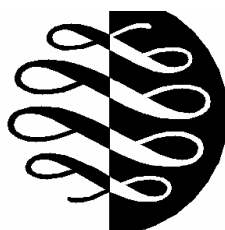


Norwich Union Life & Pensions Limited

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

**Annual FSA Insurance Returns for the year ended
31 December 2006**



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 2006**

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Returns under the Accounts and Statements Rules

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Statement of solvency - long-term insurance businessName of insurer **Norwich Union Life & Pensions Limited**

Global business

Financial year ended **31st December 2006**

Group solvency calculation

Company
registration
number

GL/UK/CM

Period ended

day month year Units

R2	3253947	GL	31	12	2006	£000
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	As at end of this financial year	As at end of the previous year
	1	2

Capital resources

Capital resources arising within the long-term insurance fund	11	5687491	5812378
Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund	12	1287269	1371609
Capital resources available to cover long-term insurance business capital resources requirement (11+12)	13	6974760	7183987

Guarantee Fund

Guarantee Fund requirement	21	1238344	1208711
Excess (deficiency) of available capital resources to cover guarantee fund requirement	22	5736416	5975276

Minimum capital requirement (MCR)

Long-term insurance capital requirement	31	1588373	1618683
Resilience capital requirement	32		
Base capital resources requirement	33	2139	2030
Individual minimum capital requirement	34	1588373	1618683
Capital requirements of regulated related undertakings	35	730636	729749
Minimum capital requirement (34 + 35)	36	2319009	2348432
Excess (deficiency) of available capital resources to cover 50% of MCR	37	5815256	6009771
Excess (deficiency) of available capital resources to cover 75% of MCR	38	5235503	5422663

Enhanced capital requirement

With-profits insurance capital component	39	2266623	3715070
Enhanced capital requirement	40	4585632	6063501

Capital resources requirement (CRR)

Capital resources requirement (greater of 36 and 40)	41	4585632	6063501
Excess (deficiency) of available capital resources to cover long-term insurance business CRR (13-41)	42	2389128	1120486

Contingent liabilities

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

Covering page to Form 2

Name of insurer **Norwich Union Life & Pensions Limited**
Global business
Financial year ended **31st December 2006**

..... **M S HODGES**
Chief Executive

..... **N A NICANDROU**
Director

..... **J R LISTER**
Director

30 March 2007

Components of capital resourcesName of insurer **Norwich Union Life & Pensions Limited**

Global business

Financial year ending **31st December 2006**

	R3	Company registration number 3253947	GL/UK/CM GL	Period ended			Units £000
				day	month	year	
				31	12	2006	
		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		2981125	2981125			2935154
Share premium account	13		877893	877893			877893
Positive valuation differences	14		3088857	3088857			3888518
Fund for future appropriations	15		2210344	2210344			1666400
Core tier one capital in related undertakings	16		(1274795)	(1274795)			(1270709)
Core tier one capital (sum of 11 to 16)	19		7983424	7983424			8197256
Tier one waivers							
Unpaid share capital / unpaid initial funds and calls for supplementary contributions	21						
Implicit items	22		186000	186000			362000
Tier one waivers in related undertakings	23						
Total tier one waivers as restricted (21+22+23)	24		186000	186000			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		8169424	8169424			8559256
Investments in own shares	32						
Intangible assets	33		61900	61900			27562
Amounts deducted from technical provisions for discounting	34						
Other negative valuation differences	35						
Deductions in related undertakings	36		160421	160421			113061
Deductions from tier one (32 to 36)	37		222321	222321			140623
Total tier one capital after deductions (31-37)	39		7947103	7947103			8418633

Components of capital resourcesName of insurer **Norwich Union Life & Pensions Limited**

Global business

Financial year ending **31st December 2006**

	Company registration number	GL/UK/CM	Period ended			Units	
			day	month	year		
	R3	3253947	GL	31	12	2006	£000
	General insurance business 1	Long-term insurance business 2	Total as at the end of this financial year 3		Total as at the end of the previous year 4		

Tier two capital

Implicit items, (tier two waivers and amounts excluded from line 22)	41				
Perpetual non-cumulative preference shares excluded from line 25	42				
Innovative tier one capital excluded from line 27	43				
Tier two waivers, innovative tier one capital and perpetual non-cumulative preference shares treated as tier two capital (41 to 43)	44				
Perpetual cumulative preference shares	45				
Perpetual subordinated debt and securities	46		200000	200000	200000
Upper tier two capital in related undertakings	47				2250
Upper tier two capital (44 to 47)	49		200000	200000	202250

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		200000	200000	202250
Excess tier two capital	62				
Further excess lower tier two capital	63				
Total tier two capital after restrictions, before deductions (61-62-63)	69		200000	200000	202250

Components of capital resourcesName of insurer **Norwich Union Life & Pensions Limited**

Global business

Financial year ending **31st December 2006**

	Company registration number	GL/UK/CM	Period ended			Units
			day	month	year	
R3	3253947	GL	31	12	2006	£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		8147103	8147103	8620883
Inadmissible assets other than intangibles and own shares	73		1166878	1166878	1426708
Assets in excess of market risk and counterparty limits	74		5465	5465	10188
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		6974760	6974760	7183987

Available capital resources for GENPRU/INSRU tests

Available capital resources for guarantee fund requirement	81		6974760	6974760	7183987
Available capital resources for 50% MCR requirement	82		6974760	6974760	7183987
Available capital resources for 75% MCR requirement	83		6974760	6974760	7183987

