PM Main Fund | NPSF1 Fund | NPSF2 Fund |
|---|---|---|---|---|---|
| Equity & Bond Futures - asset allocation | 20% of fund | N/A | 10% of fund | N/A | N/A |
| FX forwards -asset allocation | 20% of fund | N/A | 5% of fund | N/A | N/A |
| UK equity put options | 0.1% of portfolio | N/A | N/A | N/A | N/A |
| Overseas equity put options | 3% of relevant portfolio | N/A | N/A | N/A | N/A |

**1306 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 insurer's base capital resources requirement and its long-term insurance liabilities, excluding property linked liabilities and net of reinsurance ceded.

**1309 Aggregate value of hybrid securities – Long term insurance business**

The company held hybrid securities of £761m.

**1318 Other asset adjustments**

| | Category 1 £'000 | Category 10 £'000 |
|---|---|---|
| Gross up and notional settlement of interfund liabitilies | | (657,764) |
| Disclosure of unit-linked credits as liabilities in statutory accounts | | 384,000 |
| Premium debt restriction | | 17,670 |
| Other | | 7,828 |
| Inadmissible assets | 73,900 | |
| Other asset adjustments included in Form 13 line 100 | 73,900 | (248,266) |

**1401 1501 Provision for reasonably foreseeable adverse variations**

No provision is required in respect of a provision for reasonably forseeable adverse variations. All derivative contracts are strictly covered and all other obligations to deliver assets or make a payment were felt to be prudently provided for in the accounts.

**1402 1502 Contingent liabilities, etc**

There are no charges over any assets of the Company.

**Supplementary notes**

Name of insurer **Norwich Union Life & Pensions Limited**

Global business

Financial year ended **31st December 2005**

**Code**

Included in deferred tax liabilities at line 21 of Form 14 is an amount of £93m in respect of a full provision for potential capital gains tax on unrealised gains. The provision for shareholders on Form 15 is £nil.

There are no contingent liabilities not included on the form.

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

There are no other fundamental uncertainties.

**1403 Provision deficit – regulated related undertaking**

Not Applicable

**1404 Provision**
**1506**

The amount of implicit provision required by PRU 4.3.17R(3) included in line 38 is £nil.

**1405 Other adjustment to Liabilities**

| | £'000 |
|---|---|
| Adjustment to FSA mathematical reserves | 3,591,297 |
| Disclosure of unit-linked credits as liabilities in statutory accounts | 384,000 |
| Gross up and notional settlement of interfund liabitilies | (657,764) |
| Adjustment in respect of contingent loan | 142,400 |
| Adjustment to FSA taxation provision | 149,600 |
| Deferred income reserve | 35,800 |
| Other | 10,067 |
| Other adjustments to liabilities included in Form 14 line 74 | 3,655,400 |

**1601 Basis of conversion of foreign currency**
**4005**

Assets and liabilities in currencies other than sterling have been translated into sterling at rates of exchange ruling at 31 December 2005. Revenue transactions of those operations, which are traded in currencies other than sterling, are translated at average rates of exchange for the financial year.

**1700 Form omitted**

No Category 1 or Category 13 Form 17 has been prepared on the basis that there are no derivative contracts for these categories of assets.

**1701 Variation Margin**

The aggregate amount of any excess variation margin which has been received by the Company is £2.0m. The variation margin is allocated to Form 13 as follows:

| | £'000 |
|---|---|
| Form 13 line 44 | 265,681 |

**1702 Quasi-derivatives**

**Supplementary notes**

Name of insurer **Norwich Union Life & Pensions Limited**

Global business

Financial year ended **31st December 2005**

**Code**

Not applicable

**4002 Other income and expenditure**

Line 15 has been used for transfers of annual management charges between sub funds.

Line 25 has been used for transfers of assets between NPSF1 and NPSF2 on Form 58.

**4004 Business Transfers in**

On 1st January 2005, the company accepted a transfer of the long term business of a number of fellow group undertakings. The transfer was undertaken in order to improve and simplify the fund structure within the Norwich Union Life Holdings group of companies.

| | £'000 |
|---|---|
| The following group undertakings transferred their entire portfolio of long-term business: | |
| Norwich Union Linked Life Assurance Limited | 23,655,668 |
| Fidelity Life Assurance Limited | 2,998 |
| TPFL Limited | 15,870 |
| CGU Insurance plc | 131 |
| Yorkshire Insurance Company Limited | 12 |
| The following group undertakings transferred their PHI sub-funds only: | |
| CGNU Life Assurance Limited | 27,798 |
| Commercial Union Life Assurance Company Limited | 63,234 |
| Total | 23,765,711 |

**4006 Apportionment of items between different long-term insurance business funds**

**Investment Income**

Where linked assets are not individually designated to a particular fund the assets and investment income are allocated by reference to the unit holdings of the respective funds. For all other invested assets investment income is allocated by reference to the designated asset.

**Increase or decrease in the value of assets brought into account**

The value of non-linked 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.

In respect of linked assets, where the assets are not individually designated to a particular fund the value brought into account is allocated by reference to the unit holdings of the respective funds.

**Expenses**

Expenses incurred in respect of a specific fund of business are attributed to the relevant fund. Expenses not so incurred are allocated to the relevant funds on an incurred basis in accordance with the arrangement for the provision of management services by Norwich Union Life Services Limited.

**Taxation**

The taxation of each fund is computed in accordance with the FSMA 2000 Part VII Scheme of Transfer approved by the High Court on 18 November 2004

**Apportionment of items between different groups of policyholders**

This information is supplied in Appendix 9.4, valuation report.

**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.

Investment management services have been provided to the Company by Morley Fund Management Limited.

**4009 Related party transactions**

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

| | | | |
|---|---|---|---|
| 1) | Connected Party | CGNU Life Assurance Limited | |
| | Nature of relationship | Fellow group undertaking | |
| | Nature of transactions during the period | Reinsurance accepted | |
| | Value of transactions during the period | Premiums | £3940m |
| | | Claims | £1629m |
| | | Commission | £170m |
| | | Expenses | £129m |
| | Nature of transactions during the period | Reinsurance previously accepted recaptured through a single premium paid | |
| | Value of transactions during the period | Premiums | £1200m |
| | Nature of transactions during the period | Reinsurance ceded | |
| | Value of transactions during the period | Premiums | £238m |
| | | Claims | £32m |
| | | Commission | £1m |
| | Amounts unpaid at the end of the period | £127m owed by CGNU Life Assurance Limited | |
| | Amounts written off in the period | £nil | |

**4101 Previous year entries**
**4201 Previous year entries**
**4301 Previous year 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.

**4102 Gross premiums**

There are negative gross premiums shown on Form 41 of the Provident Mutual fund due to the reinsurance of unit linked business from Provident Mutual to NPSF1 and NPSF2 from the beginning of 2005. This has resulted in a one off single premium reinsured out of Provident Mutual of £2,806m, which nets against gross premiums reinsured inwards on NPSF1 and NPSF2.

**4401 Basis of valuation in internal linked funds**

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

**Supplementary notes**

Name of insurer **Norwich Union Life & Pensions Limited**

Global business

Financial year ended **31st December 2005**

**Code**

**4402 Aggregate value of rights under derivative contracts**

The aggregate values of rights and liabilities under derivative contracts (gross of variation margin) as at 31 December 2005 are £2.5m and £9.3m respectively. There is no variation margin payable.

**4403 Accounting for variation margin**

Not applicable.

**4404 Purpose of Surplus Units**

Not applicable – surplus units are less than 1% of the net unit liability

**4405 Liquidity ratio**

The Life Balanced Managed fund has a net asset value of £1,811m and a negative liquidity ratio of 11.31% at 31 December 2005. This is due to a cash pooling arrangement with the other life funds..

**4502 Other income and expenditure**

Other income comprises the following balances:

| | **2005** |
|---|---|
| | **£'000** |
| Management Fee Rebates | 11,243 |
| Receipts on Capital Losses | 1,556 |
| Business transfers in | 19,610,475 |
| | **19,623,274** |

*Business transfers in relate to the unit linked element of the transfers described in note 4004

Other expenditure comprises the following balances:

| | **2005** |
|---|---|
| | **£'000** |
| Custody and Other Management Fees | 2,815 |
| Payment of Distributions to Policyholders | 10,284 |
| Interest Paid | 1,779 |
| Miscellaneous Investment Expenses | 236 |
| | **15,114** |

**4701** The number of new group schemes for product code 415 for which there is no record of benefits at member level is 3.

**4802 Treatment of expected income**

There is a reduction of income where payment of interest is in default. The amount of interest involved is £0.5m.

**4803 Redemption assumption**

Where securities may be redeemed over a period at the option of the guarantor or the issuer it has been assumed that they will be redeemed at the latest possible date.

**Supplementary notes**

Name of insurer **Norwich Union Life & Pensions Limited**

Global business

Financial year ended **31st December 2005**

**Code**

**4804 Yield for assets lines 18 or 28**

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 |
|---|---|
| Loans secured by insurance policies (Form 13 Line 52) | 8.5% |
| Direct insurance debtors (Form 13 Line 71) | Nil |
| Other debtors (Form 13 Line 78) | 1.0% |

**4805 Aggregate value of assets in 13.87**

The aggregate value of assets giving rise to an entry at form 13 line 87 resulting from excess exposure to a counterparty, or excess concentration with a number of counterparties, is £nil. The expected income from these assets is £nil.

**4806 Assets used to calculate investment return**

The assets of the With Profit and Provident Mutual funds on Long Term Business Form 13 have been used to calculate the investment returns shown in lines 21-29 column 5.

**4901 Rating agency used**

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.

**5001** 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' for the two Non-profit sub-funds. 'Gross' and 'Net of reinsurance’ entries represent the equivalent entries in the previous year's return.

**5101** The number of group schemes for which there is no record of benefits at member level is as follows

| Sub-fund | Business Type | Product Code | Scheme Count |
|---|---|---|---|
| | | | |
| NPSF1 | UKL | 300 | 5 |
| NPSF2 | UKP | 415 | 176 |
| WPSF | UKP | 390 | 71 |
| WPSF | OS | 390 | 1 |

**5103** Business classified under the miscellaneous product code where the £10m threshold is exceeded is as follows

| Sub-fund | Business Type | Product Code | Description of Product | Reserve (£000) |
|---|---|---|---|---|
| | | | | |
| NPSF1 | UKL GR | 435 | Miscellaneous Assurance | 10,819 |
| NPSF1 | UKL RE | 435 | Miscellaneous Assurance | 10,408 |
| NPSF2 | UKP GR | 435 | Miscellaneous Assurance | 10,597 |

**5203** Business classified under the miscellaneous product code where the £10m threshold is exceeded is as follows

| Sub-fund | Business Type | Product Code | Description of Product | Reserve (£000) |
|---|---|---|---|---|
| PMSF | UKP GR | 575 | AWP Self Employed Retirement Annuity | 496,792 |
| PMSF | UKP GR | 575 | AWP Personal Pension Plan | 270,196 |
| PMSF | UKP GR | 575 | AWP Executive Pension Plan | 190,759 |
| PMSF | UKP GR | 575 | AWP Individual Pension Arrangement | 162,683 |
| PMSF | UKP GR | 575 | AWP COMPACT | 56,390 |
| PMSF | UKP GR | 575 | AWP Additional Voluntary Contributions | 48,944 |
| WPSF | UKP GR | 575 | Personal Pension Review | 19,530 |

**5802** The amount at line 14 of Form 58 for non-profit subfund 1 is made up of a transfer of £560 million to non-profit subfund 2, less surplus transferred in from the PHI funds of Commercial Union Life Assurance Company Limited and CGNU Life Assurance Limited as a result of the transfer of this business into the company at the beginning of 2005 (£2.4 million).

**5803** Distribution of surplus from the With Profits/Belgium Sub-Fund :

| | **FSA Ref.** | **Conventional With Profits (£000)** | **With Profits Annuity (£000)** | **Unitised With Profits (£000)** | **Belgium (£000)** | **Total (£000)** |
|---|---|---|---|---|---|---|
| Bonus payments made to policyholders in anticipation of a surplus | 58.41 | 158,027 | 65 | (3,240) | - | 154,852 |
| Reversionary bonus | 58.43 | 14,491 | 2,858 | 293,726 | - | 311,075 |
| Total allocated to policyholders | 58.46 | 172,518 | 2,923 | 290,486 | - | 465,927 |
| Net Transfer out of fund | 58.47 | 19,169 | 354 | - | - | 19,523 |
| Total Distributed Surplus | 58.48 | 191,687 | 3,277 | 290,486 | - | 485,450 |
| Percentage of surplus allocated to shareholders | | 10.00% | 10.80% | 0.00% | - | 4.02% |

Distribution of surplus from the Provident Mutual Sub-Fund :

The transfer shown in line 47 represents the shareholders' share of the distribution of surplus.

The transfer consists of :

- a transfer from the Provident Mutual Fund into the non-technical account of £4,268,000 in respect of shareholders transfers associated with the distribution of surplus
- a transfer from the Provident Mutual Fund into the non-technical account of £115,000 in respect of personal pension compensation payments
- a transfer into the Provident Mutual Fund from the non-technical account of £250,000 in respect of injections from shareholders to cover their share of future bonus declarations for new with-profit annuities

If the transfer to the non-technical account of £4,268,000 were shown separately in line 47, line 61 would show 90.00.

## 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 products (not Bond 2000) | UWP Life (Bond 2000) | UWP Individual Pensions Products (and ISA) | UWP Group Defined Benefits |
|---|---|---|---|---|
| 1997 | (N/A) | (N/A) | (N/A) | (N/A) |
| 1998 | 01/01/05 - 05/10/05 | (N/A) | 01/01/05 - 31/12/05 | 01/01/05 - 31/12/05 |
| 1999 | 01/01/05 - 31/12/05 | (N/A) | 01/01/05 - 31/12/05 | 01/01/05 - 31/12/05 |
| 2000 | 01/01/05 - 31/12/05 | 01/01/05 - 31/12/05 | 01/01/05 - 31/12/05 | 01/01/05 - 31/12/05 |
| 2001 | 01/01/05 - 24/07/05 | 01/01/05 - 31/12/05 | 01/01/05 - 05/10/05 | 01/01/05 - 05/10/05 |
| 2002 | (N/A) | (N/A) | (N/A) | (N/A) |
| 2003 | (N/A) | (N/A) | (N/A) | (N/A) |

(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 charges:

For:

- Unitised Ordinary Business
- Post 1/1/1995 Pensions, including 98 Series products

The 2005 increase in plan fees was RPI published September (3.3%). Figures were reviewed with effect from 1/1/2005.

For pre 1/1/1995 Pensions business, figures were reviewed 1/4/2005.

- Personal Pension Plans (including AVCs, Jersey Investement Plan): 3.1% increase
- Group Money Purchase plans: 4.1% increase.

(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) There are no internal linked funds in the With-Profits sub-fund of the Company.

(8) There are no internal linked funds in the With-Profits sub-fund of the Company.

(9) There are no internal linked funds in the With-Profits sub-fund of the Company.

(10) There are no internal linked funds in the With-Profits sub-fund of the Company.

**4 Valuation basis (other than for special reserves)**

(1) *Valuation methodology*

£10m is less than £217m = 1% of reserves after reinsurance. Minimal reinsurance is accepted so £10m will be taken as the materiality limit for the purposes of this section.

All regular and single premium business is now valued on a gross premium basis. This represents a change from the previous valuation, when the majority of business used a Net Premium basis (after Zillmer adjustment).

For pensions business continued beyond the normal pension age, the cash value available at the normal pension age has been accumulated with interest. The accumulation rate has normally been 6% pa.

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

The prospective valuation projects future benefits to the next guarantee date. For Pensions business (and Life business with a set maturity date) this is the maturity date that the policyholder has selected. For Life business without a set maturity date it is the next date that the policyholder has a guaranteed surrender value (see section 5.2).

The projection assumes future premiums cease and future bonuses are zero, except for policies with a guaranteed minimum bonus rate, where this guaranteed bonus is allowed for. No allowance is made for mortality or lapses. The prospective valuation also allows for the transfer of the annual management charges from the With Profits Fund to the Non Profit Fund to meet future maintenance expenses. This is done by reducing the valuation discount rate by the level of charge.

Any death or critical illness risk is valued on an unexpired premium reserve basis with an allowance for incurred but not reported claims.

For annually reviewable temporary insurance, the total reserve consists of an Unearned Premium reserve, an Outstanding Claims reserve, and a Claims Equalisation reserve.

Contingency reserves are held and these are available for any kind of contingency which may arise.

(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** | | |
| Conventional business WP | 3.1% | 3.4% |
| Conventional business NP<br>PHI business in Life fund | 2.9% | 3.2% |
| UWP business | 3.6% | 3.7% |
| **Pensions and General Annuities** | | |
| Deferred Annuity With Profit | | |
| In payment | 3.9% | 4.3% |
| In deferment – Single Premium | 3.9% | 4.3% |
| In deferment – Regular Premium | 3.9% | 4.3% |
| Deferred Annuity Non Profit | | |
| In payment | 3.6% | 4.0% |
| In deferment – Single Premium | 3.6% | 4.0% |
| In deferment – Regular Premium | 3.6% | 4.0% |
| Non-profit policies including PHI | 3.6% | 4.0% |
| Regular Premium With Profit policies | 3.9% | 4.3% |
| Single Premium With Profit policies | 3.9% | 4.3% |
| Group Defined Benefits | 3.9% | 4.3% |
| UWP business | 4.3% | 4.3% |
| With Profit Annuity | 2.0% | 2.0% |

(3) *Adjustment to yield for credit risk*

Equity/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 0.29%. 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 0.27%.

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% |

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 0.45%. 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 |
|---|---|---|
| **NUL&P WP Life Assurances** | | |
| Whole life and Endowments | A67/70 ult –3years | A67/70 ult –3years |
| **NUL&P WP Pensions & General Annuities** | | |
| Whole life and Endowments | A67/70 ult –3years | A67/70 ult – 3yrs |
| Pure Endowment | 50% AM80 / AF80 | 50% AM80/AF80 |
| Deferred Annuity | | |
| In deferment | 50% AM80 / AF80 | 50% AM80/AF80 |
| Post vesting | 86% PCMA00 / 80% PCFA00 | 81% PMA80/98% PFA80 (modified) |
| Group Defined Benefits | | |
| In deferment | 50% AM80 / AF80 | 50% AM80/AF80 |
| Post vesting | a(55) ult | a(55) ult |
| With Profit Annuity | 86% PCMA00 / 80% PCFA00 | 79% PMA80/95% PFA80 (modified) |

**Unitised With-Profits business:**
Zero mortality is assumed in the prospective valuation of the benefits. This is prudent because the prospective valuation only has a material impact on the final reserve for the business when the guaranteed bonus rate exceeds the valuation interest rate (after reduction for AMC). In this case, deferring the date of exit is prudent.

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:

| | 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 |

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:

The mortality bases include adequate margins for AIDS given the present experience. A specific reserve of £5m is held for adverse mortality from AIDS arising from the exercise of guaranteed insurability options.

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*

The only liabilities within the NUL&P With-Profits fund that require morbidity assumptions arise from the reinsurance of business from the NUL&P Non-Profit fund under Treaty 17. The reserve for this business within the With-Profits fund is less than £10m. The morbidity basis used to value this business is shown in the Appendix 9.4 for the NUL&P Non-Profit fund.

(6) *Expense assumptions:*

Expense assumptions are taken as 110% of the amounts detailed in the Management Services Agreement (MSA) plus an aggregate provision of £10m. 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.