Financial engineering adjustments

Implicit items	91		186000	186000	362000
Financial reinsurance - ceded	92		201556	201556	339671
Financial reinsurance - accepted	93				
Outstanding contingent loans	94				142400
Any other charges on future profits	95				
Sum of financial engineering adjustments (91+92-93+94+95)	96		387556	387556	844071

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 2006**

Long-term insurance business

 Company
registration
number

GL/UK/CM

Period ended

day month year

Units

R11	3253947	GL	31	12	2006	£000
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			This financial year 1	Previous year 2
Gross premiums written		11	186333	274243
Premium taxes and levies (included in line 11)		12		
Premiums written net of taxes and levies (11-12)		13	186333	274243
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	186333	274243
Gross premiums earned		21	186333	274243
Premium taxes and levies (included in line 21)		22		
Premiums earned net of taxes and levies (21-22)		23	186333	274243
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	186333	274243
Sub-total I (higher of sub-total A and sub-total H)		30	186333	274243
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	33540	49364
	Excess (if any) over 53.1M EURO x 0.02	33	3017	4808
Sub-total J (32-33)		34	30523	44556
Claims paid in period of 3 financial years		41	208512	240396
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	207838	214472
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	171463	169848
Sub-total C (41+42+43-44-45)		46	244887	285020
Amounts recoverable from reinsurers in respect of claims included in Sub-total C		47	80558	113072
Sub-total D (46-47)		48	164329	171948
Reinsurance ratio (Sub-total D / sub-total C or, if more, 0.50 or, if less, 1.00)		49	0.67	0.67
Premiums amount Sub-total J x reinsurance ratio		50	20481	26881
Provisions for claims outstanding (before discounting and net of reinsurance)		51	170511	183530
Brought forward amount (12.43.2 x 51.1 / 51.2 or, if less, 12.43.2)		52	28633	30819
Greater of lines 50 and 52		53	28633	30819

Calculation of general insurance capital requirement - claims amount and resultName of insurer **Norwich Union Life & Pensions Limited**

Global business

Financial year ended **31st December 2006**

Long-term insurance business

	Company registration number	GL/UK/CM	Period ended			Units	
			day	month	year		
	R12	3253947	GL	31	12	2006	£000
				This financial year 1		Previous year 2	
Reference period (No. of months) See INSPRU 1.1.63R		11		36		36	
Claims paid in reference period		21		208512		240396	
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		207838		214472	
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		171463		169848	
Claims incurred in reference period (21+22+23-24-25)		26		244887		285020	
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		244887		285020	
Sub-total F - Conversion of Sub-total E to annual figure (Multiply by 12 and divide by number of months in reference period)		31		81629		95007	
Division of sub-total F (gross adjusted claims amount)	X 0.26	32		21224		24702	
	Excess (if any) over 37.2M EURO x 0.03	33		1703		2140	
Sub-total G (32 - 33)		39		19521		22562	
Claims amount Sub-total G x reinsurance ratio (11.49)		41		13099		13612	
Higher of premiums amount and brought forward amount (11.53)		42		28633		30819	
General insurance capital requirement (higher of lines 41 and 42)		43		28633		30819	

Analysis of admissible assets

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

Global business

Financial year ended **31st December 2006**

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

	Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
			day	month	year			
	R13	3253947	GL	31	12	2006	£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		141102		158284
	debts and loans			22				
Other insurance dependants	shares			23				
	debts and loans			24				
Non-insurance dependants	shares			25		130510		90482
	debts and loans			26		4000		5000
Other group undertakings	shares			27				
	debts and loans			28		5000		
Participating interests	shares			29		137		818
	debts and loans			30				
Other financial investments								
Equity shares				41		6112		1984
Other shares and other variable yield participations				42				
Holdings in collective investment schemes				43		4442		10718
Rights under derivative contracts				44				
Fixed interest securities	Approved			45				
	Other			46		126		250
Variable interest securities	Approved securities			47				
	Other			48		54792		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		155490		130104
	More than one month withdrawal			55				
Other financial investments				56		650		

Analysis of admissible assets

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

Global business

Financial year ended **31st December 2006**

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

	Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
			day	month	year			
	R13	3253947	GL	31	12	2006	£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
			Due in more than 12 months	77				
Other			Due in 12 months or less	78		7583		4955
			Due in more than 12 months	79				
Other assets								
Tangible assets				80				
Deposits not subject to time restriction on withdrawal with approved institutions				81		78628		192639
Cash in hand				82				
Other assets (particulars to be specified by way of supplementary note)				83				
Accrued interest and rent				84		2090		1823
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		590662		678734

Analysis of admissible assetsName of insurer **Norwich Union Life & Pensions Limited**

Global business

Financial year ended **31st December 2006**Category of assets **Total other than long term insurance business assets**

	Company registration number	GL/UK/CM	Period ended			Units	Category of assets
			day	month	year		
R13	3253947	GL	31	12	2006	£000	1
					As at the end of this financial year	As at the end of the previous year	
					1	2	

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

Total admissible assets after deduction of market risk and counterparty limits (as per line 89 above)	91	590662	678734
Assets in excess of market and counterparty limits	92		
Capital resources requirement deduction of regulated related undertakings	93	730636	729747
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	1604120	1572719
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	110370	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	3035788	3055100
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 2006**