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. NUL&P WP** | | |
|---|---|---|
| **Existing Business Admin Fees (including Fidelity)** | **31/12/2005** | **31/12/2004** |
| **CWP** | | |
| OB Conventional With Profits | **20.31** | **19.58** |
| Pensions Conventional With Profits (excluding Pension-Plus/Cash Plus contracts) | **25.69** | **24.78** |
| Pensions Conventional With Profits (Pension Plus/Cash Plus contracts) | **109.24** | **105.34** |
| Defined Benefit Conventional With Profits | **0.00** | **0.00** |
| WP Annuity | **19.89** | **19.18** |
| **NP/Unitised** | | |
| OB Unitised | **24.03** | **23.18** |
| OB Non Profits Temp | **19.50** | **18.80** |
| OB Non Profits Permanent | **14.85** | **14.32** |
| Pensions Unitised – Personal | **30.60** | **29.51** |
| Pensions Unitised – GPPP | **56.84** | **54.82** |
| Pensions Unitised – Executive | **71.24** | **68.69** |
| Pensions Unitised – Group | **53.52** | **51.61** |
| Pensions Non Profit | **18.19** | **17.54** |
| Defined Benefit Unitised | **0.00** | **0.00** |
| Annuities (excluding With Profits Annuity) | **17.48** | **16.85** |
| Long Term Care | **23.56** | **22.72** |
| ISA | **18.07** | **17.42** |
| **Defined Benefit (Conventional With Profits and Unitised)** | | |
| Live schemes | | |
| Per scheme p.a. | **6,171.76** | **5,951.55** |
| First 500 active members (per member) | **38.36** | **36.99** |
| Balance of active members | **19.18** | **18.49** |
| PUP members | **19.18** | **18.49** |
| Account stopped schemes | | |
| Per scheme p.a. | **4,098.11** | **3,951.89** |
| PUP members | **19.18** | **18.49** |
| **Admin Fees for Group Life** | | |
| New Business | | |
| Per scheme - fixed charge | **602.30** | **580.81** |
| - premium related charge | **25% of premium** | **25% of premium** |
| Existing Business | | |
| Per scheme - fixed charge | **150.57** | **145.20** |
| - premium related charge | **2% of premium** | **2% of premium** |

Assumed future expense inflation:
4.3% per annum (NAE – 0.5%, as set by the MSA agreement)

Zillmer adjustments:
No Zillmer adjustments were made to net premium reserves for the 31 December 2005 valuation (as the valuation was done on a gross premium basis). At 31 December 2004 the valuation was performed on a net premium basis and generally modified using a Zillmer adjustment. The net premiums used were adjusted to allow for acquisition expenses using 3.5% of the sum assured or capital benefit spread over the premium paying term (for whole life, endowment and self-employed pension business).

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 | 2.50% | 2.50% | Units purchased pre 1/1/1999 on policies written before 1/1/1995 |
| Unitised With Profits Pensions | 4.00% | 4.00% | Units purchased pre 1/1/1999 on policies written before 1/1/1995 |

In practice there are a small number of cases that do not satisfy the conditions given in the fourth column of the table but do receive the guaranteed bonus rates shown. These units are identified and the guaranteed bonus rate is incorporated into the valuation.

(8) *Other basis items:*

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

For Unitised business, we have assumed 100% persistency until the policy reaches its next no-MVR/ money-back guarantee date (where applicable). We have assumed 100% takeup of benefits at these guarantee dates.

We have assumed that policyholders that are able to take regular withdrawals without incurring an MVR take 4.1% of their units in this way (per annum).

Option Take-Up Rates

- Guaranteed Annuity Rate Options:
  We have assumed that current option takeup is 95%. This is based on actual 2005 takeup of 76% and incorporates margins for prudence.
- 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 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) No account was taken in the valuation of the long-term liabilities of any derivative assets held on the valuation date.

## 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.

For policies where the benefit is in the form of an annuity with a guaranteed cash-conversion option, the annuity benefit is converted to cash on the guaranteed terms. The methodology above (for cash contracts) is then applied.

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 (equal to the excess) is added to the Regulatory-peak reserve. The allowance at 31/12/2005 is zero.

b)

| (i) Product | Conventional pensions endowment with-profits | Conventional deferred annuity with-profits | Deferred annuity non-profit |
|---|---|---|---|
| (ii) Basic Reserve (£m) | 987.9 | 335.7 | 285.6 |
| (iii) Spread of outstanding durations: | | | |
| 0-5 years | 32% | 44% | 13% |
| 6-10 years | 32% | 30% | 19% |
| 11-20 years | 32% | 23% | 40% |
| over 20 years | 4% | 4% | 28% |
| (iv) Guarantee Reserve (£m) | 684.0 | 255.9 | 240.1 |

Notes on all products shown

(v)/(vii): There are two main types of guaranteed annuity:

- Payable monthly in arrears, single life, no escalation, guaranteed for five years
- Payable monthly in arrears, single life, no escalation, no guaranteed period.

The Guaranteed Annuity Rate for the business with the guaranteed period is 11.25%. The Guaranteed Annuity Rate for the business without is 11.61%. These rates differ by less than 1% and so no split is shown.

vi) Increments (where permitted) do not receive the option.

viii) On retirement before Normal Retirement Date (NRD) Guaranteed Annuity Rates are lost. The exceptions are where retirement occurs between 60 and 75, on ill-health grounds before age 60 or when an early NRD was agreed at outset for S226 contracts.

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

The With-Profits fund has no unit-linked business.

The non-unit-linked 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 Date. 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 under UWP Life contracts:

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 initial 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 takeup. 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, for NUL&P With-Profits Life business the prospective reserve never exceeds the accumulated benefit (after adjustment). This is because the impact of the current levels of MVR is smaller than the impact of discounting.

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 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)

| | | | | | vi) MVR-free conditions | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **(i) Product name** | **(ii) basic reserve (£)** | **(iii) spread of outstanding term** | **(iv) guarantee reserve (£)** | **(v) guaranteed amount (£)** | **1) no-MVR guarantee on full surrender** | **2) money-back guarantee (full surrender)** | **3) regular withdrawal guarantee** | **(vii) in force regular premiums** | **(viii) increme allowed policy** |
| **Norwich Capital Plan (10/89 onwards)** | 457,646,190 | 40% with no-MVR date in 2006; 10% with no-MVR date in 2007-2009; 15% with no-MVR date in 2010; 35% with no-MVR date after this (fairly level spread) | 0 | 457,646,190 | No MVR on 10th anniversary and subsequent 5 yearly anniversaries for continuous investment in the With Profits Fund | None | Norwich Union reserves the right to apply an MVR on regular withdrawals. | 0 | Yes but no MVR guarantee does not a to increme |
| **Norwich With-Profits Bond; Norwich Bond 2000; Norwich Flexibond (pre 2/10/00); Bicentenary Bond** | 1,801,139,332 | Approx 10% with money-back gtee in each of 2006, 2007, 2008; 40% with MBG in 2009; 30% with MBG in 2010. | 0 | 1,827,993,833 | None | Money-back guarantee applies in the 8-week period centred on the 10th policy anniversary. Does not apply if any part of policy has already been cashed in. | All regular withdrawals are MVR-free. Restrictions are made on the amount of regular withdrawals that can be taken. 5% of original investment is current practice. | 0 | Yes but th do not rec the money back guarantee |

(3) Guaranteed Insurability Options

a) For convertible term or increasing sum insured options, a reserve is held equal to one year's option premium.

b) The total sum assured for conversion and renewal options does not exceed £1bn.

(4) Other guarantees and options

i) *Guaranteed Minimum Pensions on Section 32 policies:*

Section 32 policyholders have a guarantee that the maximum annuity that can be bought with their policy at State Pension Age will not be less than the (revalued) Guaranteed Minimum Pension.

*Method / basis:*

- The Guaranteed Minimum Pension is valued at retirement using the annuitant mortality / in-payment interest rate assumptions shown in sections 4.4 / 4.2 respectively.
- This value of benefits is added to a reserve for paying the expenses of administering the GMP.

- The total is compared with the value of the Sum Assured / Regular Bonus to date. If larger, an additional reserve is established (equal to the difference).

The Regulatory-peak reserve for the GMP guarantee is compared with the reserve calculated using the following basis:

- Regulatory-peak annuitant mortality assumptions are used (as given in 4.4)
- 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 equal to that used in the Realistic-peak valuation.

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

At 31/12/2005 this led to an additional provision of £36m.

The base reserve for the business affected is: £1,621.9m

The additional reserve required is: £674.8m

ii) Some group business contains premium rate guarantees for a limited period. No specific reserve for these is considered necessary.

## 6 Expense reserves

(1) The aggregate amount for expense allowances during 2006 arising from explicit reserves is £37,746,084.

The main sources are:

- The explicit annual maintenance expense charge for conventional business valued on a gross premium basis.
- Investment expenses as provided for by a deduction from the yield on conventional business.
- Additional explicit expense reserves.

(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 £2,137,252. This difference has been calculated after stripping out costs of Pension Review Compensation from the Form 43 figure, as this is reserved for explicitly elsewhere. The excess is due to margins in the valuation 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 CGNU Life Assurance Company 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.

## 7 Mismatching Reserves

(1) All of the mathematical reserves of the NUL&P With-Profits fund (sterling value £21,742m) are held to support liabilities payable in pounds sterling. The fund holds sufficient assets denominated in sterling to cover these liabilities.

(2) No such grouping of liabilities has been needed.

(3) The fund does not hold a reserve for currency mismatching. The fund has sufficient sterling assets to cover its mathematical reserves.

(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 **fall** 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. The negative result has contributed to the overall negative position of the Company.

| **Appendix 9.4 item** | **£m** |
|---|---|
| 7.6(a): Resilience Capital Requirement | 0.0 |
| 7.6(b): Change in long-term insurance liabilities | -51.6 |
| 7.6(c): Movement in assets selected to match liabilities | 38.3 |

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

(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 With-Profit fund's claims amounts for 2006 is £2,600m. The fund currently holds £2,400m in deposit-style assets. Premium income for 2005 was around £540m 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 Company's With-Profits sub-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 Company's With-Profits sub-fund. We therefore reserve on the basis that a minimum 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])** |
|---|---|---|
| £53.2m | £145.9m | £145.9m |

   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 £34.8m.

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.

Allowance is made for the recovery of any mis-selling claim costs and expenses arising from business sold by appointed representatives or other intermediaries where covered by a formal agreement to that effect.

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) Pensions Review Reserve

This is the reserve for the expected remaining compensation payments arising from the review of pensions mis-selling. The reserve includes expected future compensation costs arising under Phases 1 and 2 of the review, together with the expected future expenses of administering the review and the expected amount of future levies to be paid by each company to the FSCS, the PCU and PASS.

The methodology used to calculate expected future compensation costs follows the Guidance issued by GAD at the start of the review of pensions mis-selling and what is laid down in the Guarantee Agreements between the companies and the investors. A prudent approach has been taken.

Future levies and expenses are derived by analysing past experience and adjusting to allow for expected future experience. Again, a prudent approach has been taken.

The reserve held was £19.5m.

(4) Other

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

- Staff Pension Scheme reserve

**9 Reinsurance**

(1) The Company's With-Profits fund does not cede any long-term business to a reinsurer who is not authorised to carry on insurance business in the UK.

(2) The Company's With-Profits fund has no reinsurance treaties where it is the cedent and where the reserves or premiums exceed £10m.

There is a treaty that reinsures the business in the NUL&P Belgium fund to Delta Lloyd.

e) The treaty reinsures out all liability from the NUL&P Belgium fund to Delta Lloyd.

f) Delta Lloyd receive the annual premiums payable by the policyholders of the Belgium fund. During 2005 these totalled £28,340,000.

g) There are no deposit-back arrangements under the treaty.

h) The treaty is not closed to new business.

i) There is no undischarged obligation for the insurer.

j) The amount of mathematical reserves ceded under the treaty is £83,479,000.

k) The NUL&P Belgium fund retains no liability for new policies being reinsured.

l) The reinsurer is not authorised to carry on insurance business in the United Kingdom.

m) The reinsurer is a connected company of the NUL&P Company. It is a subsidiary of the Aviva Group.

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.

The NUL&P With-Profits funds and the NUL&P Belgium fund do not have any financing arrangements.

**10 Reversionary (annual, regular) bonus**

(1)

| **Product** | **Amount of gross mathematical reserve (£m)** | **Regular bonus (2004)** | **Regular bonus (2005)** | **Guaranteed bonus (2005)** |
|---|---|---|---|---|
| **Conventional Life** | | | | |
| Super-compound series (all business) | 5,844.8 | 0% SA/0.5% RB | 0% SA/1.5% RB | 0.00% |
| Simple Bonus Whole Life | 16.8 | 16% | 16% | 0.00% |
| **Conventional Pensions** | | | | |
| Individual & Group Pensions (excl With-Profit Annuity) | 4,945.3 | 0% SA/0% RB | 0% SA/0% RB | 0.00% |
| Group Defined Benefits | 27.5 | 0.00% | 0.00% | 0.00% |
| With-Profits Annuity | 141.6 | 3.00% | 2.00% | 0.00% |
| **Unitised Life** | | | | |
| Units without regular bonus guarantees | 2,059.7 | 2.50% | 2.08% | 0.00% |
| Units with regular bonus guarantees | 552.9 | 2.50% | 2.50% | 2.50% |
| **Unitised Pensions** | | | | |
| Units without regular bonus guarantees | 2,983.5 | 4.00% | 3.00% | 0.00% |
| Units with regular bonus guarantees | 4,154.0 | 4.00% | 4.00% | 4.00% |
| **ISA** | | | | |
| ISA | 6.5 | 3.00% | 3.00% | 0.00% |
| **Belgium** (in the NUL&P Belgium sub-fund) | 47.5 | 0.00% | 0.00% | 0.00% |

(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).

(4) The figures above do not represent a weighted average.

## 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. The fund is closed to new business and no products have been discontinued.

During 2005 the PM fund offered its endowment policyholders the option to choose to be reinsured into the CGNU With-Profit fund. Those who chose to switch have a different mix of assets backing their asset shares and can expect different final bonus.

## 3 Discretionary charges and benefits

(1) The Provident Mutual fund has no option to apply a market value reduction on any of its With-Profits business.

(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 charges:

Impact Range (including PRIA/IIA with incorrect cancellation notice in 1989)
The charges for the unit linked product range were increased by 3.7%. The exception is for charges on Compact and Everyman which increased by 3.2%.

Defined Benefit Schemes
*Deferred Allocation Funding:*
The administration fee increased by 3.7%.

(5) There have been no changes to benefit charges on linked policies.

(6) There were no changes to unit management charges or notional charges on accumulating with-profits contracts.

(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)

(1) *Valuation methodology*

For the Norwich Union Life & Pensions Company, 1% of gross mathematical reserves is £400m > £10m. A limit of £10m will be applied to all sub-funds of the Company when considering whether a group of products is material.

A gross premium method of valuation was used for Conventional With-Profits and Conventional Non-Profits business.

The Accumulating With-Profits business was valued as follows:

- The benefit that had accrued prior to valuation date was rolled forward at the guaranteed rate of interest (where appropriate).
- The benefit at retirement was adjusted for the value of any Guaranteed Annuity Option on the contract.
- The result was discounted back to valuation date at the valuation interest rate.
- A reserve for future expenses under the contracts was also held.

Some business has a surrender value that is determined by the value of the accumulated benefit at date of surrender. A comparison with the surrender value has been made in such cases and no material difference was found.

The Deferred Allocation Funding Contract was valued as the benefit that had accumulated to valuation date plus a prospective reserve for expenses. This ensured that the total reserve was greater than both the discounted value of the future benefits and expenses and the current accumulated benefit.

Principles adopted in the valuation of particular contracts were as follows:

*Assurances*
Limited premiums for whole life assurances have been valued using the number of annual premiums outstanding at the valuation date for each policy.

For the valuation of endowment assurances, a maturity age of 59½ was assumed if no Date of Birth was recorded on the system.

Where there is an option to vary the maturity date under certain flexible endowment assurances, the business has been classified according to the earliest date. Where the earliest date was before the valuation date, the reserve was calculated as the amount (excluding final bonus) that would have been payable on the valuation date if that date had been chosen as the maturity date.

The valuation factors used included adjustments for early payment of claims where appropriate.

For individual with profit income benefit policies a reserve of 40% of the office premiums was made. The value of the existing regular bonuses was calculated prospectively.

**Annuities**

For policies approved under Chapter III of Part XIV of the Income and Corporation Taxes Act 1988 the reserves were calculated by reference to the benefits already purchased or to the accumulated premiums available to purchase benefits (if benefits are not determined until death or retirement). For individual deferred annuities, some of which provide for annuities that increase, the reserves were calculated using benefits already purchased adjusted to an equivalent level annuity. For some annuities the equivalent cash amounts were valued. Where premiums are due to be returned in the event of death before vesting date but the death benefit has not been specifically recorded, interest only functions were used in the calculations in respect of the period of deferment.

For group policies where the premiums paid (less expenses) are accumulated with interest and bonus interest in a fund account until required for the provision of retirement benefits the reserve was taken to be the amount standing in such fund accounts.

For certain group deferred annuities under recurring single premium schemes, the amounts of pension allocated and purchased up to recent scheme anniversary dates (or the equivalent cash amounts allowing for profits in possession where applicable) were calculated and valued. Additional reserves were made in respect of unallocated premiums received since the relevant anniversaries.

Where a contract provides an option at vesting to re-apply a guaranteed cash equivalent of the benefits to secure an annuity on the terms current at the time, allowance was made for the option as described above.

Permanent Health Insurance

- Individual PHI business was valued using a gross premium reserve on a policy-by-policy basis.
- For Group PHI business on a current cost basis, reserves were calculated on an unexpired risk basis, with IBNR and claims reserves held in addition.
- For Group PHI business on a level annual premium basis, reserves were calculated as a multiple of the annual premium reflecting the fact that premiums are guaranteed.
- All claims reserves have been calculated using a multiple decrement model which allows for the probability of recovery and death.

Certain assurances and annuities have been issued with the facility that premiums be waived in the event of the prolonged disability of the life assured. These additional benefits have been valued by taking a multiple of the additional premiums payable for the facility.

(2) *Valuation interest rates:*

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

| | **Interest rate (%) 31 December 2005** | **Interest rate (%) 31 December 2004** |
|---|---|---|
| Life with-profit assurances | 3.35 | 3.50 |
| Life non-profit business | 3.00 | 3.50 |
| Pension accumulating with-profit (excluding Compact) | 4.10 | 4.50 |
| Compact pension accumulating with-profit | 3.25 | 3.25 |
| Non profit immediate annuity | 4.35 | 5.00 |
| With profit immediate annuity | 4.35 | 4.50 |
| Pension Deferred Annuity Non Profit and Guaranteed Annuity Options | | |
| In payment | 3.65 | 4.00 |
| In deferment | 3.85 | 4.30 |
| Pension Deferred Annuity With Profit and Guaranteed Annuity Options | | |
| In payment | 3.90 | 4.30 |
| In deferment | 4.10 | 4.50 |
| PHI business | | |
| Active lives | 3.25 | 3.75 |
| Disabled lives | 3.75 | 4.5 |
| Disabled lives (index-linked) | 2.1 | 2.0 |

(3) *Adjustment to yield for credit risk*

Equity/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 0.1%. In the case of property, the cap is also the Long Term Gilt Yield + 3%. This has no impact at 31/12/2005 because yields on property fall below this level (and, indeed, below LTGY + 2%). We have therefore allowed for an additional deduction for property credit risk of 0.2%. This is consistent with the impact of the cap on funds with higher-yielding property assets.