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

	Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
			day	month	year			
	R13	3253947	GL	31	12	2006	£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		2202983		1888604
Investments in group undertakings and participating interests								
UK insurance dependants				21				23572
	shares							
				22				
Other insurance dependants				23				
	shares							
				24				
Non-insurance dependants				25		23776		204
	shares							
				26		37284		108726
Other group undertakings				27				
	shares							
				28		267635		275836
Participating interests				29				
	shares							
				30				
Other financial investments								
Equity shares				41		10470482		10270571
Other shares and other variable yield participations				42				
Holdings in collective investment schemes				43		904885		615629
Rights under derivative contracts				44		184426		164001
Fixed interest securities				45		11163112		11555015
	Approved							
				46		4342994		4442101
Variable interest securities				47		130441		94185
	Approved securities							
				48		238897		142770
Participation in investment pools				49				
Loans secured by mortgages				50		167932		186305
Loans to public or local authorities and nationalised industries or undertakings				51				
Loans secured by policies of insurance issued by the company				52		52884		58934
Other loans				53		91596		45206
Bank and approved credit & financial institution deposits				54		732992		1583934
	One month or less withdrawal							
				55		174500		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 2006**

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

	Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
			day	month	year			
	R13	3253947	GL	31	12	2006	£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		238004		419215
		Property linked		59		29769871		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		130536		91394
	Intermediaries	72		12462		16774
Salvage and subrogation recoveries		73				
Reinsurance	Accepted	74		102720		17506
	Ceded	75		21926		50398
Dependants	Due in 12 months or less	76				455247
	Due in more than 12 months	77				
Other	Due in 12 months or less	78		524749		817829
	Due in more than 12 months	79				

Other assets

Tangible assets	80		8713		14939
Deposits not subject to time restriction on withdrawal with approved institutions	81		387238		858421
Cash in hand	82				
Other assets (particulars to be specified by way of supplementary note)	83				
Accrued interest and rent	84		267100		231782
Deferred acquisition costs (general business only)	85				
Other prepayments and accrued income	86		22628		22489
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		62672766		58984355

Analysis of admissible assets

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

Global business

Financial year ended **31st December 2006**

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

R13	Company registration number	GL/UK/CM	Period ended			Units	Category of assets
			day	month	year		
	3253947	GL	31	12	2006	£000	10
					As at the end of this financial year	As at the end of the previous year	
					1	2	

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

Total admissible assets after deduction of market risk and counterparty limits (as per line 89 above)	91	62672766	58984355
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	949500	1214900
Reinsurers' share of technical provisions excluded from line 89	99	2143869	2423025
Other asset adjustments (may be negative)	100	380747	(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	66146882	62374014
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	102	5254	40732

Analysis of admissible assetsName of insurer **Norwich Union Life & Pensions Limited**

Global business

Financial year ended **31st December 2006**Category of assets **With Profits Sub-Fund**

	Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
			day	month	year			
	R13	3253947	GL	31	12	2006	£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		2176506		1875978
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		37284		108726
Other group undertakings			shares	27				
			debts and loans	28		174299		184077
Participating interests			shares	29				
			debts and loans	30				
Other financial investments								
Equity shares				41		10116398		9959084
Other shares and other variable yield participations				42				
Holdings in collective investment schemes				43		802735		551752
Rights under derivative contracts				44		166478		135338
Fixed interest securities			Approved	45		9308156		9404815
			Other	46		2765805		2801073
Variable interest securities			Approved securities	47				
			Other	48		192496		138088
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		49701		55938
Other loans				53		91596		45206
Bank and approved credit & financial institution deposits			One month or less withdrawal	54		455122		1469809
			More than one month withdrawal	55				
Other financial investments				56				

Analysis of admissible assetsName of insurer **Norwich Union Life & Pensions Limited**

Global business

Financial year ended **31st December 2006**Category of assets **With Profits Sub-Fund**

	Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
			day	month	year			
	R13	3253947	GL	31	12	2006	£000	11
						As at the end of this financial year 1		As at the end of the previous year 2
Deposits with ceding undertakings				57				
Assets held to match linked liabilities		Index linked		58				
		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		27586		17560
		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		12903		255718
		Due in more than 12 months		79				
Other assets								
Tangible assets				80				
Deposits not subject to time restriction on withdrawal with approved institutions				81		174387		361967
Cash in hand				82				
Other assets (particulars to be specified by way of supplementary note)				83				
Accrued interest and rent				84		157618		168991
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		26709070		27534120

Analysis of admissible assetsName of insurer **Norwich Union Life & Pensions Limited**

Global business

Financial year ended **31st December 2006**Category of assets **With Profits Sub-Fund**

	Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
			day	month	year			
	R13	3253947	GL	31	12	2006	£000	11
						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	26709070	27534120
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	7826	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	26716896	27526125
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	102	53	40732

Analysis of admissible assets

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

Global business

Financial year ended **31st December 2006**

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

	Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
			day	month	year			
	R13	3253947	GL	31	12	2006	£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		292907		278230
Other shares and other variable yield participations				42				
Holdings in collective investment schemes				43		4654		3937
Rights under derivative contracts				44		8196		15357
Fixed interest securities	Approved			45		1108744		1245567
	Other			46		1165849		1331635
Variable interest securities	Approved securities			47		71288		78890
	Other			48		361		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		1151		1118
Other loans				53				
Bank and approved credit & financial institution deposits	One month or less withdrawal			54		165308		58686
	More than one month withdrawal			55				
Other financial investments				56				

Analysis of admissible assetsName of insurer **Norwich Union Life & Pensions Limited**

Global business

Financial year ended **31st December 2006**Category of assets **Provident Mutual Sub-Fund**

	Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
			day	month	year			
	R13	3253947	GL	31	12	2006	£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		18654		11492
		Intermediaries		72		3144		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		36647		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		11318		144834
Cash in hand				82				
Other assets (particulars to be specified by way of supplementary note)				83				
Accrued interest and rent				84		38957		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		2927178		3225479

Analysis of admissible assetsName of insurer **Norwich Union Life & Pensions Limited**

Global business

Financial year ended **31st December 2006**Category of assets **Provident Mutual Sub-Fund**

	Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
			day	month	year			
	R13	3253947	GL	31	12	2006	£000	12
						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	2927178	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	138543	252332
Other asset adjustments (may be negative)	100	1347	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	3067068	3481733
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	102	5201	

Analysis of admissible assetsName of insurer **Norwich Union Life & Pensions Limited**

Global business

Financial year ended **31st December 2006**Category of assets **Belgian Sub-Fund**

	Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
			day	month	year			
	R13	3253947	GL	31	12	2006	£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		8818		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				

Analysis of admissible assetsName of insurer **Norwich Union Life & Pensions Limited**

Global business

Financial year ended **31st December 2006**Category of assets **Belgian Sub-Fund**

	Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
			day	month	year			
	R13	3253947	GL	31	12	2006	£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		8818		7231

Analysis of admissible assetsName of insurer **Norwich Union Life & Pensions Limited**

Global business

Financial year ended **31st December 2006**Category of assets **Belgian Sub-Fund**

	Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
			day	month	year			
	R13	3253947	GL	31	12	2006	£000	13
						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	8818	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	8818	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 assetsName of insurer **Norwich Union Life & Pensions Limited**

Global business

Financial year ended **31st December 2006**Category of assets **Non-Profit Sub-Fund 1**

	Company registration number	GL/UK/CM	Period ended			Units	Category of assets
			day	month	year		
R13	3253947	GL	31	12	2006	£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		22666		
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		23572		
	debts and loans		26				
Other group undertakings	shares		27				
	debts and loans		28		2275		2525
Participating interests	shares		29				
	debts and loans		30				
Other financial investments							
Equity shares			41		36111		33199
Other shares and other variable yield participations			42				
Holdings in collective investment schemes			43		61125		31578
Rights under derivative contracts			44		9752		13185
Fixed interest securities	Approved		45		75322		58325
	Other		46		60129		63000
Variable interest securities	Approved securities		47		6229		6179
	Other		48		44929		3094
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		1213		1059
Other loans			53				
Bank and approved credit & financial institution deposits	One month or less withdrawal		54		4479		48410
	More than one month withdrawal		55		2400		90718
Other financial investments			56				

Analysis of admissible assets

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

Global business

Financial year ended **31st December 2006**

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

	Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
			day	month	year			
	R13	3253947	GL	31	12	2006	£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		238004		359362
		Property linked		59		10157371		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		42829		16940
		Intermediaries		72		6498		5933
Salvage and subrogation recoveries				73				
Reinsurance		Accepted		74		102720		13451
		Ceded		75				
Dependants		Due in 12 months or less		76				223500
		Due in more than 12 months		77				
Other		Due in 12 months or less		78		237193		170512
		Due in more than 12 months		79				
Other assets								
Tangible assets				80		8713		14939
Deposits not subject to time restriction on withdrawal with approved institutions				81		61180		169795
Cash in hand				82				
Other assets (particulars to be specified by way of supplementary note)				83				
Accrued interest and rent				84		53616		4655
Deferred acquisition costs (general business only)				85				
Other prepayments and accrued income				86		22628		22485
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		11280954		9075396

Analysis of admissible assetsName of insurer **Norwich Union Life & Pensions Limited**

Global business

Financial year ended **31st December 2006**Category of assets **Non-Profit Sub-Fund 1**

R13	Company registration number 3253947	GL/UK/CM GL	Period ended			Units £000	Category of assets 14
			day	month	year		
			31	12	2006		
						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	11280954	9075396
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	511500	652200
Reinsurers' share of technical provisions excluded from line 89	99	612100	660600
Other asset adjustments (may be negative)	100	131100	(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	12535654	10171396
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 assetsName of insurer **Norwich Union Life & Pensions Limited**

Global business

Financial year ended **31st December 2006**Category of assets **Non-Profit Sub-Fund 2**

	Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
			day	month	year			
	R13	3253947	GL	31	12	2006	£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		3811		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		204
		debts and loans		26				
Other group undertakings		shares		27				
		debts and loans		28		91061		89234
Participating interests		shares		29				
		debts and loans		30				
Other financial investments								
Equity shares				41		25066		58
Other shares and other variable yield participations				42				
Holdings in collective investment schemes				43		36371		28362
Rights under derivative contracts				44				121
Fixed interest securities		Approved		45		662072		839077
		Other		46		351211		246393
Variable interest securities		Approved securities		47		52924		9116
		Other		48		1111		1369
Participation in investment pools				49				
Loans secured by mortgages				50		167932		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		819
Other loans				53				
Bank and approved credit & financial institution deposits		One month or less withdrawal		54		108083		7029
		More than one month withdrawal		55		172100		
Other financial investments				56				1479

Analysis of admissible assets

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

Global business

Financial year ended **31st December 2006**

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

	Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
			day	month	year			
	R13	3253947	GL	31	12	2006	£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		19612500		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		41467		45402
	Intermediaries	72		2820		7678
Salvage and subrogation recoveries		73				
Reinsurance	Accepted	74				4055
	Ceded	75		21926		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		238006		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		140353		181825
Cash in hand		82				
Other assets (particulars to be specified by way of supplementary note)		83				
Accrued interest and rent		84		16909		13274
Deferred acquisition costs (general business only)		85				
Other prepayments and accrued income		86				4