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% |

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 0.35%. 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 |
|---|---|---|
| **Life Assurances** | | |
| Assurances | 115% AM92/AF92 | AM92/AF92 |
| **Pensions and General Annuities** | | |
| Accumulating With Profit :<br>In deferment<br>Post Vesting (incl GAO) | <br>50% AM92/AF92<br>95% PMA92/PFA92 (modified) | <br>65% AM92/AF92<br>89% PMA92/PFA92 (modified) |
| Deferred Annuity<br>In deferment<br>Post Vesting | <br>50% AM92/AF92<br>100% PMA92/PFA92 –1 (C=2020) * | <br>65% AM92/AF92 (modified)<br>100% PMA92/PFA92 –1 (C=2020) * |
| With-Profit and Non-Profit Annuity in Payment (Individual) | 105% IM92/IF92 (modified) | 99% IM92/IF92 (modified) |
| Non-Profit Annuity in Payment (Group): | 95% PMA92/PFA92 (modified) | 89% PMA92/PMA92 (modified) |
| With-Profit Annuity in Payment (Group): | 110% PMA92/PMA92 (modified) | 89% PMA92/PMA92 (modified) |

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 PXA92) are assumed to apply as at calendar year 2002 (except * uses C+2020 profjection year for future mortality improvement). The allowance for improvements is as follows:

| | 31 December 2005 | 31 December 2004 |
|---|---|---|
| Males: 2003-2004 | 100% of Medium Cohort, no minimum, applicable from 2003 | 100% of Medium Cohort, no minimum, applicable from 2003 |
| Males: 2005 onwards | 100% of Medium Cohort, minimum 2.0%, applicable from 2005 | 100% of Medium Cohort, no minimum, applicable from 2003 |
| Females: 2003-2004 | 75% of Medium Cohort, no minimum, applicable from 2003 | 75% of Medium Cohort, no minimum, applicable from 2003 |
| Females: 2005 onwards | 75% of Medium Cohort, minimum 1.5%, applicable from 2005 | 75% of Medium Cohort, no minimum, applicable from 2003 |

- There are no products where the assurance mortality basis is expressed as 'modified table'.
- The mortality basis for PHI business not in claims is 50% of AM80/AF80 ultimate. For business in claims, the impaired mortality basis is implicitly incorporated in the recovery rates.

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 |
|---|---|---|---|---|
| Males, With-Profit Annuity: 110% PMA92 (C=2002) + Improvements | 21.281 | 12.423 | 25.492 | 23.317 |
| Females, With-Profit Annuity: 110% PFA92 (C=2002) + Improvements | 23.614 | 14.721 | 26.787 | 25.171 |
| Individual Annuities Male: 105% IMA92 (C=2002) + Improvements | 22.349 | 13.519 | 26.531 | 24.389 |
| Individual Annuities Female: 105% IFA92 (C=2002) + Improvements | 24.618 | 14.921 | 27.234 | 25.901 |
| Group Annuities / GAO, Male: 95% PMA92 (C=2002) + Improvements | 22.527 | 13.385 | 26.923 | 24.659 |
| Group Annuities / GAO, Female: 95% PFA92 (C=2002) + Improvements | 25.115 | 15.967 | 28.413 | 26.737 |
| Deferred Annuity business on single entry table, Male: 100% PMA92 (C=2020) | 20.715 | 12.540 | 20.715 | 20.715 |
| Deferred Annuity business on single entry table, Female: 100% PFA92 (C=2020) | 23.670 | 15.252 | 23.670 | 23.670 |

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:

For certain categories of options further AIDS reserves have been set up:

- For temporary assurances with a guaranteed option to convert or renew without furnishing further evidence of health it has been assumed that 50% of policyholders who will contract AIDS have exercised the option most expensive to the company.
- For mortgage-related endowment assurances with a guaranteed option to increase the sum assured within certain limits in the event of an increase in mortgage the percentage assumed is 10%.
- For continuation options under group policies it has been assumed that 10% of the "at risk" membership leaves each year for the next 10 years (or until the expiry of the guarantee of terms for existing members if earlier), and that half of these exercise the option most expensive to the company.

The total additional reserve for AIDS is £3.0m.

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 Assumptions*

These are used to value the PM fund's PHI business. The gross reserve for this business is greater than £10m.

Inceptions:
The table used was modified CID_I_6.
The inception rates for the requested ages are shown below.

| Year | 31/12/05 | | 31/12/04 | |
|---|---|---|---|---|
| **Age** | **Male** | **Female** | **Male** | **Female** |
| **25** | 0.00372 | 0.00340 | 0.00392 | 0.00358 |
| **35** | 0.00271 | 0.00279 | 0.00286 | 0.00294 |
| **45** | 0.00450 | 0.00548 | 0.00474 | 0.00577 |
| **55** | 0.00868 | 0.01367 | 0.00914 | 0.01439 |

Other assumptions used in the valuation:
Occupation: 1, Deferred period of 6 months, Area: South England, Non-Smoker, Channel: IFA, Duration of policy: 5 years or more.

Terminations:
The table used was modified C12_R.
The recovery rates for the requested ages are shown below.

| Year | 31/12/05 | | | | 31/12/04 | | | |
|---|---|---|---|---|---|---|---|---|
| Recovery Period | Recovery 2 Years | | Recovery 5 Years | | Recovery 2 Years | | Recovery 5 Years | |
| Age | Male | Female | Male | Female | Male | Female | Male | Female |
| 25 | 0.26677 | 0.26677 | 0.07921 | 0.07921 | 0.27186 | 0.27186 | 0.08516 | 0.08516 |
| 35 | 0.21582 | 0.20678 | 0.06610 | 0.06610 | 0.21998 | 0.21998 | 0.07107 | 0.07107 |
| 45 | 0.16283 | 0.15579 | 0.05403 | 0.05403 | 0.16599 | 0.16599 | 0.05810 | 0.05810 |
| 55 | 0.10812 | 0.10333 | 0.04334 | 0.04334 | 0.11023 | 0.11023 | 0.04661 | 0.04661 |

Other assumptions used in the valuation:
Occupation: 1, Deferred period of 6 months, Disabled Code: Miscellaneous (excludes Cancer, Orthopaedic, Psychiatric), Non-Smoker, Area: South England.

(6) *Expense assumptions:*

Expense assumptions are taken as 100% of the amounts detailed in the PM fund's Scheme of Transfer. Expenses were assumed to increase at RPI (in line with the provisions of the Scheme).

At the end of 2005 the expense allowances under the Scheme of Transfer were replaced by a Management Services Agreement with Norwich Union Life Services. This agreement was based on charges of (actual expenses plus 15%) for operating costs and cost-plus 5% for development costs. Regulatory, Audit and Investment fees are to be charged directly.

Base expense levels under the new MSA are anticipated to be lower than those set by the Scheme of Transfer. However, they are also expected to increase at more than RPI. Accordingly an extra reserve of £10m has been established.

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

The table below shows the expenses under the Scheme of Transfer as at 31/12/2005. The figures form the base position for the valuation expense assumptions.

| 1. PM | | |
|---|---|---|
| **Existing Business Admin Fees** | **31/12/2005** | **31/12/2004** |
| Assurances | **£19.92** | **£19.36** |
| Group Assurances | **12.5% of future premiums** | **12.5% of future premiums** |
| Annuity | **£15.94** | **£15.49** |
| NP DA in deferment | **£2.32** | **£2.26** |
| NP DA in payment | **£15.94** | **£15.49** |
| WP PPP | **£26.57** | **£25.82** |
| WP EPP | **£99.62** | **£96.82** |
| WP COMPACT/AVC | **£33.21** | **£32.27** |
| WP SERA | **£7.97** | **£7.75** |

Assumed future expense inflation:
2.7% per annum (RPI, as set by the PM Scheme of Transfer).

Unit Linked policies: basis for non-unit reserves.

| | 31 December 2005 | | 31 December 2004 | |
|---|---|---|---|---|
| | Life | Pensions | Life | Pensions |
| **Assumed Fund Growth (before annual management charge)** | 3.85% | 4.85% | 4.30% | 5.30% |
| **Discount rate** | 3.10% | 3.85% | 3.50% | 4.30% |
| **Policy fee inflation** | 2.7% | 2.7% | 2.77% | 2.77% |

Expense assumptions for PHI business are shown below:

| Item of expense | Exposure Measure | 31/12/2005 basis | 31/12/2004 basis |
|---|---|---|---|
| **Claims expenses** | Claims Outgo | 10.0% | 9.5% |
| **Individual renewal expenses** | Number of policies | £24.00 per policy | £22.90 per policy |
| **Legacy Group renewal expenses** | Premium | 12.5% | 12.5% |
| **Investment expenses** | Asset Value | 0.025% | 0.025% |

Zillmer adjustments:
No Zillmer adjustments were made to net premium reserves.

(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.

Accumulating With-Profits business
The business does not have guaranteed regular bonus rates. However, some products have guaranteed interest rates. These are incorporated into the valuation of the business. For more details on guaranteed interest rates, please see the table in section 10.1.

With Profits Annuity:
Air France business has a guaranteed regular bonus rate of 5%. This has been used for projection of the liability. No other business has this guaranteed rate.

(8) *Other basis items:*

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

For Accumulating With-Profits Business, we have assumed 100% persistency until the first date at which the policyholder can retire without penalty. We have assumed that all policyholders would choose to exit on the first such date. If policyholders have a window where they can retire without penalty, and they find themselves within the window at retirement date, they are assumed to retire immediately. This assumption is prudent because all of the guaranteed interest rates on these policies are below the valuation interest rate.

Option Take-Up Rates

- Guaranteed Annuity Rate Options:
  We have assumed that current option takeup is 95%. This includes a margin over current experience of just over 20%.

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 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) No account was taken in the valuation of the long-term liabilities of any derivative assets held on the valuation date.

## 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.

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 (equal to the excess) is added to the Regulatory-peak reserve. The allowance at 31/12/2005 is zero.

b)

| (i) Product Name | **Personal Pension Plan** | **Products with GAO excluding Personal Pension Plan** |
|---|---|---|
| (ii) Basic Reserve (£m) | 171.2 | 846.9 |
| (iii) Spread of outstanding durations | | |
| 0-5 years | 73.5% | 54.0% |
| 6-10 years | 17.2% | 23.0% |
| 11-20 years | 9.1% | 19.1% |
| over 20 years | 0.2% | 3.9% |
| (iv) guarantee reserve (£m) | 99.0 | 308.8 |
| (v) guaranteed annuity rate | 10.8% | 10.3% |
| (vi) increments allowed? | Yes | Yes but GAO does not apply |
| (vii) form of annuity | Payable monthly in advance, single life, guaranteed for 5 years | Payable monthly in advance, single life, guaranteed for 5 years |
| (viii) retirement ages | 60 to 75 permitted | 50 to 75 permitted |

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

*Non-Unit-linked:*

The Provident Mutual fund does not offer guaranteed surrender values. On surrender policyholders may receive a benefit that is set by a formula but the parameters will be determined by economic conditions at the date of surrender. Accumulating With Profits pensions policies may allow retirement within a range of dates but this is not the surrender of the contract.

*Unit-Linked:*

Pension Assured Fund / British Rail Assured Fund

The basic reserve held in respect of units invested in these funds is £1,505m. The unit benefits at maturity are covered by the NUL&P Non-Profit fund. There is a potential investment risk arising from guaranteed maturity values; the NUL&P PM fund retains this risk for much of the business.

Units in these funds have a guaranteed price of £1at the selected pension date or on earlier death. The guaranteed amount is £1,621m. The possible impact of this guarantee is mitigated by choosing assets for the fund that approximately immunise the guaranteed liabilities (and by the mechanism for bonus calculation).

The Pension Assured Fund is an investment fund open to many Norwich Union pensions products to invest in. The amount of in-force premiums will be a proportion of the total amount of premiums on those policies that have some of their policy invested in these funds.

A number of products that can invest in the PAF allow policyholders to make increments.

The distribution of outstanding duration and retirement ages are as follows:

| Outstanding Term (years) / Retirement Age | 0-5 | 5-10 | 10-15 | 15-20 | 20-25 | 25-30 | 30 + | Total |
|---|---|---|---|---|---|---|---|---|
| **55 and under** | 1,055 | 1,595 | 1,941 | 1,354 | 678 | 134 | 6 | 6,763 |
| **56-60** | 5,530 | 6,578 | 7,838 | 8,596 | 7,302 | 3,315 | 831 | 39,990 |
| **61-65** | 6,234 | 13,644 | 16,210 | 21,184 | 21,819 | 17,139 | 10,448 | 106,678 |
| **66-70** | 361 | 494 | 408 | 384 | 497 | 450 | 649 | 3,243 |
| **71-75** | 455 | 98 | 65 | 38 | 19 | 9 | 4 | 688 |
| **Total** | 13,635 | 22,409 | 26,462 | 31,556 | 30,315 | 21,047 | 11,938 | 157,362 |

(3) Guaranteed Insurability Options

a) For the following classes of business, the reserve held was equal to the proportion of the office premiums attributable to the options:

- Certain policies on the life of or for the benefit of children contain guaranteed options, usually on the child's 18th or 21st birthday.
- Under certain temporary assurances there is an option to convert to other classes without furnishing further evidence of health.
- Certain endowment and whole life assurances include options to take out further such policies at specified future dates or on the occurrence of specified events (e.g. moving house) without furnishing further evidence of health.
- Under certain group policies and certain individual non-linked pension arrangements the rates of premium applicable to additional benefits are guaranteed for a limited period.

b) The total sum assured for conversion and renewal options does not exceed £1bn.

(4) Other guarantees and options

There are no material guarantees and options offered by the fund.

## 6 Expense reserves

(1) The aggregate amount for expense allowances during 2006 is £22,265,000. The amount was derived from the explicit allowances for expenses as per the Investment Management Agreement with Morley Fund Management and from administrative and premium related charges. The allowance is gross of reinsurance.

(2) Gross Premium Valuation has been used for all business. All allowances for expenses are explicit.

(3) The figure for expenses in line 14 of Form 43 is £23,304,000. This is greater than the allowance for expenses in 6.1 above. However, it includes one-off adjustments and items where the future costs have separate reserves.

| | |
|---|---|
| Form 43 Line 14 total | 23,304,000 |
| Less item for Pension/Endowment mis-selling, covered in separate reserves | 471,000 |
| Less cost of administering Commercial Mortgages (these have been sold) | 26,000 |
| Less administration write-offs | 720,000 |
| Less premiums paid to Swiss Re for TDSL reinsurance | 200,000 |
| Total for comparison | 21,887,000 |

After removing these additions the allowance for expenses in the reserves exceeds last year's figure by £378,000.

(4) Under the Scheme of Transfer, no charges are made to the Provident Mutual Fund in connection with the acquisition of new business (other than incremental business).

(5) The Provident Mutual Fund is closed to new business. The closure of Norwich Union Life & Pensions Limited to new business at the end of 2006 would not require an additional provision.

## 7 Mismatching Reserves

(1) All of the mathematical reserves of the NUL&P With-Profits fund (sterling value £2,843m) are held to support liabilities payable in pounds sterling. All of these liabilities are supported by assets denominated in sterling.

(2) No such grouping of liabilities has been needed.

(3) The fund does not hold a reserve for currency mismatching. The fund has sufficient sterling assets to cover its mathematical reserves.

(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 **fall** 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 Provident Mutual Fund does not have enough exposure to overseas investments for it to have any significant territories.

(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 | 0.0 |
| 7.6(b): Change in long-term insurance liabilities | 188.5 |
| 7.6(c): Movement in assets selected to match liabilities | 192.3 |

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

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

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

The fund is closed to new business and has little premium income in comparison to its claims.

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 PM fund has few unmarketable assets (e.g. no direct property).

The PM fund does not hold many deposit-style assets, preferring to use income from Fixed Interest stocks to back its liabilities by term. However, it does ensure that it holds highly liquid Fixed Interest assets, particularly government bonds.

An estimate of the Company's PM fund's non-linked claims amounts for 2006 is £410m. Coupons from the current Fixed Interest portfolio are expected to total £135m. The fund currently holds an additional £800m in gilts. We expect that these assets could be sold at short notice without altering prices, so there is no need to hold an additional reserve.

## 8 Other Special Reserves

(1) 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 £14.3m.

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.

(2) Other

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

- Staff Pension Scheme reserve

## 9 Reinsurance

(1) The Company's PM fund does not cede any business on a facultative basis to a reinsurer who is not authorised to carry on insurance business in the UK.

(2) The following reinsurance arrangements satisfy the conditions in either 9.2(a), (b) or (c):.

d) Swiss Re Life and Health Limited and Swiss Reinsurance Company
e) The treaty provides stop loss reinsurance up to a limit of claims with a present value of £45,000,000. The reinsurance amount will reduce to nil by the end of 2009, contingent upon the emergence of future surplus. The reinsured business is PM Non-profit business.
f) The premium payable by the fund (net of claims received) during 2005 was £455,000.
g) There are no deposit-back arrangements.
h) The treaty is closed to new business.
i) The undischarged obligation under the treaty is £45,000,000. This is the amount of the reserves that may ultimately be recaptured by the PM fund.
j) The amount of mathematical reserves ceded under the treaty was £45,000,000.

k) N/A, see (h).

l) Swiss Re Life and Health Limited is authorised to carry on insurance business in the United Kingdom. Swiss Reinsurance Company is not authorised to carry on insurance business in the United Kingdom.

m) The reinsurers are not connected to the NUL&P Company.

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 undischarged obligation noted in (i) may be recaptured by the end of 2009. As the recapture of the liability is contingent on the emergence of future shareholder surplus no liability for the undischarged obligation has been take into account in the valuation.

d) CGNU Life Assurance Company Limited

e) During 2005 endowment policyholders within the Provident Mutual fund had the option request that their asset shares be invested in the CGNU With-Profits fund. If they took up this option then their regular and final bonuses will be based on the investment returns that the CGNU fund achieves. The PM fund retains no liability for the benefits payable to policyholders (all benefits, including any in excess of asset share, are paid by CGNU). The fund retains the costs of administering them.

f) The premium payable by the fund during 2005 was £222,000,000.

g) There are no deposit-back arrangements.

h) The treaty is closed to new business.

i) There is no undischarged obligation under this treaty.

j) The amount of mathematical reserves ceded under the treaty was £188,400,000.

k) N/A, see (h).

l) The reinsurer is authorised to carry out insurance business within the United Kingdom.

m) The reinsurer is connected to the NUL&P Company.

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.

## 10 Reversionary (annual, regular) bonus

(1)

| Product | | Amount of mathematical reserve (£m) | Regular bonus (2004) | Regular bonus (2005) | Guaranteed bonus (2005) |
|---|---|---|---|---|---|
| **Life** | | | | | |
| | Endowment / Whole Life (incl Budget Plan, Permanent Total Disability, Flightdeck) | 435.6 | 0% SA / 0% RB | 0% SA / 0% RB | 0.00% |
| **Pensions (excl With-Profit Annuity)** | | | | | |
| | Personal Pension Plan (Series 1 & 2) | 56.9 | 0% of benefit secured | 0% of benefit secured | 0.2% gteed interest per month |
| | Personal Pension Plan (Series 3) | 213.3 | 0% of benefit secured | 0% of benefit secured | 0.22% gteed interest per month |
| | Self Employed Retirement Annuities | 496.8 | 0% of benefit secured | 0% of benefit secured | 3.25% gteed interest rate in prem basis |
| | IPA / AVC / Money Purchase schemes | 211.6 | 0% of benefit secured | 0% of benefit secured | 3.25% gteed interest rate in prem basis |
| | Executive Pension Plan | 190.9 | 0% of benefit secured | 0% of benefit secured | 3.25% gteed interest on Higher rate fund money only |
| | Compact | 56.8 | 0% of benefit secured | 0% of benefit secured | 3.25%/3.15% gteed interest on Higher Rate Fund money only |
| | Deferred Allocation Funding (All series) | 187.2 | 0% of account balance | 0% of account balance | 0.00% |
| | Other Deferred Annuities | 12.6 | 0% of account balance | 0% of account balance | 0.00% |
| **With-Profit Annuity** | | | | | |
| | Annuitants from defined benefit schemes (excluding Air France) | 239.5 | 3.50% | 3.50% | 0.00% |
| | Annuitants from Air France | 18.9 | 5.00% | 5.00% | 5.00% |
| | Annuitants on 1999 series rates | 2.3 | 4.00% | 3.50% | 0.00% |
| Other annuitants: | | | | | |
| | retiring before 1984 | 4.4 | 7.00% | 7.00% | 0.00% |
| | retiring between 1984 and 1992 | 51.1 | 3.50% | 3.00% | 0.00% |
| | retiring between 1993 and 1997 | 34.8 | 1.00% | 1.00% | 0.00% |
| | retiring between 1998 and 2002 | 54.2 | 0.00% | 0.00% | 0.00% |
| | retiring 2003 and later | 9.7 | 0.00% | 0.00% | 0.00% |

(2) There is no Unitised With-Profits business in the Provident Mutual Fund.

(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).

(4) The figures above do not represent a weighted average.

## 1 Introduction

(1) The date to which the investigation relates is 31 December 2005.

(2) The date to which the previous investigation related was 31 December 2004.

(3) No interim valuations (for the purposes of rule 9.4) have been carried out since the previous valuation date.

## 2 Product Range

The only significant changes in products during the financial year were as follows.

**Scheme of Transfer**

Under a Scheme of transfer at 1 January 2005, the business of Norwich Union Linked Life Assurance Limited ('ex-NULL') was brought into the non-profit subfunds. Details of these products are provided in previous valuation reports for that company. A number of products were also transferred in from the PHI Funds of Commercial Union Life Assurance Company Limited and CGNU Life Assurance Limited, from CGU Insurance PLC, The Yorkshire Insurance Company Limited, TPFL Limited, and Fidelity Life Assurance Limited. Again, details of these products are provided in previous valuation reports.

**Conversion of ex-NULL With-profit Sub-funds to Non-profit business**

Immediately prior to the transfer of liabilities of NULL to NUL&P on 1 January 2005, the NULL with-profit sub-funds were converted to non-profit business. The liabilities no longer receive bonuses, and are instead subject to fixed benefit increases. The valuation basis provides for these fixed benefit increases through margins in the valuation interest rate. Policies will no longer receive a terminal bonus.

**Protection Promise**

For new Term assurance and Mortgage protection proposals, a promise was introduced on 17 October 2005 offering free cover of two times the proposed sum assured for the period between receipt of the application form and acceptance (subject to a maximum of three months). The free cover excludes death from suicide or pre-existing conditions.

## 3 Discretionary Charges And Benefits

(1) Details of any market value reductions have been included in the With Profits fund abstract

(2) There were no changes to premiums on reviewable protection policies

(3) Interest of 1.8% was added in 2005 for the group non-profit deposit administration benefits shown in Form 51 (UK Pensions).

(4) Where service charges have been increased in 2005 on linked policies, the increases were in the range 3.1% to 3.3% (depending on policy conditions), apart from certain Group Money Purchase policies where the increase was 4.1%, and certain Irish products where the increase was 2.5%.

(5) There were no changes to benefit charges on linked policies.

(6) There were no changes to unit management charges or notional charges to accumulating with-profits policies.

(7) <u>Allocation and creation of units</u>

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

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

For Pension Assured funds, investment return is attributed through the issue of bonus units. Each month bonus units are allocated based on market movements up to 11:00pm on the last business day in the month. The offer unit price may increase during the month as new investments are not entitled to the bonus at the end of the first month. On contractual exits units are deallocated at the bid value of units, normally £1. On non-contractual exit payment may be subject to a Market Depreciation Discount.

For some very small closed funds, the valuation takes place on a weekly basis.

For Variable Annuity business (included in code 725 in Form 53), units in the internal linked funds are allocated or de-allocated (and simultaneously created and cancelled) as follows:

Accumulation Units

(i) At least once a week the net value of Accumulation Units is determined by reference to the market value of the assets representing the Accumulation Account and the total number of units in force. For this purpose the market value of the assets is reduced to reflect the costs of asset realisation.

(ii) The gross value of Accumulation Units is also calculated as the net value increased by a bid/offer spread of 7%.

(iii) Premiums are carried to the Accumulation Account and applied (without any deduction) to purchase Accumulation Units using the current gross value of the unit.

(iv) The benefits are provided through the realisation of units, which takes place using the net value of the Accumulation Units. As appropriate, charges for management expenses are applied.

(v) Unit transactions are based on the most recent valuation.

Annuity Units

(i) At least once a week the value of Annuity Units is calculated. The value is such that, in the opinion of the Company's Actuary, the market value of the assets representing the Annuity Account is sufficient to meet all the variable annuities included in the account throughout the remainder of their currency, together with associated expense deductions

(ii) Units are allocated by converting the amount being transferred from the Accumulation Account into Annuity Units. The rate of conversion is such that the present value of the units allocated, on the same basis as used to calculate the current value of Annuity Units, is equal to the amount being transferred from the Accumulation Account.

(iii) Annuity Units are cancelled on the death of the annuitant.

(iv) Unit transactions are based on the most recent valuation.

(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) Benefits from discounts, commission or other allowance

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

## 4 Valuation Basis (other than special reserves)

(1) Valuation Methods

A gross premium valuation method has been used for most material types of conventional product. The present value of future premiums is deducted from the present value of the benefits and future expenses. Any negative reserves are set to zero.

For certain deferred annuity contracts where premiums are returned with interest on death, mortality in the deferred period is ignored. Otherwise the value of any benefit payable on death during the deferred period is added to the value of the annuity.

For deferred annuities continued beyond the normal pension age, the cash available at the normal pension age is accumulated with interest.

For group life contracts, the total reserve consists of an Unearned Premium reserve, an Outstanding Claims reserve and a Claims Equalisation reserve. Annually reviewable PHI contracts have been valued on an unexpired premium basis, plus claims reserve.

Individual PHI contracts have been valued using a gross premium valuation based on inception/annuity methodology. The reserve for claims in payment is the discounted value of future claim payments. Any benefit escalation is explicitly allowed for. Claim expenses are valued explicitly during claim. An additional disputed claims reserve is held and a notified outstanding claims reserve is held in respect of claims reported but not yet authorised.

For fatal accident benefits and waiver of premium benefits the reserve is taken to be one year's premium. Where an extra premium has been charged for medical, occupational or residence reasons, an additional reserve of one times the yearly premium has generally been held.

For certain contracts which have fixed benefit increases the valuation provides for these increases within the gross premium valuation method.

Additional reserves are held to provide for future expenses not covered by the valuation method, including allowances for the potential cost of personal pension compensation payments and associated levies and expenses. Further details are provided in section 6.

Collective Life Business

For the Creditor business, reserves are calculated separately for life and disability parts of schemes. For each, two reserves are calculated based on business exposed to date:

- IBNR (Incurred But Not Reported) claims reserve: This is calculated separately for each group policy and is based on past experience of it and similar schemes. For disability business this also includes a reserve for claims in course of payment.
- Commission Reserve: This is calculated separately for each group policy, and is the difference between risk premium earned less claims paid, IBNR and commission already paid. It may be negative where that loss can be offset against profits from other group policies with the same client, or between the life and disability parts of the scheme.

For the group life, "revolving credit", creditor schemes the reserve is the "fund", calculated as the premiums paid, net of expenses and commission, minus the claims and ongoing commission paid. If this is less than the sum of IBNR and ongoing commission reserves the fund is topped up to this higher level. Such reserves are shown as Reserve 3 in the tables below.

For the group life and disability, "fixed term", creditor schemes the following reserves are calculated separately for each group policy.

Reserve 1 - The Fund
This is calculated as:
((Premiums - rebated premiums) x (1 - expense/profits retention)) - claims paid - (commission paid - advance commission on rebates) - ongoing commission paid - ongoing commission reserve

Reserve 2 - The expense reserve
This is calculated as:

(Unearned premium on rule of 12) x (maintenance expense retention factor)

Reserve 3 - Uplift to Reserve 1 to cover surrender values
The surrender value basis is the unearned premium on rule of 78 less the advance commission. Reserve 3 is calculated as the excess of this amount (reduced by the expense retention factor, which is handled by Reserve 4) plus the IBNR reserve over Reserve 1. Where the surrender value is not calculated on Rule of 78, the appropriate earnings rule is substituted (eg Rule of 12 for pro-rata refunds).

Reserve 4 - Uplift to Reserve 2
This covers the possibility of loss, on lapse, of that part of the Company's expense retention not reserved for maintenance expenses. For each individual agreement within each master policy, this is calculated as:
The excess of (the unearned premium on rule of 78 (rule of 12 for pro-rata refunds) x the expense retention) over Reserve 2.

Reserve 3 and Reserve 4 cannot be less than zero.

Reserve 5 - Technical reserve:
Projected claims are discounted at 0% interest. This makes a prudent implicit allowance for investment income that will be payable to the financial institutions by the company. The basis used is 100% of A67-70 ultimate for life business and the 1982 Disability Table published by the Society of Actuaries for the disability business. These bases are considered prudent in relation to the expected experience.

Reserve 6
An additional reserve, covering the possibility that those policies where the technical reserve exceeds the surrender value stay in force while the others are surrendered. This is calculated separately for each individual policy within the group policy, as:
The excess of:
The greater of Reserve 5 and the unearned premium on rule of 78 (rule of 12 for policies with pro-rata refunds) net of the expense retention and advance commission.
Plus IBNR
Plus (If Reserve 5 is the greater) Reserve 2 and Reserve 4.
Over:
The sum of Reserves 1 to 4 already calculated.

The total reserve held is the sum of Reserves 1 to 4, plus Reserve 6 and the Commission Reserve.

For other Collective Life business, including business written in the former NU Linked Life Company, the liability was taken as one year's office premium for annual premium contracts, and the unearned proportion, on a 24ths basis, of the single premiums paid plus a reserve for profit sharing.

Sickness benefit contracts with waiver of premium were valued by treating the premium waiver as an extra benefit.

<u>Unit linked business</u>

Unit linked business is valued as the face value of the units at market bid price, together with non-unit reserves for mortality and future expenses not supported by future margins within the individual contracts. Allowances are included where appropriate for loyalty bonus and for actuarial prefunding of the periodic charge on capital units. Additional reserves are held for waiver of premium benefits, permanent health benefits, permanent total disability benefits, regular increase benefits and Guaranteed Insurability Options, and for the accrual of a periodic charge rebate on the Group Pension Investment Bond.

Maintenance expenses are set equal to the expenses charged to the company under the Management Services Agreements with Norwich Union Life Services. For benefits linked to the Guaranteed Funds, future charges which accrue to CGNU Life Assurance Limited have been allowed for at the rate of 0.5% p.a. applied to those funds. Explicit allowance is made for commission where appropriate.

Allowance is made for the promise that the company made to certain policyholders that the charges on certain pensions policies will not exceed 1% p.a. in any future year.

For regular premium policies, the non-unit reserve is generally determined assuming that premiums cease at the valuation date. Surrenders are in general ignored, although they are taken into account on the basis of recent experience for contract types where negative sterling reserves arise.

Where non-unit reserves are negative, these are set to zero, except where the policy terms allow include a surrender penalty, in which case the absolute amount of the negative reserve is limited to the surrender penalty amount.

A non-unit reserve is determined along similar lines for unitised with profits business where the investment liability arises in the company's With Profits fund, but other policy benefits, charges and expenses arise in the company's Non Profit funds.

The unit liability for Prosper Guaranteed Capital Bond and Prosper Income Bond (included in code 900 on Form 54) was taken as the surrender value of the matching derivative instruments.

For Variable Annuity business (included in code 725 in Form 53), the mathematical reserve has been taken as the total amount of the internal linked funds. In view of the nature of this business, no additional non-unit reserve is required. No reserve is necessary for guarantees and options. The guarantees in the contract relate to maximum limits for levels of charge and in testing the requirement for sterling reserves no increases in the rates of charge have been assumed.

(2) The interest rates used at the end of the financial year, and at the end of the previous financial year, are set out below.

| Product | 31 December 2005 | 31 December 2004 |
|---|---|---|
| Life Assurances | | |
| Conventional business | 2.9% | 3.2% |
| PHI | | |
| Standalone critical illness | 3.6% | 4.0% |
| Pensions and General Annuities | | |
| Immediate Annuity | 3.975% | 5.0% |
| Deferred Annuity/WDIS | | |
| Post vesting | 3.6% | 4.0% |
| In deferment | 4.1% | 4.4% |
| Other | 3.6% | 4.0% |
| Variable Annuity | 2.47% | 2.57% |
| Sterling Reserves – Life | | |
| Fund growth | 4.3% | 4.25% |
| Discount rate | 3.2% | 3.5% |
| Sterling Reserves – Pensions | | |
| Fund growth | 5.2% | 5.3% |
| Discount rate | 3.9% | 4.3% |

(3) The risk-adjusted yield in Form 57 has been determined after making the following allowances for risk, in accordance with PRU 4.2.41.

For equity shares, the yields on individual stocks were restricted to be not more than the yield on the 15 year FTA Gilt Index plus 2%.

For land, the yield on individual properties was restricted similarly to the 15 year FTA Gilt Index plus 3%.

For fixed interest assets, this adjustment took account of:

(i) The historic experience of bad debts for each of the major fixed interest asset classes,

(ii) Market margins of gross yield over the yields of risk-free investments of a similar term in the same currency, where available,

(iii) The reasonableness of the net of adjustment yields over the yields of risk-free investments of a similar term in the same currency, taking account of the points above,

(iv) The need to take a prudent view of the above.

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

| Type of Asset | Deduction from yield |
|---|---|
| Deposits | 0.10% |
| Approved fixed interest securities | 0.00% |
| Other fixed interest securities – non profit fund | 0.35% |
| Loans secured by mortgages | 0.50% |

The yield on all assets is further reduced by 2.5% to allow for risk, as required by PRU 4.2.28R.

(4) The mortality bases used at the end of the financial year and at the end of the previous financial year were as follows:

Mortality basis tables

| **Ex-NULL Assurances** | 31 December 2005 | 31 December 2004 |
|---|---|---|
| Whole life and Endowments | AM92/AF92 | Same |
| Fifty Plus / Funeral Plans | ELT15 (M/F) | Same |
| Term assurance | Modified TM92/TF92 (see below) | 75% TM92<br>75% TF92 (NS)<br>150% TM92<br>180% TF92 (S) |
| Mortgage Protection | Modified TM92/TF92 (see below) | 80% TM92<br>85% TF92 (NS)<br>165% TM92<br>190% TF92 (S) |
| Mortgage Protection with Critical Illness<br>Term assurance with Critical Illness | Modified Critical Illness Base Table 1993 (see below) | Modified Reassurer rates (see below) |
| Unit linked assurances | A67/70 ult –1 yr | Same |
| German GALA and DIVA | 75% German DAVM/F | Same |

Rates for the modified tables for 31 December 2005 are as follows:

| Age | **Term Assurance**<br>Annual rates per mille: | | | |
|---|---|---|---|---|
| | Male Non-Smoker | Male Smoker | Female Non-Smoker | Female Smoker |
| 25 | 0.42 | 0.70 | 0.14 | 0.18 |
| 35 | 0.41 | 0.72 | 0.27 | 0.43 |
| 45 | 0.83 | 1.75 | 0.66 | 1.70 |
| 55 | 2.52 | 6.51 | 1.77 | 5.93 |

| Age | **Mortgage Protection**<br>Annual rates per mille: | | | |
|---|---|---|---|---|
| | Male Non-Smoker | Male Smoker | Female Non-Smoker | Female Smoker |
| 25 | 0.39 | 0.73 | 0.18 | 0.30 |
| 35 | 0.41 | 0.76 | 0.32 | 0.59 |
| 45 | 0.89 | 1.75 | 0.75 | 1.64 |
| 55 | 2.78 | 6.12 | 2.09 | 4.95 |

| Age | **Term Assurance with Critical Illness**<br>Annual rates per mille: |
|---|---|

| | Male Non-Smoker | Male Smoker | Female Non-Smoker | Female Smoker |
|---|---|---|---|---|
| 25 | 1.16 | 1.41 | 0.74 | 1.00 |
| 35 | 1.51 | 2.28 | 1.74 | 1.90 |
| 45 | 3.54 | 7.63 | 3.78 | 5.31 |
| 55 | 9.80 | 22.17 | 8.63 | 13.31 |

| Age | **Mortgage Protection with Critical Illness** Annual rates per mille: | | | |
|---|---|---|---|---|
| | Male Non-Smoker | Male Smoker | Female Non-Smoker | Female Smoker |
| 25 | 0.97 | 1.17 | 0.62 | 0.83 |
| 35 | 1.26 | 1.90 | 1.45 | 1.59 |
| 45 | 2.95 | 6.36 | 3.15 | 4.43 |
| 55 | 8.17 | 18.48 | 7.19 | 11.09 |

Rates for the modified tables for 31 December 2004 were as follows:

| Age | **Term Assurance with Critical Illness** Annual rates per mille: | | | |
|---|---|---|---|---|
| | Male Non-Smoker | Male Smoker | Female Non-Smoker | Female Smoker |
| 25 | 1.14 | 1.28 | 1.15 | 1.17 |
| 35 | 1.46 | 2.01 | 1.71 | 2.53 |
| 45 | 4.07 | 7.50 | 3.34 | 6.80 |
| 55 | 10.00 | 23.14 | 8.48 | 19.00 |

| Age | **Mortgage Protection with Critical Illness** Annual rates per mille: | | | |
|---|---|---|---|---|
| | Male Non-Smoker | Male Smoker | Female Non-Smoker | Female Smoker |
| 25 | 1.09 | 1.22 | 1.10 | 1.12 |
| 35 | 1.39 | 1.90 | 1.62 | 2.39 |
| 45 | 3.84 | 7.06 | 3.15 | 6.40 |
| 55 | 9.41 | 21.76 | 7.98 | 17.87 |

| **Other Assurances** | 31 December 2005 | 31 December 2004 |
|---|---|---|
| Whole life and Endowments | A67/70 ult –1 yr | Same |
| Pure Endowment | 50% AM80 / 50% AF80 | Same |
| Life Long Plus | A67/70 ult +4 yrs | Same |
| Term assurance (up to Feb 1998) | 90% AM80/AF80 ult | Same |
| Term assurance (from Feb 1998) | 70% AM80/AF80 ult | Same |

In the above table, where the mortality table relates to male lives, females are rated down 3 or 4 years. For whole life and temporary insurance contracts, smokers are rated +2 years compared with aggregate mortality, and non-smokers are rated –1 year.

| **Ex-NULL Pensions and General Annuities** | 31 December 2005 | 31 December 2004 |
|---|---|---|
| Immediate Annuities – individual | 69% IML00<br>72% IFL00 | IM92 C=2010 – 1 yr<br>IF92 C=2010 – 1 yr |
| Immediate Annuities – group | 85.5% PCMA00<br>80% PCFA00 | PMA92 C=2010 – 1yr<br>PFA92 C=2010 – 1yr |
| Deferred annuity cash contracts | 65% AM92/ 65% AF92 | Same |
| Deferred & Reversionary Annuity | | |
| In deferment | 65% AM92/ 65% AF92<br>(Tied=100%) | Same |
| Post vesting | 85.5% PCMA00<br>80% PCFA00 | PMA92 C=2020 – 2yr<br>PFA92 C=2020 – 2yr |
| Retirement Annuity | | |
| In deferment | 65% AM92/ 65% AF92<br>(Tied=100%) | Same |
| Post vesting | 69% IML00<br>72% IFL00 | IM92 C=2020 – 2 yrs<br>IF92 C=2020 – 2 yrs |
| Variable Annuity | RMV92 C=2010<br>RFV92 C=2010 | Same |

| **Other Pensions and General Annuities** | 31 December 2005 | 31 December 2004 |
|---|---|---|
| Deferred Annuity & WDIS | | |
| In deferment – deferred | 50% AM80 / 50% AF80 | Same |
| In deferment – WDIS | 70% AM80 / 70% AF80 | Same |
| Post vesting | 85.5% PCMA00<br>80% PCFA00 | 78% PMA8002V / 94% PFA8002V |

Annuitant mortality bases – expectation of life

| | Expectation of Life for annuitant at age 65 | Expectation of Life for annuitant at age 75 | Expectation of Life from age 65 for annuitant aged 45 | Expectation of Life from age 65 for annuitant aged 55 |
|---|---|---|---|---|
| 85.5% PCMA00 | 23.46 | 14.25 | 27.98 | 25.66 |
| 80% PCFA00 | 25.67 | 16.25 | 28.77 | 27.19 |
| 69% IML00 | 25.71 | 15.95 | 30.10 | 27.85 |
| 72% IFL00 | 27.42 | 17.32 | 30.36 | 28.86 |
| RMV92 C=2010 | 19.71 | 12.41 | 19.71 | 19.71 |
| RFV92 C=2010 | 22.62 | 14.45 | 22.62 | 22.62 |

Mortality improvement

The 2005 annuitant mortality basis was derived by taking a percentage of the base table mortality rates (where the percentages are given in the relevant table above) and applying a percentage of the improvement rates from CMI Working Paper 1 (December 2002) for calendar years 2005 and beyond, as in the table below.

| Improvement rates applied to both Pension and General Annuities | Male % | Female % |
|---|---|---|
| Percentage of medium cohort applicable from 2005 | 100% | 75% |
| Minimum rate p.a. | 2% | 1.5% |

Impact of changes in incidence of disease

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 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) The morbidity bases used at the end of the financial year and at the end of the previous financial year were as follows:

| **Ex-NULL Life Assurances** | 31 December 2005 | 31 December 2004 |
|---|---|---|
| Standalone Critical Illness | Modified Reassurer rates (see below) | Modified Reassurer rates (see below) |
| **Other Life Assurances** | | |
| Critical Illness (accelerated benefit – unitised) | A67/70 ult +6 years | Same |
| Standalone Critical Illness | 1 periodic premium | Same |

Rates for the modified tables for 31 December 2005 are as follows

| Age | **Stand alone Critical Illness**<br>Annual rates per mille: | | | |
|---|---|---|---|---|
| | 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 | 19.70 | 8.23 | 17.91 |

Rates for the modified tables for 31 December 2004 were as follows

| Age | **Stand alone Critical Illness**<br>Annual rates per mille: | | | |
|---|---|---|---|---|
| | Male Non-Smoker | Male Smoker | Female Non-Smoker | Female Smoker |
| 25 | 0.77 | 0.77 | 1.11 | 1.11 |
| 35 | 1.22 | 1.55 | 1.76 | 2.54 |
| 45 | 3.79 | 6.77 | 3.65 | 7.28 |
| 55 | 10.13 | 22.51 | 9.41 | 20.47 |

Claims inception rates

For Safeguard and PHI product groups these have been based on CIDA rates, adjusted by factors dependent on the age, deferred period, occupation, sex, smoker status, sales channel, location and duration in-force, reflecting our own experience. Further margins have been taken for prudence.