Deductions from the aggregate value of assets		87				
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Grand total of admissible assets after deduction of market risk and counterparty limits (11 to 86 less 87)		89		21746746		19142129
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Analysis of admissible assets

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

Global business

Financial year ended **31st December 2006**

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

R13	Company registration number	GL/UK/CM	Period ended			Units	Category of assets
			day	month	year		
	3253947	GL	31	12	2006	£000	15
						As at the end of this financial year	As at the end of the previous year
						1	2

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

Total admissible assets after deduction of market risk and counterparty limits (as per line 89 above)	91	21746746	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	438000	562700
Reinsurers' share of technical provisions excluded from line 89	99	1385400	1502100
Other asset adjustments (may be negative)	100	248300	(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	23818446	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 marginsName of insurer **Norwich Union Life & Pensions Limited**

Global business

Financial year ended **31st December 2006**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	55782771	51678034
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	55782771	51678034
Claims outstanding	Gross amount	15	159561	120472
	Reinsurers' share	16		
	Net (15-16)	17	159561	120472
Provisions	Taxation	21	117518	80856
	Other	22		
Deposits received from reinsurers		23		
Creditors	Direct insurance business	31	96088	95776
	Reinsurance accepted	32	6557	4055
	Reinsurance ceded	33	25417	52380
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions		36	217161	70828
Creditors	Taxation	37	155352	226630
	Other	38	587429	1176711
Accruals and deferred income		39	23423	28236
Provision for "reasonably foreseeable adverse variations"		41		
Total other insurance and non-insurance liabilities (17 to 41)		49	1388506	1855944
Excess of the value of net admissible assets		51	5501489	5450377
Total liabilities and margins		59	62672766	58984355
Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance		61	159609	438334
Amounts included in line 59 attributable to liabilities in respect of property linked benefits		62	29769871	24440571
Total liabilities (11+12+49)		71	57171277	53533978
Increase to liabilities - DAC related		72		
Reinsurers' share of technical provisions		73	2143869	2423025
Other adjustments to liabilities (may be negative)		74	3461935	3655400
Capital and reserves and fund for future appropriations		75	3369801	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	66146882	62374014

Long term insurance business liabilities and marginsName of insurer **Norwich Union Life & Pensions Limited**

Global business

Financial year ended **31st December 2006**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	21522282	21741515
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	21522282	21741515
Claims outstanding	Gross amount	15	73903	66110
	Reinsurers' share	16		
	Net (15-16)	17	73903	66110
Provisions	Taxation	21	116643	79874
	Other	22		
Deposits received from reinsurers		23		
Creditors	Direct insurance business	31	22364	19210
	Reinsurance accepted	32		
	Reinsurance ceded	33		
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions		36	17667	
Creditors	Taxation	37	131067	193516
	Other	38	155079	456277
Accruals and deferred income		39	23422	28236
Provision for "reasonably foreseeable adverse variations"		41		
Total other insurance and non-insurance liabilities (17 to 41)		49	540145	843223
Excess of the value of net admissible assets		51	4646643	4949382
Total liabilities and margins		59	26709070	27534120
Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance		61	11560	7294
Amounts included in line 59 attributable to liabilities in respect of property linked benefits		62		
Total liabilities (11+12+49)		71	22062427	22584738
Increase to liabilities - DAC related		72		
Reinsurers' share of technical provisions		73		
Other adjustments to liabilities (may be negative)		74		
Capital and reserves and fund for future appropriations		75		
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (71 to 75)		76		

Long term insurance business liabilities and marginsName of insurer **Norwich Union Life & Pensions Limited**

Global business

Financial year ended **31st December 2006**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	2499512	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	2499512	2843383
Claims outstanding	Gross amount	15	11543
	Reinsurers' share	16	
	Net (15-16)	17	11543
Provisions	Taxation	21	875
	Other	22	982
Deposits received from reinsurers	23		
Creditors	Direct insurance business	31	18421
	Reinsurance accepted	32	
	Reinsurance ceded	33	
Debenture loans	Secured	34	
	Unsecured	35	
Amounts owed to credit institutions	36		
Creditors	Taxation	37	9204
	Other	38	25258
Accruals and deferred income	39		
Provision for "reasonably foreseeable adverse variations"	41		
Total other insurance and non-insurance liabilities (17 to 41)	49	65301	130023
Excess of the value of net admissible assets	51	362365	252073
Total liabilities and margins	59	2927178	3225479
Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61	3590	7188
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62		
Total liabilities (11+12+49)	71	2564813	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 marginsName of insurer **Norwich Union Life & Pensions Limited**

Global business

Financial year ended **31st December 2006**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	8818
Total liabilities and margins		59	8818