For Safeguard and PHI policies, modified rates are shown below. The rates assume the following:

| | | |
|---|---|---|
| Occupation class 1 | Deferred period 6 months | Non-smoker status |
| Location – South England | Channel – IFA | Duration of policy – 5+ years |

| Age | **Safeguard rates**<br>Annual rates per mille: | | | |
|---|---|---|---|---|
| | 31 December 2005 | 31December 2005 | 31 December 2004 | 31December 2004 |
| | Male | Female | Male | Female |
| 25 | 1.82 | 2.27 | 1.58 | 1.97 |
| 35 | 1.41 | 2.87 | 1.22 | 2.49 |
| 45 | 2.58 | 6.33 | 2.23 | 5.49 |
| 55 | 5.84 | 11.93 | 5.06 | 10.34 |

| Age | **PHI rates**<br>Annual rates per mille: | | | |
|---|---|---|---|---|
| | 31 December 2005 | 31December 2005 | 31 December 2004 | 31December 2004 |
| | Male | Female | Male | Female |
| 25 | 3.72 | 3.40 | 3.92 | 3.58 |
| 35 | 2.71 | 2.79 | 2.86 | 2.94 |
| 45 | 4.50 | 5.48 | 4.74 | 5.77 |
| 55 | 8.68 | 13.67 | 9.14 | 14.39 |

Recovery rates

For Safeguard and PHI policies, these have been based on CMIR12, adjusted by factors derived from our own experience, with further margins for prudence.

For Safeguard and PHI policies, modified rates are shown below. The rates assume the following:

| | |
|---|---|
| Occupation class 1 | Deferred period 6 months |
| Non-smoker status | Location – South England |

| Age | **Safeguard rates : 31 December 2005**<br>Annual rates per mille: | | | |
|---|---|---|---|---|
| | Recovery 2 years | Recovery 2 years | Recovery 5 years | Recovery 5 years |
| | Male | Female | Male | Female |
| 25 | 243.89 | 243.89 | 72.37 | 72.37 |
| 35 | 197.29 | 197.29 | 60.40 | 60.40 |
| 45 | 148.83 | 148.83 | 49.37 | 49.37 |
| 55 | 98.81 | 98.81 | 39.60 | 39.60 |

| Age | **Safeguard rates : 31 December 2004**<br>Annual rates per mille:<br>Recovery 2 years Male | Recovery 2 years Female | Recovery 5 years Male | Recovery 5 years Female |
|---|---|---|---|---|
| 25 | 236.83 | 236.83 | 70.75 | 70.75 |
| 35 | 191.59 | 191.59 | 59.04 | 59.04 |
| 45 | 144.53 | 144.53 | 48.27 | 48.27 |
| 55 | 95.96 | 95.96 | 38.72 | 38.72 |

| Age | **PHI rates : 31 December 2005**<br>Annual rates per mille:<br>Recovery 2 years Male | Recovery 2 years Female | Recovery 5 years Male | Recovery 5 years Female |
|---|---|---|---|---|
| 25 | 266.77 | 266.77 | 79.21 | 79.21 |
| 35 | 215.82 | 206.78 | 66.10 | 66.10 |
| 45 | 162.83 | 155.79 | 54.03 | 54.03 |
| 55 | 108.12 | 103.33 | 43.34 | 43.34 |

| Age | **PHI rates : 31 December 2004**<br>Annual rates per mille:<br>Recovery 2 years Male | Recovery 2 years Female | Recovery 5 years Male | Recovery 5 years Female |
|---|---|---|---|---|
| 25 | 271.86 | 271.86 | 85.16 | 85.16 |
| 35 | 219.98 | 219.98 | 71.07 | 71.07 |
| 45 | 165.99 | 165.99 | 58.10 | 58.10 |
| 55 | 110.23 | 110.23 | 46.61 | 46.61 |

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

Long Term Care (Well-being and Future Care Plan)

Mortality, prior to claim – PMA80 C=2020 and PFA80 C=2020, with a deduction of 2 years to all ages.

Mortality, during claim – 95% ELT14, with additions to age depending on age and the severity of disablement.

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

(6) Details of the expense bases used at 31 December 2005 and 31 December 2004 are as follows

Zillmer Adjustment
No zillmer adjustment was used at the end of 2005 - valuations were carried out on a Gross Premium basis. A zillmer adjustment of 3.5% of sum assured was used in 2004 for business valued using Net Premium methodology.

Expense Assumptions
The expense assumptions for gross premium valuations, on both premium paying and non-premium paying business, before adding a 10% valuation margin, are set out below.

| | 2005 | 2004 |
|---|---|---|
| Ex-NULL policies | | |
| Life (2000 and before) | 12.65 | 12.26 |
| Life (after 2000) | 9.92 | 9.61 |
| Personal Pension | 41.84 | 40.54 |
| Bond | 14.31 | 13.86 |
| FTSE Bond | 4.79 | 4.65 |
| Annuity | 12.32 | 11.94 |

| | | |
|---|---|---|
| Stakeholder | 21.54 | 20.69 |
| Ex-NULL Group business | | |
| Creditor (% premium) | 0.33% | 0.39% |
| Defined Benefit - per scheme | 10,297.11 | 9,977.82 |
| Defined Benefit - per member | 316.30 | 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 |
| Variable Annuity (% premium) | 13% | 13% |
| Other | | |
| Conventional Life Temporary | 19.50 | 18.80 |
| Conventional Life Endowment/Whole Life | 14.85 | 14.32 |
| Pensions Unitised – Personal | 30.60 | 29.51 |
| Pensions Unitised – GPPP | 56.84 | 54.82 |
| Pensions Unitised – Group | 53.52 | 51.61 |
| Conventional Pensions | 18.19 | 17.54 |
| Annuities | 17.48 | 16.85 |
| Group Life per scheme – fixed charge | 146.76 | 145.20 |
| Group Life - premium related charge | 2% of premium | 2% of premium |

For PHI business in claim, an explicit claims expense reserve of 9.5% of the claims reserve has been included.

| | 2005 | 2004 |
|---|---|---|
| **Inflation rate for future expenses** | | |
| Ex-NULL products | 3.8% | 3.5% |
| Other products | 4.3% | 4.0% |

For Variable Annuity business, it has been assumed that expense inflation will not be greater than the rate of growth in dividend income.

| | | |
|---|---|---|
| **Linked business** | | |
| Unit Growth Rate for gross business | 5.2% | 5.3% |
| Unit Growth Rate for net business | 4.3% | 4.25% |
| Future increases in policy charges | 2.0% | 2.0% |

(7) There are no With Profits contracts in the non-profit subfunds.

(8) Option take-up rates

For deferred annuities with a guaranteed cash option and assurances with a guaranteed annuity option, other than for the Pensionvestor contract, it is assumed that policyholders will choose to exercise the greater of the two options on 95% of the available benefit. For the Pensionvestor contract policies this percentage is assumed to vary linearly, from 75% on policies maturing within 1 year, to 95% on policies maturing after 20 years or more.

Taxation

Valuation interest rates on Life business include an allowance for taxation, assuming a tax rate of 20% in respect of income on Fixed Interest for Life business.

Allowance for taxation is included within the unit pricing of unit linked funds as described in section 3(9) above.

Tax relief on expenses on products in the BLAGAB fund has been assumed using a rate of 20%.

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

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

For unit linked and unitised with profits business we have also assumed 100% persistency, except for policies with a surrender penalty that gives rise to a negative non-unit reserve (typically single premium investment bonds), where it is more prudent to allow for some lapses. In these cases we have used our current embedded value lapse rate assumptions.

(9) Over-the-counter derivative contracts are held to match the index-linked liabilities for guaranteed bonds shown in Form 54. The unit liability for these contracts was taken as the surrender value of the matching derivative instruments.

Apart from this, derivative contracts or assets having the effect of derivative contracts and any associated cash holdings, were not included in the assets allocated to the technical liabilities of the fund and as such did not impact on the calculation of the amount of long term liabilities.

## 5 Options and Guarantees

(1) Guaranteed Annuity Options

(a) For deferred annuities with a cash option and assurances with a guaranteed annuity option, the value of the benefits at the vesting date is the greater of the value of the annuity or the cash option. Where a guaranteed annuity is payable, a provision for future expenses in payment is also held.

(b) Pensionvestor

Pensionvestor policies have a basic reserve of £73m.

The distribution of outstanding durations and retirement ages is as follows:

| Outstanding Term (years) / Retirement Age | 0-5 | 5-10 | 10-15 | 15-20 | 20-25 | 25-30 | Total |
|---|---|---|---|---|---|---|---|
| **55 and under** | 4 | 0 | 0 | 1 | 0 | 0 | 5 |
| **56-60** | 574 | 346 | 164 | 31 | 3 | 0 | 1118 |
| **61-65** | 326 | 209 | 106 | 41 | 7 | 1 | 690 |
| **66-70** | 59 | 4 | 7 | 1 | 1 | 0 | 72 |
| **71-75** | 28 | 26 | 38 | 3 | 0 | 0 | 95 |
| **Total** | 991 | 585 | 315 | 77 | 11 | 1 | 1980 |

The guarantee reserve is £49.5m.

The guaranteed annuity rate is 12.244% of the cash sum for a male aged 65, based on a single life annuity payable annually in arrears.

Policyholders may make increments to the policy, but no guaranteed annuity options are allowed on increments.

(2) Guaranteed Surrender and Maturity Values

Pension Assured Fund

Units in the Pension Assured Fund have a guaranteed price of £1 at the selected pension date or on earlier death. Details are provided in the valuation report of the Provident Mutual Fund, where the majority of these guarantees arise.

(3) Guaranteed Insurability options

a) The reserve for guaranteed insurability options is calculated as the option premiums received in respect of policies in force accumulated at 7.5% per annum compound interest.

One periodic option premium is held as a reserve for those policies which select conversion or renewal options.

(b) The table below, together with the comments that follow, gives details for ex-NULL protection policies with conversion and renewal options.

| Product name | In-force premiums | Sum Assured | Guarantee Reserve |
|---|---|---|---|
| Level Term Assurance | £12.1m | £4511.7m | £1.7m |
| Decreasing Term Assurance | £20.7m | £4622.9m | £11.1m |

Conversion option
For an additional premium, and provided the option is selected prior to their 65th birthday, the policyholder can convert all or part of their policy without further medical evidence. If the policy is a level term assurance then it can be converted into either a non-increasing term type policy or a low cost whole of life. If the policy is a decreasing term assurance it may also be converted into an endowment assurance. In either case the maximum sum insured will be the original sum insured inflated using RPI to the conversion date.

Renewal option
For an additional premium, and provided the term of the policy expires before the policyholder's 65th birthday (if a level term assurance) or 75th birthday (if a decreasing term assurance), the policyholder may effect a new policy at the end of the policy term. The term of the new policy must not exceed the term of the original policy. No further medical evidence is required on selecting this option, unless a critical illness or premium protected option is selected on the new policy. The maximum sum insured will be the original sum insured inflated using RPI to the conversion date.

(4) Other Guarantees and Options

When contracts provide other options with a specific premium, a reserve is held of all option premiums paid.

Some group business contains premium rate guarantees for a limited period. No specific reserve for these is considered necessary.

Contingency reserves are held and these are available for any kind of contingency which may arise. These reserves also cover a provision for liabilities arising from any mis-selling in respect of the Company's own representatives, and for future levies for the Financial Services Compensation Scheme.

For the Index-linked Bonds shown on Form 54, the benefits on maturity are linked to the performance of an index. There is no additional reserve because matching assets are held.

## 6 Expense Reserves

(1) The aggregate amount of expense loadings, grossed up for taxation where appropriate, expected to arise during 2006 is shown in the table below.

| Type of Expense Allowance | Amount of Allowance |
|---|---|
| Explicit Reserves | £99.7m |
| Implicit Allowances | 0 |
| Investment Expenses | £40.4m |
| Other Maintenance Expenses | £26.3m |
| TOTAL | £166.4m |

(2) There are no implicit expense allowances. All expense reserves are calculated explicitly.

(3) The total amount of maintenance expenses shown at line 14 of Form 43 (combined for the non-profit subfunds) is £177.0m. The following items are included in the Form 43 figure, but do not constitute expenses for comparison against the above allowances:

Unit fund management charges £9.1m
Other expenses excluded £9.4m

The actual expense figure comparable with the allowance in section 6(1) is £158.5m.

(4) In determining the requirement for a new business expense overrun reserve, a prudent assessment of the projected value of 2006 new business is calculated, and compared against the projected new business expense overrun. A reserve is held if the latter exceeds the former. No new business expense overrun reserve is required in respect of 2006 new business.

(5) In addition to per policy expense reserves, explicit expense reserves of £123.5m are held in accordance with PRU 7.3.50R. These reserves include appropriate allowance for expected redundancy and other costs associated with ceasing to transact new business 12 months after the valuation date, and for expense overruns in respect of business in force at the valuation date.

## 7 Mismatching Reserves

(1) Apart from £18.1 million of Euro-denominated reserves, all of the mathematical reserves of the NUL&P non- profit subfunds are held to support liabilities payable in Pounds Sterling. The funds hold sufficient sterling assets to match these liabilities. There are no Euro-denominated assets in the funds to match the small volume of Euro-denominated liabilities.

(2) There are no liabilities in non-sterling currencies other than those described in 7(1) above.

(3) The fund does not hold an explicit reserve for the small volume of mismatched Euro-denominated liabilities.

(4) For the purposes of calculating the resilience capital requirement, the most onerous test was:

- UK equities fall in value by 10% with a 10% fall in equity income
- Property falls in value by 20% with a 10% fall in property income
- Fixed interest yields fall by 0.824%

(5) For the purpose of calculating the resilience capital requirement no assets were included that were invested in a significant territory outside the UK.

(6)

(a) In accordance with PRU 4.2.10R, the resilience capital requirement for the company as a whole is zero. The negative result in the With Profits fund has contributed to the overall negative position of the company.

(b) The increase in the aggregate amount of the long term insurance liabilities, excluding property-linked liabilities, was £168.9 million.

(c) The increase in the aggregate amount of the assets allocated to match the non property-linked liabilities was £124.1 million.

(7) No further reserve has arisen from the test on assets in PRU 7.2.34R(2). The non-profit subfunds hold significant volumes of liquid assets (e.g. cash, certificates of deposit), mitigating the risk that the fund may have to sell assets at an unfavourable time. It also ensures that a significant proportion of other assets are invested in highly marketable stocks, in particular government bonds, but also corporate bonds issued by large companies.

## 8 Other Special Reserves

Counterparty Risk Reserve
A reserve of £40m is held for adverse deviations in respect of credit risk from reinsurer defaults. The exposure to each reinsurer by credit rating is identified, and using a probability of default for each rating, the risk amount in each calendar year is assessed. The Counterparty Risk reserve is the discounted value of the future annual reinsurer counterparty risk amounts.

Staff Pension Scheme Deficit Reserve
A reserve of £69m is held in NULAP Non-Profit to cover the funding payments to be made to the Scheme over a 5-year period. Payments increase with inflation over the remaining funding period.

Investment performance fees

A reserve of £18m has been established to cover the estimated cost of future investment performance fees under the current agreement with the company's investment managers. Investment scenarios have been run to determine the likely level of investment performance. The reserve is the discounted value of the fees payable given this performance, together with a valuation margin for prudence.

<u>Data Quality Reserve</u>
A provision of £35m is held against the risk that the data underlying the calculation of the mathematical reserves is deficient in any way. The amount of this reserve is determined by general considerations

## 9 Reinsurance

(1) The Company has no facultative reinsurance with a reinsurer who is not authorised to carry out business in the United Kingdom.

(2) Reassurance details are provided in the table below. The third and fourth columns marked A and C indicate, respectively, whether the reassurer is authorised to carry on insurance business in the UK, and whether the reassurer is connected to the company.

| Ref | Name of Reinsurer | A | C | Class of business | Reinsurance Premiums £'000s | 31/12/05 Reserve £'000s | Open/ Closed to NB | % retained for new business |
|---|---|---|---|---|---|---|---|---|
| A | Munich Reinsurance Company, UK Life Branch. | Yes | No | Term Assurance, Mortgage Protection, Low Cost Endowment. | 36,314 | 135,905 | Closed | |
| B | Munich Reinsurance Company, UK Life Branch. | Yes | No | Permanent Health | 6,668 | 15,553 | Open | |
| C | Swiss Re Life & Health Limited | Yes | No | Permanent Health | 324 | 10,909 | Open | |
| D | Pool – see note | Yes | No | Miscellaneous Protection | 9,278 | 30,621 | Closed | |
| E | Staley Insurance Services Limited | No | No | Creditor | 40,737 | 7,680 | Open | |
| F | FCE Reinsurance Company | No | No | Creditor | 1,444 | 5,355 | Open | |
| G | Progressive Insurance Company | No | No | Creditor | 32,573 | 18,187 | Open | |
| H | Commercial Union Life Assurance Company Limited | Yes | Yes | Internal Protection Reinsurance | 10,129 | 22,926 | Closed | |
| I | CGNU Life Assurance Limited | Yes | Yes | Internal Protection Reinsurance | 10,129 | 22,926 | Closed | |
| J | GE Frankona Reinsurance Limited. | Yes | No | Term and Gteed Integrated CI | 2,612 | 150,960 | Closed | |
| K | GE Frankona Reinsurance Limited. | Yes | No | Standalone Gteed CI | 301 | 28,219 | Closed | |
| L | GE Frankona Reinsurance Limited. | Yes | No | MP and Gteed Integrated CI | 28,870 | 130,084 | Open | 25% up to £50k |
| M | Hannover Re (Ireland) | No | No | Term and Gteed Integrated CI | 791 | 24,086 | Closed | |
| N | Munich Reinsurance Company, UK Life Branch. | Yes | No | Term and Gteed Integrated CI | 14,056 | 117,543 | Open | 10% up to £500k |
| O | Revios Reinsurance Ireland Limited | No | No | Term and Gteed Integrated CI | 2,363 | 28,963 | Closed | |
| P | RGA (UK) | Yes | No | Term and Gteed Integrated CI | 1,749 | 15,502 | Closed | |
| Q | RGA Americas Reinsurance Company Limited | No | No | Term and Gteed Integrated CI | 24,291 | 229,889 | Closed | |
| R | RGA Americas Reinsurance Company Limited | No | No | MP and Gteed Integrated CI | 5,719 | 15,485 | Open | 10% up to £500k |
| S | Swiss Re Life & Health Limited | Yes | No | Term and Gteed Integrated CI | 2,044 | 34,553 | Closed | |
| T | Swiss Re Life & Health Limited | Yes | No | MP and Gteed Integrated CI | 10,584 | 44,998 | Closed | |
| U | XL Re Limited (UK Branch) | Yes | No | Term and Gteed Integrated CI | 817 | 33,373 | Open | Life: 10% up to £500k<br>CI: 25% up to £50k |
| V | Norwich Union Annuity Limited | Yes | Yes | Immediate Annuities | 7,205 | 146,511 | Closed | |
| W | Legal and General Assurance (Pensions Management) | Yes | No | Unit linked | 57,902 | 733,774 | Open | |
| X | HSBC Dublin | No | No | Creditor | 117,402 | 91,800 | Open | |
| AA | Swiss Re Life & Health Limited | Yes | No | 2003 Protection Business | 1,157 | 28,900 | Closed | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| AB | Swiss Re Life & Health Limited | Yes | No | 2004 Tesco Protection Business | 93 | 5,800 | Closed |
| AC | Swiss Re Life & Health Limited | Yes | No | 2005 Existing Business | 373 | 250,000 | Closed |
| AD | Swiss Re Life & Health Limited | Yes | No | 2005 Tesco Protection Business | 0 | 10,000 | Closed |
| AE | Invesco Pensions Limited | Yes | No | Unit-linked External Funds | 8,210 | 50,847 | Closed |
| AF | Deutsche Asset Management Life & Pensions Ltd | Yes | No | Unit-linked External Funds | 11,110 | 41,207 | Closed |

An indication of the cover given under each treaty is provided below.

| | |
|---|---|
| A | Quota Share – Death Benefits for all business with no previous reinsurance |
| B, C | Quota Share & Surplus Reinsurance |
| D | Quota Share - death and CI benefits |
| E | Quota Share of insured risks under one scheme |
| F,G | Quota Share |
| H,I | Quota Share |
| J | Variable % of Sum Assured by sex or smoker status |
| K,L,M | Quota Share – death and CI benefits |
| N | Quota Share – death benefits |
| O | Quota Share – death and CI benefits |
| P,Q | Quota Share – death benefits |
| R | Quota Share – death benefits |
| S,T | 50% of SA |
| U | Quota Share – death benefits |
| V | 100% of Immediate Annuity benefits |
| W | Unit liability |
| X | Quota Share |
| AA | Financing Arrangement (TDSL) - £170m initial benefit |
| AB | Financing Arrangement (TDSL) - £10m initial benefit |
| AC | Financing Arrangement (TDSL) - £250m initial benefit |
| AD | Financing Arrangement (TDSL) - £10m initial benefit |
| AE, AF | Unit-linked External Funds |

The pool of reinsurers included under reference D in the table includes RGA Americas, Gen Re, Revios (UK), GE Frankona, Swiss Re Life & Health and Hannover (UK).

There are no material contingencies, such as credit risk or legal risk, to which any of these treaties are subject.

There are no significant undischarged obligations to the reinsurers as at 31/12/2005.

There are no deposit back arrangements in any of these treaties.

Financing Treaties (table reference AA, AB, AC and AD)
Two financing arrangements exist between the Company and Swiss Reinsurance Company and Manufacturers Life Reinsurance Company, and a further two arrangements exists between the Company and Swiss Re. As these treaties are Time Deferred Stop Loss arrangements, where the recapture of the liability is contingent on future shareholder surplus, no liability for the undischarged obligation has been taken into account in the valuation. Account has been taken of the credit risk exposure to the reinsurers in the reinsurer counterparty exposure reserve (see section 8).

**10** There are no with profits contracts in the non-profit subfunds.

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

Name of insurer **Norwich Union Life & Pensions Limited – With-Profit Fund**

Global business

Financial year ended **31 December 2005**

1.

(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**

The Norwich Union Life & Pensions Limited With-Profits fund (NUL&P WP) has no future non-profit profits that require economic assumptions.

The only profits are release of LTICR and RCR on the non-profit business, which 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 Conventional 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.

For unitised business, the asset share of a policy is defined as the sum of the asset shares of the units of the policy. Our approach calculates the asset share of each individual unit, and then aggregates across all units in a policy. We have recorded this approach as being individual.

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 Pension paid up policies (PUP)
- Conventional Whole Life policies.
- With-profit immediate annuity business.

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

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

Name of insurer **Norwich Union Life & Pensions Limited – With-Profit Fund**

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 | | 756 | 8,493 |
| Asset Share (individual) | 6,770 | | |
| Asset Share (grouped) | 169 | | |
| BRV | 798 | | |
| Conventional Pensions | | 2,081 | 5,263 |
| Asset Share (individual) | 2,252 | | |
| Asset Share (grouped) | 235 | | |
| BRV | 668 | | |
| Regulatory Reserve | 28 | | |
| UWP Life | | -16 | 2,792 |
| Asset Share (individual) | 2,807 | | |
| UWP Pensions | | 69 | 7,986 |
| Asset Share (individual) | 7,917 | | |
| Reinsured-in business (recaptured 1/1/2005) | 0 | 0 | 0 |
| Miscellaneous Other | | 136 | 136 |
| **Total** | **21,641** | **3,027** | **24,669** |

The with-profits benefit reserves are mainly asset shares calculated on an individual policy level or, in the case of UWP business, individual unit level. The asset shares are an accumulation of premiums, investment return, expense deductions and other adjustments such as for surrender and mortality profits, as set out in the fund's PPFM. Asset shares for the conventional business are charged actual expenses. Asset shares for the direct-written UWP business are charged the policy charges. As from 1May 2004 all direct-written NUL&P WP asset shares are charged 0.75% p.a. to help cover the cost of guarantees in the fund.

The only direct-written new business in NUL&P WP (other than increments on existing contracts) is the with-profit annuity.

Conventional Life consists mainly of conventional endowments, with only £798m of whole-life contracts. The whole-life products are valued on a BRV basis. The grouped asset shares in Conventional Life refer to adjustments that are made on a grouped basis. All conventional life products are written on a 90/10 basis. Conventional life endowment policies have guaranteed amounts at maturity equal to the basic sum assured plus any regular bonus accrued to date. Conventional whole life contracts provide a guaranteed payout on death of basic sum assured plus regular bonus accrued to date.

Conventional Pensions consists mainly of deferred cash schemes with attaching guaranteed minimum annuities due at retirement. There is also a block of deferred annuity business with minimum cash values at retirement. Asset shares are used for all premium-paying business. Paid up policies are valued at £502m using a BRV approach. Conventional Group Defined Benefits business uses the regulatory reserve. The grouped asset shares in Conventional Pensions refer to adjustments that are made on a grouped basis. In line with current bonus practice, the BRV is based on the final bonus scales derived from projected premium paying policies.

Conventional Pensions also contains £166m of with-profit annuity business valued using a BRV calculation. The with-profit annuity 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 guaranteed minimum annuity amount attaching to this contract.

UWP Life consists of unitised single premium bonds and unitised mortgage endowments all written on a 100:0 basis. UWP units purchased prior to 1 January 1999 for policies sold prior to 1 January 1995 have a guaranteed minimum regular bonus rate of 2.5% p.a, the asset share for this business at 31 December 2005 is £675m.

The following guarantees apply to NUL&P UWP bonds.

| **Product** | **Dates of Issue** | **Anniversary Guarantee** |
|---|---|---|
| Capital Plan | 1989-93 | No MVR on $10^{th}$ $15^{th}$ $20^{th}$ etc |
| Norwich With-Profit, Bicentennial, and Flexibond | 1996-1/10/2002 | Money back on $10^{th}$ |

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 of unitised individual and group personal pensions written on a 100:0 basis. UWP units purchased prior to 1 January 1999 for policies sold prior to 1 January 1995 have a guaranteed minimum regular bonus rate of 4% p.a, the asset share for this business at 31 December 2005 is £4,637m (2004: £4,661m).

The business reinsured from CGNU Life was recaptured by that fund on 1 January 2005.

'Miscellaneous other' consists of reserves held to cover other liabilities to the fund that cannot be assigned to certain product types such as Pension transfer review reserves, reserves for future development and audit fees. The figure also includes the reserve for future shareholder transfers and the associated tax that are not chargeable to asset shares.

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

(1) **Table of methods**

| **Method** | **With-profit benefits reserve (%)** |
|---|---|
| Asset Share (individual) | 91 |
| Asset Share (grouped) | 2 |
| BRV | 7 |
| Regulatory Reserve | 0 |
| Miscellaneous Other | 0 |
| **Total** | **100** |

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

(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.

For Conventional With Profits business – the actual per policy expenses are charged to the policies

For Unitised With Profits business – the policies have defined charges as per the policy conditions, and expenses are charged to the Non Profits fund.

Other expenses 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 | 0 | 1 | 0 | 0 | 1 |
| Renewal expenses and commission | 141 | 15 | 1 | 5 | 162 |
| Shareholder Transfers | 0 | 20 | 0 | 0 | 20 |

The above table approximately splits out the expenses incurred over 2005. Non-profit expenses are expenses relating to non-profit business within the fund. NUL&P WP direct-written business asset shares are charged all actual per policy expenses and charges incurred. 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 - 0.5% for NUL&P WP written business. 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 for development expenses, audit fees and mis-selling expenses. These are charged to the with-profit fund as laid out in each fund's PPFM.

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

Shareholder transfers are charged to the with-profits funds. Most conventional business is written on a 90/10 basis with transfers equal to $1/9^{th}$ of the cost of bonus. NUL&P WP conventional with-profit annuity business written prior to 2 October 2002 has shareholder transfers equal to a fixed proportion of asset shares. UWP business written in NUL&P WP is on a 100:0 basis.

**Expenses charged to the with-profits benefit reserves**

The total expenses charged to with-profits benefit reserves over 2005 are approximately £141m. The majority of this relates to renewal expenses as there is minimal new business written in NUL&P WP.

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

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

Actual expenses apply to NUL&P WP conventional business

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.

Policy charges are applied to NUL&P UWP business

The asset share is deducted the actual charges on the policy, e.g. a 1% annual management charge applies for stakeholder pensions. Also note that any surrender penalty would apply to the asset share on exit.

**Expenses not charged to the with-profits benefits reserve**

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

For UWP business written in NUL&P WP the actual expenses are passed across to NUL&P NP along with the charges deducted from the asset shares, so no policy related expenses are accrued to the estate.

Shareholder transfers for NUL&P conventional business are 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**

A deduction of 0.75% p.a. from the with-profits benefit reserves for direct-written NUL&P WP business was introduced on 1 May 2004 to help cover the cost of guarantees. Total charges made over 2005 are approximately £150m (2004: £97m).

(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 |
|---|---|---|---|
| NUL&P WP | Conventional | 115% | 106% |
| | UWP | 111% | 107% |

The figures for 2002 and 2003 are estimates.

| Fund | Product Type | 2004 | 2005 |
|---|---|---|---|
| NUL&P WP | Conventional Life | 101% | 99% |
| | Conventional Pensions | 110% | 114% |
| | UWP Life | 99% | 98% |
| | UWP Pensions | 102% | 97% |

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.

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. The rates quoted below apply to all policies.

NUL&P WP written business 16.24%

5. **With-profits benefits reserve – Prospective method**

(1) **Prospective assumptions**

**Bonus reserve valuation** (BRV) is used for approximately 7% of the with-profit benefits reserve. The key blocks of business valued in this way are

conventional whole life contracts, where the calculation is based on a deterministic reserve including an allowance for Final Bonus

paid-up Conventional Pensions, where the calculation uses stochastic final bonus rates consistent with unaltered policies.

With Profit immediate annuities, where the calculation uses stochastic final bonus rates derived from the current WPIA bonus model.

Just 0.1% of the with-profit benefits reserve consists of regulatory reserves, so the assumptions have not been included here.

The key assumptions behind the prospective valuation of with-profit benefits reserves are as follows:

Economic Assumptions

The valuation of the BRV for the conventional Pension PUPs uses the stochastic valuation model used to value guarantee costs with term dependent risk free rate for both the earned rate and discount rate. In summary these are:

| Term (years) | Rate (gilt +0.1%) |
|---|---|
| 1 | 4.39% |
| 5 | 4.29% |
| 10 | 4.23% |
| 15 | 4.20% |

Future economic assumptions for the conventional whole life and with-profit immediate annuity business:

| **Discount rate and Future earned rate:** | |
|---|---|
| Conventional Whole Life | 3.1% |
| With-profit Immediate Annuity | 4.25% |
| Expense Inflation | 4.3% |

The basis used for whole life business is that used in the regulatory valuation.

The rate used for immediate annuities is the flat risk free rate.

Future Assumed Regular Bonus Rates

| **Product Class** | **2006** |
|---|---|
| Conventional Whole Life | 0% |
| Conventional Pension PUPs | 0% |
| With-profit Immediate Annuity | 2% |

Final bonuses on paid-up pension contracts are based on the premium paying policy scales which are derived from projections of the asset shares under the stochastic model. As they vary under each simulation they have not been included here.

Future Expense Assumptions

| | **2005** | |
|---|---|---|
| **Product Class** | **Renewal Expenses Per policy** | **Expense Inflation %** |
| Conventional Whole Life | £22.34 | 4.3 |
| Conventional Pension PUPs | £25.69 | 4.2 |
| With-profit Immediate Annuity | £21.88 | 4.3 |

Future Assumed Lapse Rates

| **Product Class** | **Policy Duration** | | | | | | |
|---|---|---|---|---|---|---|---|
| % | 1 | 2 | 3 | 4 | 5 | 6 | 7+ |
| Conventional Whole Life | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Conventional Pension PUPs | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| With-profit Immediate Annuity | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

Future mortality assumptions

Conventional whole life: A67/70 Ult less 3 years to age

Conventional pension PUPs: 45% A67/70

With-profit annuity: Based on the proposed CMI tables based on data from 1999 to 2002 altered to reflect our own experience.

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). A description of the stochastic model is given below.

(b) Grouping Basis

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

For conventional business:

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

For unitised with-profit business:

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

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

*Validations*

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

(c) Not applicable.

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

There is now no business reinsured from CGNU Life to this fund, following the recapture of that reinsurance by CGNU on 1st January 2005.

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.

For UWP Pensions policies where a no-MVR guarantee is available from age 50, we have now assumed that benefits will be taken at the member's chosen NRD, and not immediately at age 50. This results in higher guarantee costs, given that the majority of this business has a 4% minimum annual bonus rate guarantee.

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

Allowance for a restriction of the aggregate Guarantee Charge to ensure that the revenue from the Charge is no greater than the aggregate cost of Guarantees in any scenario.

(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 deductions for costs of guarantees / options | Planned Deductions to WPBR for other costs | Contractual Guarantee costs | Non-Contractual Commitments | Smoothing costs |
|---|---|---|---|---|---|
| Conventional Life | 200 | 0 | 50 | 648 | -41 |
| Conventional Pensions | 119 | 0 | 467 | 0 | 77 |
| Direct Written - UWP Life | 64 | 0 | 18 | 45 | -16 |
| Direct Written - UWP Overseas | 0 | 0 | 0 | 0 | 0 |
| Direct Written - UWP Pensions | 539 | 0 | 652 | 0 | -43 |
| Direct Written - UWP Stakeholder | 0 | 0 | 0 | 0 | 0 |

**Planned Deductions to WPBR for guarantees and options**

This represents the expected future value (from 1 January 2006) of the 0.75% p.a. charge made on direct-written NUL&P WP asset shares. This charge has been made to help cover the future costs of guarantees within the fund. This charge was introduced 1 May 2004.

The aggregate level of the charge is restricted to be no greater than the aggregate costs of the guarantees in any scenario.

**Planned Deductions to WPBR for other costs**

None

**Contractual Guarantee Costs**

The total disagrees with the Form 19 total because of £619m of Section 32 Guaranteed Minimum Pension costs that 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.

| | | |
|---|---|---|
| Stochastic Reserve | = | £50m |
| Best-estimate | = | £1m |
| Option value | = | 98% |

Conventional life guarantees are almost completely 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 guaranteed minimum pensions on Section 32 contracts is covered in section 6.4 (b) as is the cost of any guaranteed annuity options under the cost of financial options.

| | | |
|---|---|---|
| Stochastic Reserve | = | £467m |
| Best-estimate | = | £386m |
| Option value | = | 21% |

Conventional pension guarantees are very in-the-money.

UWP Life

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.

| **UWP Life** | **Units with minimum bonus guarantee** | | **Units without minimum bonus guarantee** | |
|---|---|---|---|---|
| Year of Unit Purchase | BVU (£m) | Asset Share / BVU (%) | BVU (£m) | Asset Share / BVU (%) |
| 1989 | 8 | 108% | 0 | 109% |
| 1990 | 108 | 117% | 0 | 117% |
| 1991 | 306 | 126% | 0 | 126% |
| 1992 | 34 | 132% | 0 | 133% |
| 1993 | 11 | 124% | 0 | 125% |
| 1994 | 11 | 120% | 10 | 120% |
| 1995 | 14 | 123% | 15 | 124% |
| 1996 | 19 | 116% | 147 | 116% |
| 1997 | 21 | 110% | 185 | 111% |
| 1998 | 20 | 102% | 228 | 102% |
| 1999 | 0 | 98% | 776 | 99% |
| 2000 | 0 | 96% | 573 | 96% |
| 2001 | 0 | 104% | 45 | 105% |
| 2002 | 0 | 114% | 31 | 115% |
| 2003 | 0 | 118% | 29 | 119% |
| 2004 | 0 | 113% | 28 | 114% |
| 2005 | 0 | 106% | 29 | 106% |
| TOTAL | 553 | 122% | 2,097 | 102% |

This table shows the ratio of asset share over bid value of units for the majority of the NUL&P WP written UWP Life business as at 31 December 2005.

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 personal pensions from 1 April 2001.

| **UWP Pensions** | **Units with minimum bonus guarantee** | | **Units without minimum bonus guarantee** | |
|---|---|---|---|---|
| Year of Unit Purchase | BVU (£m) | Asset Share / BVU (%) | BVU (£m) | Asset Share / BVU (%) |
| 1987 | 0 | 122% | 0 | 123% |
| 1988 | 69 | 115% | 0 | 116% |
| 1989 | 465 | 105% | 0 | 106% |
| 1990 | 469 | 114% | 1 | 115% |
| 1991 | 497 | 127% | 0 | 128% |
| 1992 | 480 | 136% | 0 | 137% |
| 1993 | 424 | 126% | 0 | 127% |
| 1994 | 338 | 121% | 0 | 122% |
| 1995 | 291 | 125% | 20 | 126% |
| 1996 | 280 | 116% | 55 | 117% |
| 1997 | 337 | 109% | 97 | 110% |
| 1998 | 199 | 100% | 135 | 101% |
| 1999 | 0 | 96% | 389 | 97% |
| 2000 | 0 | 93% | 374 | 94% |
| 2001 | 0 | 103% | 315 | 104% |
| 2002 | 0 | 115% | 325 | 116% |
| 2003 | 0 | 120% | 306 | 121% |
| 2004 | 0 | 115% | 259 | 116% |
| 2005 | 0 | 107% | 198 | 107% |
| TOTAL | 3,850 | 119% | 2,477 | 107% |

This table shows the ratio of asset share over bid value of units for the majority of the NUL&P WP written UWP Pensions business as at 31 December 2005.