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

Global business

Financial year ended **31st December 2006**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	10366428	8264322
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	10366428	8264322
Claims outstanding	Gross amount	15	62419	35110
	Reinsurers' share	16		
	Net (15-16)	17	62419	35110
Provisions	Taxation	21		
	Other	22		
Deposits received from reinsurers		23		
Creditors	Direct insurance business	31	30941	23299
	Reinsurance accepted	32	6557	4055
	Reinsurance ceded	33	25290	44889
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions		36	174231	70828
Creditors	Taxation	37		
	Other	38	167543	408886
Accruals and deferred income		39		
Provision for "reasonably foreseeable adverse variations"		41		
Total other insurance and non-insurance liabilities (17 to 41)		49	466981	587067
Excess of the value of net admissible assets		51	447545	224007
Total liabilities and margins		59	11280954	9075396
Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance		61	67193	262422
Amounts included in line 59 attributable to liabilities in respect of property linked benefits		62	10157371	7698980
Total liabilities (11+12+49)		71	10833409	8851389
Increase to liabilities - DAC related		72		
Reinsurers' share of technical provisions		73		
Other adjustments to liabilities (may be negative)		74		
Capital and reserves and fund for future appropriations		75		
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (71 to 75)		76		

Long term insurance business liabilities and marginsName of insurer **Norwich Union Life & Pensions Limited**

Global business

Financial year ended **31st December 2006**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	21394549	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	21394549	18828814
Claims outstanding	Gross amount	15	11696
	Reinsurers' share	16	
	Net (15-16)	17	11696
Provisions	Taxation	21	
	Other	22	
Deposits received from reinsurers	23		
Creditors	Direct insurance business	31	24362
	Reinsurance accepted	32	
	Reinsurance ceded	33	127
Debenture loans	Secured	34	
	Unsecured	35	
Amounts owed to credit institutions	36	25263	
Creditors	Taxation	37	15081
	Other	38	239549
Accruals and deferred income	39	1	
Provision for "reasonably foreseeable adverse variations"	41		
Total other insurance and non-insurance liabilities (17 to 41)	49	316079	295631
Excess of the value of net admissible assets	51	36118	17684
Total liabilities and margins	59	21746746	19142129
Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61	77266	161430
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62	19612500	16741591
Total liabilities (11+12+49)	71	21710628	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		

Liabilities (other than long term insurance business)Name of insurer **Norwich Union Life & Pensions Limited**

Global business

Financial year ended **31st December 2006**

	Company registration number	GL/UK/CM	Period ended			Units	
			day	month	year		
	R15	3253947	GL	31	12	2006	£000
				As at the end of this financial year		As at the end of the previous year	
				1	2		

Technical provisions (gross amount)

Provision for unearned premiums	11		
Claims outstanding	12		
Provision for unexpired risks	13		
Equalisation provisions	Credit business	14	
	Other than credit business	15	
Other 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	9100	14040
	Declared dividend	48		
	Other	49	24927	22835
Accruals and deferred income		51		
Total (19 to 51)		59	34027	36875
Provision for "reasonably foreseeable adverse variations"		61		
Cumulative preference share capital		62		
Subordinated loan capital		63	200000	200000
Total (59 to 63)		69	234027	236875

Amounts included in line 69 attributable to liabilities to related insurers, other than those under contracts of insurance or reinsurance	71		
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Reinsurers' share of DAC	81		
Amounts deducted from technical provisions for discounting	82		
Other adjustments (may be negative)	83	2200	
Capital and reserves	84	2799561	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	3035788	3055100

Profit and loss account (non-technical account)Name of insurer **Norwich Union Life & Pensions Limited**

Global business

Financial year ended **31st December 2006**

		Company registration number	GL/UK/CM	Period ended			Units
		R16	GL	day	month	year	£000
		3253947	GL	31	12	2006	
				This financial year		Previous year	
				1		2	
Transfer (to)/from the general insurance business technical account	From Form 20	11					
	Equalisation provisions	12					
Transfer from the long term insurance business revenue account		13	35317			126856	
Investment income	Income	14	42040			65494	
	Value re-adjustments on investments	15	87904			314050	
	Gains on the realisation of investments	16	840			190485	
Investment charges	Investment management charges, including interest	17	6563			13091	
	Value re-adjustments on investments	18					
	Loss on the realisation of investments	19					
Allocated investment return transferred to the general insurance business technical account		20					
Other income and charges (particulars to be specified by way of supplementary note)		21					
Profit or loss on ordinary activities before tax (11+12+13+14+15+16-17-18-19-20+21)		29	159538			683794	
Tax on profit or loss on ordinary activities		31	(323)			5600	
Profit or loss on ordinary activities after tax (29-31)		39	159861			678194	
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	159861			678194	
Dividends (paid or declared)		51	205200			878200	
Profit or loss retained for the financial year (49-51)		59	(45339)			(200006)	

Analysis of derivative contractsName of insurer **Norwich Union Life & Pensions Limited**

Global business

Financial year ended **31st December 2006**Category of assets **Total long term insurance business assets**

		Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
		R17	3253947	GL	31	12	2006	£000	10
		As at the end of this financial year			As at the end of the previous year				
		Assets 1	Liabilities 2	Assets 3	Liabilities 4				
Derivative contracts									
Futures contracts	Fixed-interest securities	11	14868	1550				5331	
	Equity shares	12	5217	2460					
	Land	13							
	Currencies	14	52328	22065	13477			29493	
	Other	15							
Options	Fixed-interest securities	21	80542				116286		
	Equity shares	22	12199				10121		
	Land	23							
	Currencies	24							
	Other	25							
Contracts for differences	Fixed-interest securities	31					287167		
	Equity shares	32					2510	14934	
	Land	33	537	3900					
	Currencies	34	302927				121		
	Other	35							
Adjustments for variation margin		41	(284192)				(265681)	7593	
Total (11 to 41)		49	184426	29975			164001	57351	

Analysis of derivative contractsName of insurer **Norwich Union Life & Pensions Limited**