**Non-Contractual Commitments**

Conventional Life

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

Payment of the mortgage promise is conditional on the investment earnings achieved on the estate. These must be sufficient to pay the shortfall amounts falling due each year

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.

UWP Life

This represents the cost of the mortgage endowment promise on UWP endowments.

**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 NUL&P.

(ii)**Description of the asset model**

The distribution was calculated using the following assumptions:

Risk-free rate:

Risk-free rate curve as shown below –

| Outstanding term | Risk free annualised spot rate (%) |
|---|---|
| 1 | 4.39 |
| 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 |

All assets were expected to grow at the risk-free rate (ie risk neutral pricing was used).

Derivation of risk-free rate curve:

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

The swap – gilt spread varies between 25bp at 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 |
|---|---|
| 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 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.

Main liabilities modelled with flat risk-free rate:

Future transfers to shareholders (and tax on these)
BRV on With Profits Immediate annuity

Risk free rate used: 4.25%

Form of probability distribution:

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

Derivation of Equity/Property volatility:

UK Equity

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

| Term | Source 1 | Source 2 | Source 3 |
|---|---|---|---|
| 1 | 12.93% | 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%.

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 7.5 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 3.25%. 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

| | NUL&P WP |
|---|---|
| Gilts | 3.25% |
| Other Fixed Interest | 5.25% |

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:

**NUL&P WP**

| **Class** | **% of asset share** | **Volatility parameter** |
|---|---|---|
| UK Equities | 32% | 20.0% |
| Property | 16% | 15.0% |
| European Equities | 0% | 20.0% |
| US Equities | 5% | 22.2% |
| Japanese Equities | 1% | 24.0% |
| Pacific Basin Equities | 3% | 19.5% |
| Emerging Market Equities | 2% | 19.5% |
| UK government bonds | 18% | 3.3% |
| Corporate bonds | 12% | 5.3% |
| Global bonds | 5% | 5.3% |
| Cash | 8% | 0.0% |
| | 100% | |

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

Returns under the Accounts and Statements Rules

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

Name of insurer **Norwich Union Life & Pensions Limited – With-Profit Fund**

Global business

Financial year ended **31 December 2005**

(iii) **Option prices from asset model**

| | | | K= 0.75 | | | | K= 1 | | | | K= 1.5 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | n | 5 | 15 | 25 | 35 | 5 | 15 | 25 | 35 | 5 | 15 | 25 | 35 |
| ROW | Asset type | 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*£1,000,000*(1+r*p)^n.

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

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

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

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

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

Tax should be ignored in all calculations.

All options should be assumed to be European-style.

*Commentary on the results:*

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

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

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

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

(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.

(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.

**NUL&P WP – 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 | 8.5 | - | 0 | 5 | 6 | 7 | 13 | 17 | 14 | 8 | 7 | 6 | 4 | 2 | 2 | 1 | 1 | 1 | 9 | 0 | 100 |
| Mortgage promise | 7.7 | 1 | 2 | 2 | 3 | 6 | 11 | 16 | 16 | 12 | 11 | 11 | 7 | 1 | 1 | 0 | 0 | 0 | 0 | 0 | 100 |
| Conventional Pensions | | | | | | | | | | | | | | | | | | | | | |
| Base guarantee | 9.7 | 2 | 3 | 4 | 5 | 6 | 7 | 7 | 7 | 7 | 6 | 6 | 6 | 6 | 5 | 5 | 4 | 4 | 10 | 0 | 100 |
| GAR option | 6.8 | 10 | 10 | 9 | 8 | 7 | 7 | 7 | 6 | 5 | 5 | 4 | 3 | 3 | 3 | 3 | 2 | 2 | 5 | 0 | 100 |
| S32 GMP guarantee | 10.9 | 2 | 3 | 4 | 4 | 4 | 5 | 6 | 6 | 6 | 6 | 6 | 6 | 7 | 6 | 6 | 5 | 5 | 14 | 0 | 100 |
| Unitised Life: | | | | | | | | | | | | | | | | | | | | | |
| Base guarantee | 10.1 | - | 1 | 7 | 8 | 10 | 7 | 7 | 7 | 6 | 5 | 5 | 4 | 7 | 5 | 3 | 3 | 2 | 10 | 3 | 100 |
| Mortgage promise | 11.9 | 0 | 1 | 1 | 2 | 2 | 2 | 3 | 7 | 6 | 3 | 4 | 7 | 21 | 17 | 4 | 6 | 6 | 9 | 0 | 100 |
| Unitised Pensions: | | | | | | | | | | | | | | | | | | | | | |
| Base guarantee | 18.1 | - | - | 1 | 1 | 1 | 2 | 2 | 3 | 3 | 3 | 3 | 4 | 4 | 4 | 4 | 4 | 5 | 46 | 11 | 100 |

(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:

| | | | K= 0.75 | | | | K= 1 | | | | K= 1.5 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | 5 | 15 | 25 | 35 | 5 | 15 | 25 | 35 | 5 | 15 | 25 | 35 |
| ROW | r (**Continuous**) | | 4.20% | 4.11% | 4.00% | 3.90% | 4.20% | 4.11% | 4.00% | 3.90% | 4.20% | 4.11% | 4.00% | 3.90% |
| | | p | | | | | | | | | | | | |
| 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 (18.3%) for this specimen contract because:

We make a credit risk adjustment relative to the risk free rate that maintains put/call parity.

We calibrate volatility to around 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.

(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 reserve in respect of Guaranteed Minimum Pension liabilities on Section 32 policies arises. This has also been calculated based on a deterministic (intrinsic cost) of the option, plus an uplift to allow for the implied option value. For these policies an uplift factor of 15% has been used at all durations.

Guaranteed Annuity Option cost (recorded as cost 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.

Cost of GMP guarantee on Section 32 policies (recorded as a cost of guarantee):

This represents the cost of providing for guaranteed minimum pensions for Section 32 contracts.

| **Cost of annuity rate guarantees** | £m |
|---|---|
| Base GAO cost | 782.4 |
| Uplift (5%) | 39.1 |
| Expense reserve | 26.2 |
| **Total** | **847.7** |
| | |
| Base cost of GMP gtee on S32 | 538.1 |
| Uplift (15%) | 80.7 |
| **Total** | **618.8** |

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.

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

If equity/property performance is poor, then solvency would deteriorate, hence management action would be to reduce the equity/property 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 broad duration match to liabilities.

**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 the current 0.75% guarantee charge on asset shares for NUL&P business. Under the stress scenarios any change in guarantee charge is assumed to take effect from the valuation date.

**Shareholder Transfers and tax**

The model assumes that transfers to shareholders continue at the rate of one ninth of the cost of bonus on Conventional Business only.

Shareholder transfers and any additional tax due in NUL&P WP are charged to the estate.

**Mortality costs**

Mortality profits and losses are passed on to the asset shares of Conventional policies in line with the PPFM. 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.

**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

(i) **Projection at risk free rate**

**NUL&P With Profits Fund**

UWP Bonus Rates

| **Product** | **31 December 2005** | **31 December 2010** | **31 December 2015** |
|---|---|---|---|
| UWP Life : | 2.00% | 1.00% | 1.00% |
| UWP Pensions : | 3.00% | 1.50% | 1.50% |

Further notes on bonus rates:

**Direct written business:**

Units purchased before 1 January 1999 on Life policies written before 1 January 1995 have a guaranteed regular bonus rate of 2.5%.

Units purchased before 1 January 1999 on Pensions policies written before 1 January 1995 have a guaranteed regular bonus rate of 4% pa.

Assets Backing With-Profit Benefits Reserve

| Asset class | 31 Dec 2005 | 31 Dec 2005 | 31 Dec 2010 | 31 Dec 2015 |
|---|---|---|---|---|
| UK equities | 6,827 | 31.6% | 28.3% | 24.1% |
| Overseas equities | 2,305 | 10.7% | 9.6% | 8.1% |
| Land and buildings | 3,402 | 15.7% | 14.1% | 11.8% |
| Approved fixed interest securities | 3,916 | 18.1% | 20.6% | 24.1% |
| Other fixed interest securities | 3,505 | 16.2% | 18.5% | 21.5% |
| All other assets | 1,688 | 7.8% | 8.9% | 10.4% |
| **Total assets** | **21,642** | **100.0%** | **100.0%** | **100.0%** |
| EBR | | 58.0% | 52.0% | 44.0% |

(ii)**Projection at risk free rate plus 17.5%**

**NUL&P With Profits Fund**

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 | 6,827 | 31.6% | 29.2% | 25.9% |
| Overseas equities | 2,305 | 10.7% | 9.9% | 8.7% |
| Land and buildings | 3,402 | 15.7% | 14.6% | 12.9% |
| Approved fixed interest securities | 3,916 | 18.1% | 19.9% | 22.6% |
| Other fixed interest securities | 3,505 | 16.2% | 17.8% | 20.2% |
| All other assets | 1,688 | 7.8% | 8.6% | 9.7% |
| **Total assets** | **21,642** | **100.0%** | **100.0%** | **100.0%** |
| EBR | | 58.0% | 53.6% | 47.5% |

(iii) **Projection at risk free rate plus 17.5%**

**NUL&P With Profits Fund**

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 | 6,827 | 31.6% | 27.5% | 22.2% |
| Overseas equities | 2,305 | 10.7% | 9.3% | 7.5% |
| Land and buildings | 3,402 | 15.7% | 13.6% | 10.7% |
| Approved fixed interest securities | 3,916 | 18.1% | 21.4% | 25.6% |
| Other fixed interest securities | 3,505 | 16.2% | 19.1% | 22.9% |
| All other assets | 1,688 | 7.8% | 9.2% | 11.0% |
| **Total assets** | **21,642** | **100.0%** | **100.0%** | **100.0%** |
| EBR | | 58.0% | 50.3% | 40.4% |

(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.

| **NUL&P lapse rates** | **All durations - 2005** |
|---|---|
| Conventional Life guarantees | 3.75% |
| Conventional Life – policies with Mortgage Endowment Promise | 3.25% |
| Unitised Life | 5.50% |
| Conventional Pensions | 2.00% |
| Conventional Pensions (S32) | 0.50% |
| Unitised Pensions | 0.00% |

**At no-MVR date:**

Assume 100% exits at the first no-MVR date

UWP Pensions policies with a no-MVR guarantee in force (except those described below): assume that policyholders take the benefit evenly over the next five years.

For UWP Pensions policies with no-MVR guarantee available from age 50, assume 100% exits at the policyholders chosen NRA. For those members already past that date, assume that policyholders take the benefit evenly over the next five years.

Automatic partial withdrawals on bonds have no MVRs applied (subject to certain limits). The assumed Automatic Partial Withdrawal rates are 2.00% pa.

**Mortality Assumptions**

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

**Unitised With-Profit Mortality**

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

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

**Conventional Assurance Mortality**

NUL&P WP endowments – 55% A67/70

**Conventional Pensions**

In deferment – 45% A67/70
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 90% has been assumed in respect of Guaranteed Annuity options attaching to pensions.

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

The member's chosen normal retirement age 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**

**NUL&P WP at 31 December 2005**

| **Product Class** | **Any other liabilities related to treating customers fairly** | **Any other long-term insurance liabilities** |
|---|---|---|
| Conventional Life | 0 | 300 |
| Conventional Pensions | 0 | 190 |
| UWP Life | 0 | 0 |
| UWP Pensions | 0 | 0 |
| Miscellaneous | 0 | 136 |
| **Total** | **0** | **626** |

**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**

Shareholder transfers and the additional tax due on shareholder transfers are not chargeable to NUL&P WP asset shares as set out in the demutualisation scheme. £490m is held in respect of these liabilities to the estate.

The following liabilities are held under the miscellaneous category.

£20m is held in respect of future pension transfer review costs.

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

£26m is included for the cost of investigation and redress of mortgage endowment mis-selling complaints.

A reserve of £21m is held to cover future development expenses and audit/regulatory fees.

An additional liability of £50m is held as a contingency.

A reserve of £14m is held in respect of IBNR death claims and miscellaneous options attaching to NUL&P policies.

9. **Realistic current liabilities**

The realistic current liabilities include the following:

- Provisions for deferred taxation
- Provisions for inter company transfers from internal reassurance
- Outstanding Claims
- Other creditors
- Accruals and deferred income

The realistic current liabilities at 31 December 2005 are £820m.

The realistic current liabilities include a reduction of £23m 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)** |
|---|---|
| NUL&P WP | 868.6 |

(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%.

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.

(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% |

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

(iii)

| **Fund** | **Average Increase in credit spread** | **Change in FI asset value** |
|---|---|---|
| NUL&P WP | 0.12% | -0.90% |

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 an allowance for reinsurance default risk of £2m was introduced in the stress scenario.

The swaps in NUL&P WP have been stressed under the RCM calculation to allow for both spread widening and counter-party risk. In allowing for spread widening it is assumed that swaps move in line with AAA rated bonds. The movement in swap value is based on movements of fixed interest of similar term and credit rating.

Our swaps are fully collateralised, so there is no counter-party default risk before any market movements. However if the swap value rises there is a risk that the counter-party defaults before it injects the required capital. We have assumed level of 5% in respect of the counter-party default risk.

The total change in the value of the swaps arising from both stresses is -12.0%

(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 = 0.84%

(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 additional 0.5% reductions in UWP annual bonus are assumed to be implemented, to better maintain final bonus margins, alongside the action assumed in the central scenario. 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 to zero, with effect from one year after the valuation date..

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.

Guarantee Charges

Under the stress tests the guarantee charges will be assumed to change to 1% for all NUL&P WP business

Mortgage Promise

Under the stress test, we have assumed that we will give notice that the mortgage endowment promise will not be paid in all circumstances. Instead, we assume that we will only make payments when the aggregate earnings on the estate since the promise was made (31/12/1999) are in excess of the amount of the anticipated promise payments. This is consistent with the original terms of the promise.

Guaranteed Annuity Options

The take-up rate for guaranteed annuity options is assumed to increase from 90% to 95% as a result of the fall in fixed interest yields.

(ii)Table showing the effect of the actions in 10.1 (b)(i):

| | Effect of action (£m) |
|---|---|
| Cuts in payouts | 191.7 |
| Regular bonuses | 200.5 |
| Guarantee charges | 104.9 |
| Mortgage promise | 351.2 |
| GAO take-up | -61.5 |
| Total | 786.8 |

(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) In the stress test, the Guarantee Charge income, allowing for the increase in charge, is compared to the revised cost of guarantees in the fund. The Guarantee Charge has been restricted to be no greater than the cost of guarantees in any scenario, which complies with the requirements of PRU 7.4.188

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

(i)

| Assets backing RCM | £m | % |
|---|---|---|
| UK equities | 0.0 | 0.0% |
| Overseas equities | 0.0 | 0.0% |
| Land and buildings | 0.0 | 0.0% |
| Approved fixed interest securities | 545.5 | 62.8% |
| Other fixed interest securities | 323.1 | 37.2% |
| All other assets | 0.0 | 0.0% |
| Total | 868.6 | 100.0% |

(ii) All assets backing the RCM are within the with-profit fund.

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) as for the EV assumptions:

UK Equity 20%

Overseas Equity 40%

Property 12.5%

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

Average BLAGAB tax rate applying to asset shares:

NUL&P WP written 14.63%

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 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 | 355 |
| Bond futures | -1056 |
| Swaps | 126 |

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

The exposure to swaps in NUL&P WP is a partial hedge of the company's Guaranteed Annuity Option liability. It is expected that these will be unwound as the liabilities fall due.

## 13. Analysis of working capital

| NUL&P | Note | £m |
|---|---|---|
| Working capital at 31 December 2004 | | 1,207 |
| Change in methodology or approach | 1 | -127 |
| Changes in market assumptions | 2 | -680 |
| Changes in management assumptions | 3 | -92 |
| Changes in policyholder assumptions | 4 | 12 |
| Changes in miscellaneous reserves | 5 | -46 |
| Investment return | 6 | 940 |
| Tax | 7 | 33 |
| Other experience | 8 | 34 |
| Working capital at 31 December 2005 | | 1,281 |

1. This includes £152m from evolving approach to calculation of asset share and in the model, -£77m from changes to the mortgage endowment promise and -£198m from applying a cap to guarantee charges to ensure aggregate charges do not exceed aggregate guarantee costs in any simulation
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

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

1.

(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.

| **PM** | | **31 December 2005** |
|---|---|---|
| Earned Rate | Gross (NP) | 4.20% |
| | Gross (UL) | 4.20% |
| | Net (NP) | 3.36% |
| | Net (UL) | 3.85% |
| Discount Rate | | 4.70% |
| Expense Inflation | | 2.70% |

The effective tax rate assumed on the unit-linked business within the fund is 8.3%, consistent with the mix of assets in the unit-linked funds. The majority of the return is assumed to be dividend income with zero tax, the remainder is taxed as gains at 20%.

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)
- Regulatory Reserve (prospective)
- Bonus Reserve Valuation (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. A small amount of business is treated at an aggregate level using accounts and reserve information to derive the asset share.

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.

The With Profit Benefit Reserve for With Profits Immediate Annuities is set to the asset share, except for

- Business with entry years prior to 1984, where a BRV approach is used so that the With Profits Benefits reserve is aligned to the bonus setting process
- Schemes with a guaranteed bonus rate of 5%, where a BRV approach using the guaranteed bonus rate is used, as this is in excess of the asset shares.
- Policies where the BRV approach using a 0% guaranteed bonus rate gives a higher reserve than the asset share calculation.

The total amount of With Profit Benefit Reserve calculated by reference to the BRV approach is £350m

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

**At 31 December 2005**

| **Product Class** | **With-profit benefits reserve £m** | **Future Policy Related Liabilities £m** | **Total £m** |
|---|---|---|---|
| Conventional Life | | -11 | 284 |
| Asset Share (ind) | 286 | | |
| Regulatory reserve | 9 | | |
| Conventional Pensions | | 309 | 2,086 |
| Asset Share (ind) | 1,165 | | |
| Asset Share (group) | 232 | | |
| Regulatory Reserve | 30 | | |
| Bonus Reserve Valuation | 350 | | |
| Miscellaneous Other | 28 | 92 | 120 |
| **Total** | **2,100** | **390** | **2,490** |

Conventional life consists mainly of endowment business with £9m of whole life business. The WPBR consists of individual policy level asset shares for premium paying business and regulatory reserve of £9m for paid-up policies where no historical premium payment information is available. 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. Reinsurance of endowment business to CGNU has reduced the asset share of this business in the PM fund by £242m.

Conventional pensions business consists of regular and single premium cash on retirement and deferred annuity business. Many of the pensions have a guaranteed annuity option (GAO) or minimum cash value at the normal retirement date. The majority of business has asset shares calculated at an individual policy basis with some approximations where reliable premium histories are unavailable. The asset shares for the DAF and PM Staff Superannuation Fund are calculated at an aggregate level and total £232m at 31 December 2005.

Regulatory reserves of £30m (2004: £29m) are held in respect of various conventional pensions where reliable asset shares are not available. Bonus reserves of £350m at 31 December 2005 are held in respect of the WPIA.

The with-profit benefits reserve for 'Miscellaneous Other' contains £28m (2004: £31m) of regulatory reserves for various miscellaneous endowments and annuities.

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

(1) **Table of methods**

| Method | With-profit benefits reserve (%) |
|---|---|
| Asset Share (individual) | 69 |
| Asset Share (grouped) | 11 |
| BRV | 17 |
| Regulatory Reserve | 2 |
| Miscellaneous Other | 1 |
| **Total** | **100** |

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

The asset shares on a group basis relate mainly to the conventional pension DAF and PM staff superannuation schemes. The asset shares are an accumulation of premiums plus investment return, less claims and expenses at product level.

(2) **Changes in valuation method**

(a) The With profits benefits reserve on a proportion of the With Profit Immediate Annuities business is now valued on a BRV basis as described in section 3.1 above. Previously, all this business was valued on an Asset Share basis.

(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 speaking, all policy related expenses and commission are charged to asset shares.

| | | | | | **2005** |
|---|---|---|---|---|---|
| | **Charged to WPBR £m** | **Not-Charged to WPBR £m** | **Non-Profit expenses £m** | **Misc Expenses £m** | **Total £m** |
| Initial expenses and commission | 0 | 0 | 0 | 0 | 0 |
| Renewal expenses and commission | 7 | 3 | 16 | 0 | 26 |
| Shareholder Transfers | 0 | | 0 | 0 | 4 |

The above table approximately splits out the expenses incurred over 2005. Non-profit expenses are expenses relating to non-profit business within the fund. PM asset shares are charged all actual expenses incurred, charges for mortgage endowment mis-selling are deducted as an exit cost when calculating final bonus rates.

Asset shares for PM direct written business are not charged shareholder transfers.

**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 PM Scheme of transfer. These cover fixed initial expenses and ongoing maintenance expenses.

Investment management expenses are charged to the funds in line with the Investment Management Agreement with the fund managers.

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

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

Shareholder transfers are charged to the with-profit fund on a 90/10 basis.

**Expenses charged to the with-profits benefit reserves**

The total expenses charged to with-profits benefit reserves over 2005 are approximately £7m. Almost all of this relates to renewal expenses, as PM is not open to new business other than through increments to existing contracts.

Actual sales and policy administration fees are charged to asset shares.

Actual investment management fees are charged to asset shares.

Shareholder transfers are not charged to asset shares.

**Expenses not charged to the with-profits benefits reserve**

Shareholder transfers are charged to the estate. The tax on shareholder transfers is paid for by the shareholders.

(4) **Guarantee Charges**

No regular deduction is made from the with profits benefit reserve of policies in respect of the cost of guarantees. A one-off deduction is made to maturity payouts, as described in 6.4(a).

(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 | 2003 | 2004 | 2005 |
|---|---|---|---|---|
| PM | Life | 102% | 96% | 96% |
| PM | Pensions | 114% | 90% | 92% |

These are estimates of claim amounts relative to asset share for the past three complete calendar years.

The figures for 2003 are estimates.

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. Figures for pensions policies are quoted relative to the asset share before any charge for projected Guarantee Annuity Option costs are applied.

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 are 9.17%. This rate applies to all policies.

5. **With-profits benefits reserve – Prospective method**

(1) **Prospective assumptions**

17% of the PM with-profit benefits reserve is made up of bonus reserves and 2% is made up of regulatory reserves. The key assumptions are:

Future bonus rate is as described in section 3.1
Lapses set to zero.
Expense inflation set to 2.7%
Valuation rate, mortality basis & Renewal expenses are as outlined in Appendix 9.4

Expense assumptions are consistent with the PM scheme of transfer.

6. **Costs of guarantees, options and smoothing**

(1) Not applicable

(2)

(a) The calculation of the cost of guarantees, options and smoothing has been performed using a stochastic model with a few exceptions. The cost of guaranteed annuity options have been valued using a market value replication technique – this is described in section 6.4 (b). 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

*Validations*

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

(c) Not applicable.

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

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

(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 deductions for costs of guarantees / options | Planned Deductions to WPBR for other costs | Contractual Guarantee costs | Non-Contractual Commitments | Smoothing costs |
|---|---|---|---|---|---|
| Conventional Life | 0 | 13 | 2 | 0 | 0 |
| Conventional Pensions | 88 | 0 | 14 | 0 | 0 |
| Miscellaneous | 0 | 0 | 0 | 0 | 0 |

**Planned Deductions to WPBR for guarantees and options**

Maturing policies of classes that have a Guaranteed Annuity Option are charged a proportion of the realistic cost of providing for the Guaranteed Annuity Options attaching to many of the policies. The proportion of the cost is calculated so that the net realistic working capital in the fund is zero, and the charge is no greater than 10% of the asset share.
At 31 December 2005, the planned deduction was £88m.

**Planned Deductions to WPBR for other costs**

Maturing Endowment policies are charged the cost of any compensation payable in respect of mis-selling of Mortgage Endowments,
At 31 December 2005, the planned deduction was £13m

**Guarantee costs**

This represents the cost of the basic sum assured plus any accrued bonuses to date exceeding 100% asset share under the stochastic projection (after allowance for the any charge to asset share).

The intrinsic value of these guarantees is zero, as the guarantees are out of the money. The option value is also small, as the fund is largely invested in fixed interest assets, which broadly match the term of the liabilities.

Some pension policies have Guaranteed Annuity Rate options. The methodology for these reserves is covered in 6.4 (b).

(ii) **Description of the asset model**

The distribution was calculated using the following assumptions:

Risk-free rate:

Risk-free rate curve as shown below –

| Outstanding term | Risk free annualised spot rate (%) - 2005 |
|---|---|
| 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 (ie risk neutral pricing was used).

Derivation of risk-free rate curve:

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

The swap – gilt spread varies between 25bp at 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** |
|---|---|
| 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 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.

Main liabilities modelled with flat risk-free rate:

Future profits on non-profit business

Guaranteed annuity options

Term of liabilities: approx 5 years

Risk free rate used: 4.20%

Annuity interest rate used: 4.00% (equal to the 5 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%.

<u>Derivation of bond volatility:</u>

<u>Gilts</u>

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 the date of the most recent RBS 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

| | NUL&P PM |
|---|---|
| Gilts | 4.75% |
| Other Fixed Interest | 6.75% |

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:

| Class | % of asset share | Volatility parameter |
|---|---|---|
| UK Equities | 9% | 20.0% |
| Property | 2% | 15.0% |
| European Equities | 1% | 20.0% |
| US Equities | 0% | 22.2% |
| Japanese Equities | 0% | 24.0% |
| Pacific Basin Equities | 0% | 19.5% |
| Emerging Market Equities | 0% | 19.5% |
| UK government bonds | 30% | 4.8% |
| Corporate bonds | 56% | 6.8% |
| Global bonds | 0% | 6.8% |
| Cash | 1% | 0.0% |
| | 100% | |

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

Returns under the Accounts and Statements Rules

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

Name of insurer **Norwich Union Life & Pensions Limited – Provident Mutual Fund**

Global business

Financial year ended **31 December 2005**

(iii) **Option prices from asset model**

| | | | K= 0.75 | | | | K= 1 | | | | K= 1.5 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | n | 5 | 15 | 25 | 35 | 5 | 15 | 25 | 35 | 5 | 15 | 25 | 35 |
| ROW | Asset type | 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*£1,000,000*(1+r*p)^n.

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

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

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

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

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

Tax should be ignored in all calculations.

All options should be assumed to be European-style.

*Commentary on the results:*

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

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

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

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

(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.

(vi) **Duration of significant guarantees**

There are no significant guarantee costs for PM.

(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:

| | | | K= 0.75 | | | | K= 1 | | | | K= 1.5 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | 5 | 15 | 25 | 35 | 5 | 15 | 25 | 35 | 5 | 15 | 25 | 35 |
| ROW | r (**Continuous**) | | 4.20% | 4.11% | 4.00% | 3.90% | 4.20% | 4.11% | 4.00% | 3.90% | 4.20% | 4.11% | 4.00% | 3.90% |
| | | p | | | | | | | | | | | | |
| 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** | **Paramete r – 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 (18.3%) for this specimen contract because:

We make a credit risk adjustment relative to the risk free rate that maintains put/call parity.

We calibrate volatility to around 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.

(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.

**Cost of Financial Options**

This represents the cost of the Guaranteed Annuity options attaching to conventional pensions policies.

In the Provident Mutual Fund, any part of the cost of the option that is not met by the estate can be charged back to the asset shares of Conventional Pensions business (subject to certain conditions being met). When this happens, the cost of the guaranteed annuity options also falls (because policy payouts that depend on the level of asset share will fall).

The table below shows how the cost of the GAO is constructed. It also shows the amount of GAO that is being charged back to asset shares (and the impact on the GAO cost).

| **Cost of annuity rate guarantees** | £m |
|---|---|
| Base GAO cost | 390 |
| Uplift (5%) | 20 |
| Adj: after charge to AS | -26 |
| Form 19 reserve | 384 |
| | |
| GAO cost charged to AS: | 88 |

The next table shows the split of maturity dates on contracts that have Guaranteed Annuity Options.

| **Split of Guaranteed Annuity option maturity dates** | |
|---|---|
| Year | Percentage |
| 2006 | 14 |
| 2007 | 10 |
| 2008 | 9 |
| 2009 | 9 |
| 2010 | 7 |
| 2011 | 7 |
| 2012 | 7 |
| 2013 | 6 |
| 2014 | 5 |
| 2015 | 4 |
| 2016-2020 | 14 |
| 2021-2025 | 5 |
| 2026 and later | 2 |
| ALL | 100 |

(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.

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

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

The converse is also true; however, increasing the EBR 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 broad duration match to liabilities.

**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**

In the stochastic model, the regular bonus on all policies is assumed to be zero in future.

For with-profit immediate annuities, a Bonus Reserve Valuation is used in cases where the guarantee cost would be material.

**Guarantee Charges on asset shares**

The model uses no charge to asset share in respect of guarantees. The planned deductions in respect of the GAO liability on conventional pensions, and in respect of the mortgage endowment mis-selling costs on Endowments are calculated separately.

**Allocation of non-profit profits to asset share**

It is assumed that no future non-profit profits are allocated to asset shares in line with the PPFM.

**Shareholder Transfers and tax**

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

Shareholder transfers in PM are met by the estate. Additional tax due on these is a shareholder liability and is not met by the WP fund.

**Mortality costs**

Mortality profits and losses are passed on to the asset shares in line with the PPFM. 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

**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.

(i) **Projection at risk free rate**

The fund does not have any Unitised With-Profits business.

*Assets Backing With-Profit Benefits Reserve*

| Asset class | 31 Dec 2005 | 31 Dec 2005 | 31 Dec 2010 | 31 Dec 2015 |
|---|---|---|---|---|
| UK equities | 202 | 9.6% | 8.7% | 8.0% |
| Overseas equities | 26 | 1.2% | 1.1% | 1.0% |
| Land and buildings | 54 | 2.6% | 2.0% | 1.8% |
| Approved fixed interest securities | 631 | 30.1% | 30.6% | 31.0% |
| Other fixed interest securities | 1,157 | 55.1% | 56.1% | 56.8% |
| All other assets | 28 | 1.3% | 1.4% | 1.4% |
| **Total assets** | **2,099** | **100.0%** | **100.0%** | **100.0%** |
| EBR | | 13.5% | 11.9% | 10.8% |

(ii)**Projection at risk free rate plus 17.5%**

*Assets Backing With-Profit Benefits Reserve*

| Asset class | 31 Dec 2005 | 31 Dec 2005 | 31 Dec 2010 | 31 Dec 2015 |
|---|---|---|---|---|
| UK equities | 202 | 9.6% | 10.0% | 9.8% |
| Overseas equities | 26 | 1.2% | 1.3% | 1.3% |
| Land and buildings | 54 | 2.6% | 2.4% | 2.3% |
| Approved fixed interest securities | 631 | 30.1% | 30.0% | 30.1% |
| Other fixed interest securities | 1,157 | 55.1% | 55.0% | 55.1% |
| All other assets | 28 | 1.3% | 1.3% | 1.3% |
| **Total assets** | **2,099** | **100.0%** | **100.0%** | **100.0%** |
| EBR | | 13.5% | 13.7% | 13.4% |

(iii) **Projection at risk free rate minus 17.5%**

*Assets Backing With-Profit Benefits Reserve*

| Asset class | 31 Dec 2005 | 31 Dec 2005 | 31 Dec 2010 | 31 Dec 2015 |
|---|---|---|---|---|
| UK equities | 202 | 9.6% | 7.5% | 6.3% |
| Overseas equities | 26 | 1.2% | 1.0% | 0.8% |
| Land and buildings | 54 | 2.6% | 1.7% | 1.3% |
| Approved fixed interest securities | 631 | 30.1% | 31.2% | 31.8% |
| Other fixed interest securities | 1,157 | 55.1% | 57.2% | 58.3% |
| All other assets | 28 | 1.3% | 1.4% | 1.4% |
| **Total assets** | **2,099** | **100.0%** | **100.0%** | **100.0%** |
| EBR | | 13.5% | 10.1% | 8.4% |

(6) **Persistency and Mortality Assumptions**

Zero lapses are assumed in the calculation of guarantee costs in the PM fund.

The persistency assumptions used in the calculation of GAO costs are shown in the following table

| **Product class** | **Lapse rate (% pa)** |
|---|---|
| Compact Pension | 4 |
| Executive Pension | 2 |
| Individual Pension | 1.5 |
| Personal Pension | 1 |
| Self Employed Retirement Annuity | 1 |

**Mortality Assumptions**

Mortality assumptions for the Realistic Balance sheet are generally based on own experience adjusted for anticipated trends.

**Conventional Assurance Mortality**

Endowments use 100% AM92/AF92.

**Conventional Pensions**

| | |
|---|---|
| Conventional WP Immediate Annuities | See Annuitant Mortality |
| Deferred Annuities – in deferment pension annuities | 65% AM/AF92 |
| Deferred Annuities – in payment pension annuities | See Annuitant Mortality |
| Deferred Annuities – in deferment life annuities | 65% AM/AF92 |
| Deferred Annuities – in payment life annuities | 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.

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

A maturity age of 60 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**

The financing costs relate to the Financial Reinsurance arrangement with Swiss Re, and are described in detail in Appendix 9.4

8. **Other long-term insurance liabilities**

| Product Class | Any other liabilities related to treating customers fairly | Any other long-term insurance liabilities |
|---|---|---|
| **Total** | 0 | 91 |

**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**

£57m is held in respect of the shareholder transfers which are charged to the estate.

£13m is included for the cost of investigation and redress of mortgage endowment mis-selling complaints.

A reserve of £10m is held to cover future development expenses and audit/regulatory fees.

An additional liability of £10m 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 reassurance
- Outstanding Claims
- Other creditors
- Accruals and deferred income

The realistic current liabilities at 31 December 2005 are £130m. The Regulatory and realistic balance sheet current liabilities are not materially different.

10. **Risk Capital Margin**

(1)

| **Fund** | **RCM (£m)** |
|---|---|
| PM | 0 |

The RCM for the Fund is calculated to be zero.

(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 fall in equity and property values is more onerous as this increases the guarantee costs, and decreases the value of future profits on Unit Linked business. However, the solvency position in PM is such that the recharge to conventional pension asset shares for the GAO liability is increased to leave a zero realistic surplus.

(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% |

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

(iii)

| Fund | Average Increase in credit spread | Change in FI asset value |
|---|---|---|
| PM | 0.19% | -2.57% |

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 an allowance for reinsurance default risk of £2m was introduced in the stress scenario.

The swaps in the fund have been stressed under the RCM calculation to allow for both spread widening and counter-party risk. In allowing for spread widening it is assumed that swaps move in line with AAA rated bonds. The movement in swap value is based on movements of fixed interest of similar term and credit rating.

Our swaps are fully collateralised, so there is no counter-party default risk before any market movements. However if the swap value rises there is a risk that the counter-party defaults before it injects the required capital. We have assumed level of 5% in respect of the counter-party default risk.

The total change in the value of the swaps arising from both stresses is -4.9%

(iv) For the persistency test a 32.5% decrease in lapse rates is tested. This increases realistic liabilities by 0.24%, as a result of an increase in GAO costs.

(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.

<u>Charge to payouts</u>

Under the stress test, the charge to payouts for maturing policies of classes that have a Guaranteed Annuity Option is assumed to increase to a maximum of 10% of asset share.

Where this is exceeded, a charge to payouts of up to 10% of asset shares is assumed to be introduced to the other contracts issued by the fund.

The charge to payouts would increase from £88.1m in the central scenario to £233.8m in the stress test

<u>Cuts in payouts</u>

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

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

This change does not have a material impact on the cost of smoothing.

<u>Guaranteed Annuity Options</u>

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. This increases the cost of Guaranteed Annuity Options by £33.2m

(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) In the stress test, the charge to payouts remains less than the cost of Guaranteed Annuity Options, which complies with the requirements of PRU 7.4.188

(c)

(i) The RCM in the fund is zero.

(ii) The RCM in the fund is zero.

11. **Tax**

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

Tax on investment returns is assumed to be 20% in line with PM assets shares being predominantly invested in fixed interest assets.

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

Average BLAGAB tax rate applying to asset shares:

| | |
|---|---|
| PM | 18.35% |

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

Average tax rate applying to the projection of the Unit-linked liability in PM is 10.39%

(3) **Tax treatment in the realistic current liabilities**

In the realistic regime allowance for deferred tax liabilities can be made. In the regulatory regime no allowance can be made. However, the effect of this is on the fund is not material.

12. **Derivatives**

| **Security** | **Value at 31 December 2005 £m** |
|---|---|
| Swaps | 162 |

The exposure to swaps in PM is a partial hedge of the company's Guaranteed Annuity Option liability. It is expected that these will be unwound as the liabilities fall due.

13. **Analysis of working capital**

| NUL&P PM | Note | £m |
|---|---|---|
| Working capital at 31 December 2004 | | 0 |
| | | |
| Change in methodology or approach | 1 | 103 |
| Changes in market assumptions | 2 | -95 |
| Changes in management assumptions | 3 | -51 |
| Changes in policyholder assumptions | 4 | -4 |
| Changes in miscellaneous reserves | 5 | -16 |
| Investment Return | 6 | 67 |
| Tax | 7 | -3 |
| Other experience | 8 | -1 |
| | | |
| Working capital at 31 December 2005 | | 0 |

Notes:

1. This includes £124m from changing the WPBR for WPIA business to align with the bonus setting process
2. This is principally driven by the fall in the risk free rate
3. This reflects a reduction in assumed level of charges for guarantees
4. The largest element here represents the change in the mortality basis assumption
5. This represents changes to miscellaneous reserves
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**

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

**Statement on derivatives required by IPRU (INS) 9.29**

Name of insurer **Norwich Union Life & Pensions 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 period, which falls into the description above. This is the only example of such contracts that were transacted during the financial period. However, none of the amounts recorded in Form 13 would have been materially changed if the insurer became obligated to purchase these assets.

The amounts recorded in Form 13 would have 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 £29.6m. 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 period, the company's use of derivatives included the granting of rights under derivative contracts for a fixed consideration. This was in the activity of Stock Underwriting. The fee income over the financial period was less than £0.1m.

**Statement on controllers required by IPRU (INS) 9.30**

| | |
|---|---|
| Name of insurer | **Norwich Union Life & Pensions 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 **Norwich Union Life & Pensions 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 **Norwich Union Life & Pensions 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.

Returns under the Accounts and Statements Rules

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

Name of insurer **Norwich Union Life & Pensions 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

30 March 2006

**Independent auditors' report to the directors pursuant to rule 9.35 of the Accounts and Statements Rules**

Name of insurer **Norwich Union Life & Pensions 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, 56, 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 55, 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. The requirements of the Rules have been modified by the waivers issued under section 148 of the Act on 14 October 2005 and 10 November 2005 referred to in supplementary notes 0312 and 0204 respectively. 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.

**Independent auditors' report to the directors pursuant to rule 9.35 of the Accounts and Statements Rules**

| | |
|---|---|
| Name of insurer | **Norwich Union Life & Pensions 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