Global business

Financial year ended **31st December 2006**Category of assets **With Profits Sub-Fund**

		Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
		R17	3253947	GL	31	12	2006	£000	11
		As at the end of this financial year			As at the end of the previous year				
		Assets 1	Liabilities 2	Assets 3	Liabilities 4				
Derivative contracts									
Futures contracts	Fixed-interest securities	11	14868	1550				5331	
	Equity shares	12	5217	2460					
	Land	13							
	Currencies	14	52303	22065	13477			28898	
	Other	15							
Options	Fixed-interest securities	21	76365				103136		
	Equity shares	22	6624				10051		
	Land	23							
	Currencies	24							
	Other	25							
Contracts for differences	Fixed-interest securities	31					125344		
	Equity shares	32					2510	14934	
	Land	33	537	3900					
	Currencies	34	150531						
	Other	35							
Adjustments for variation margin		41	(139967)				(119180)	7593	
Total (11 to 41)		49	166478	29975			135338	56756	

Analysis of derivative contractsName of insurer **Norwich Union Life & Pensions Limited**

Global business

Financial year ended **31st December 2006**Category of assets **Provident Mutual Sub-Fund**

		Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
		R17	3253947	GL	31	12	2006	£000	12
		As at the end of this financial year			As at the end of the previous year				
		Assets 1	Liabilities 2	Assets 3	Liabilities 4				
Derivative contracts									
Futures contracts	Fixed-interest securities	11							
	Equity shares	12							
	Land	13							
	Currencies	14	25					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	152396						
	Other	35							
Adjustments for variation margin		41	(144225)			(146501)			
Total (11 to 41)		49	8196			15357		595	

Analysis of derivative contractsName of insurer **Norwich Union Life & Pensions Limited**

Global business

Financial year ended **31st December 2006**Category of assets **Non-Profit Sub-Fund 1**

		Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
		R17	3253947	GL	31	12	2006	£000	14
		As at the end of this financial year			As at the end of the previous year				
		Assets 1	Liabilities 2	Assets 3	Liabilities 4				
Derivative contracts									
Futures contracts	Fixed-interest securities	11							
	Equity shares	12							
	Land	13							
	Currencies	14							
	Other	15							
Options	Fixed-interest securities	21	4177			13150			
	Equity shares	22	5575			35			
	Land	23							
	Currencies	24							
	Other	25							
Contracts for differences	Fixed-interest securities	31							
	Equity shares	32							
	Land	33							
	Currencies	34							
	Other	35							
Adjustments for variation margin		41							
Total (11 to 41)		49	9752			13185			

Analysis of derivative contractsName of insurer **Norwich Union Life & Pensions Limited**

Global business

Financial year ended **31st December 2006**Category of assets **Non-Profit Sub-Fund 2**

		Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
		R17	3253947	GL	31	12	2006	£000	15
		As at the end of this financial year			As at the end of the previous year				
		Assets 1	Liabilities 2	Assets 3	Liabilities 4				
Derivative contracts									
Futures contracts	Fixed-interest securities	11							
	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 fundName of insurer **Norwich Union Life & Pensions Limited**

Global business

Financial year ended **31st December 2006**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
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Regulatory excess capital

Regulatory value of assets	Long-term admissible assets of the fund	11	26709070	27534120
	Implicit items allocated to the fund	12		
	Mathematical reserves in respect of the fund's non-profit insurance contracts	13	720264	763588
	Long-term admissible assets of the fund covering the LTICR of the fund's non-profit insurance contracts	14	28819	32825
	Long-term admissible assets of the fund covering the RCR of the fund's non-profit insurance contracts	15		
	Total (11+12-(13+14+15))	19	25959987	26737707
Regulatory value of liabilities	Mathematical reserves (after distribution of surplus) in respect of the fund's with-profits insurance contracts	21	20802018	20977926
	Regulatory current liabilities of the fund	22	540145	843223
	Total (21+22)	29	21342163	21821149
Long-term insurance capital requirement in respect of the fund's with-profits insurance contracts	31	839788	848659	
Resilience capital requirement in respect of the fund's with-profits insurance contracts	32			
Sum of regulatory value of liabilities, LTICR and RCR (29+31+32)	39	22181951	22669808	
Regulatory excess capital (19-39)	49	3778036	4067899	

Realistic excess capital

Realistic excess capital	51	1231174	412728
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Excess assets allocated to with-profits insurance business

Excess (deficiency) of assets allocated to with-profits insurance business in fund (49-51)	61	2546862	3655171
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		
Present value of future shareholder transfers arising from distribution of surplus	64	419211	
Present value of other future internal transfers not already taken into account	65		
With-profits insurance capital component for fund (if 62 exceeds 63, greater of 61+62-63-64-65 and zero; else greater of 61-64-65 and zero)	66	2127651	3655171

With-profits insurance capital component for the fund

Name of insurer **Norwich Union Life & Pensions Limited**
 Global business
 Financial year ended **31st December 2006**
 With-profits fund **Provident Mutual Sub-Fund 2**
 Units **£000**

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

Regulatory value of assets	Long-term admissible assets of the fund	11	2927177	3225476
	Implicit items allocated to the fund	12		
	Mathematical reserves in respect of the fund's non-profit insurance contracts	13	614543	716294
	Long-term admissible assets of the fund covering the LTICR of the fund's non-profit insurance contracts	14	96027	102261
	Long-term admissible assets of the fund covering the RCR of the fund's non-profit insurance contracts	15		
	Total (11+12-(13+14+15))	19	2216607	2406921
Regulatory value of liabilities	Mathematical reserves (after distribution of surplus) in respect of the fund's with-profits insurance contracts	21	1884969	2127089
	Regulatory current liabilities of the fund	22	65301	130020
	Total (21+22)	29	1950270	2257109
Long-term insurance capital requirement in respect of the fund's with-profits insurance contracts	31	79057	89913	
Resilience capital requirement in respect of the fund's with-profits insurance contracts	32			
Sum of regulatory value of liabilities, LTICR and RCR (29+31+32)	39	2029327	2347022	
Regulatory excess capital (19-39)	49	187280	59899	

Realistic excess capital

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

Excess (deficiency) of assets allocated to with-profits insurance business in fund (49-51)	61	187280	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		
Present value of future shareholder transfers arising from distribution of surplus	64	48308	
Present value of other future internal transfers not already taken into account	65		
With-profits insurance capital component for fund (if 62 exceeds 63, greater of 61+62-63-64-65 and zero; else greater of 61-64-65 and zero)	66	138972	59899

Realistic balance sheetName of insurer **Norwich Union Life & Pensions Limited**

Global business

Financial year ended **31st December 2006**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
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Realistic value of assets available to the fund

Regulatory value of assets	11	25959987	26737706
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	48819	32825
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	26008806	26770531
Support arrangement assets	27		
Assets available to the fund (26+27)	29	26008806	26770531

Realistic value of liabilities of fund

With-profits benefits reserve	31	20996989	21641934	
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	634310	921864
	Planned deductions for other costs deemed chargeable to with-profits benefits reserve	36		
	Future costs of contractual guarantees (other than financial options)	41	1173708	1805570
	Future costs of non-contractual commitments	42	703405	693217
	Future costs of financial options	43	760254	847702
	Future costs of smoothing (possibly negative)	44	(32112)	(23325)
	Financing costs	45		
	Any other liabilities related to regulatory duty to treat customers fairly	46		
Other long-term insurance liabilities	47	676907	625555	
Total (32+34+41+42+43+44+45+46+47-(33+35+36))	49	2647852	3026855	
Realistic current liabilities of the fund	51	510891	820442	
Realistic value of liabilities of the fund (31+49+51)	59	24155732	25489231	

Realistic balance sheetName of insurer **Norwich Union Life & Pensions Limited**

Global business

Financial year ended **31st December 2006**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
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Realistic excess capital and additional capital available

Value of relevant assets before applying the most adverse scenario other than present value of future profits arising from business outside with-profits funds	62	24777632	26357803
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	24777632	26357803
Risk capital margin for fund (62-59)	65	621900	868572
Realistic excess capital for fund (26-(59+65))	66	1231174	412728
Realistic excess available capital for fund (29-(59+65))	67	1231174	412728
Working capital for for fund (29-59)	68	1853074	1281300
Working capital ratio for fund (68/29)	69	7.12	4.79

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		

Realistic balance sheetName of insurer **Norwich Union Life & Pensions Limited**

Global business

Financial year ended **31st December 2006**With-profits fund **Provident Mutual Sub-Fund 2**Units **£000**

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

Regulatory value of assets	11	2216607	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	133340	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	2349947	2618589
Support arrangement assets	27		
Assets available to the fund (26+27)	29	2349947	2618589

Realistic value of liabilities of fund

With-profits benefits reserve	31	1834883	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	15320	
	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	16803	15609
	Future costs of non-contractual commitments	42		
	Future costs of financial options	43	352198	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	65565	90820
Total (32+34+41+42+43+44+45+46+47-(33+35+36))	49	449886	389624	
Realistic current liabilities of the fund	51	65178	129902	
Realistic value of liabilities of the fund (31+49+51)	59	2349947	2618589	

Realistic balance sheetName of insurer **Norwich Union Life & Pensions Limited**

Global business

Financial year ended **31st December 2006**With-profits fund **Provident Mutual Sub-Fund 2**Units **£000**

	As at end of this financial year 1	As at end of the previous year 2
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Realistic excess capital and additional capital available

Value of relevant assets before applying the most adverse scenario other than present value of future profits arising from business outside with-profits funds	62	2349947	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	2349947	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 accountName of insurer **Norwich Union Life & Pensions Limited**Name and number of fund/Summary **Summary**Financial year ended **31st December 2006**Units **£000**

		Financial year	Previous year
		1	2
Income			
Earned premiums	11	7207790	3938551
Investment income receivable before deduction of tax	12	2416140	2399931
Increase (decrease) in the value of non-linked assets brought into account	13	672677	380117
Increase (decrease) in the value of linked assets	14	1775330	2619682
Other income	15		
Total income	19	12071937	9338281
Expenditure			
Claims incurred	21	6688223	5265097
Expenses payable	22	1218834	1112901
Interest payable before deduction of tax	23	42220	23606
Taxation	24	(17394)	24297
Other expenditure	25		
Transfer to (from) non technical account	26	35317	126856
Total expenditure	29	7967200	6552757
Business transfers-in	31		23765711
Business transfers-out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	4104737	26551235
Fund brought forward	49	51678034	25126799
Fund carried forward (39+49)	59	55782771	51678034

Long-term insurance business : Revenue accountName of insurer **Norwich Union Life & Pensions Limited**Name and number of fund/Summary **With Profits Sub-Fund**Financial year ended **31st December 2006**Units **£000**

		Financial year	Previous year
		1	2
Income			
Earned premiums	11	431754	(658722)
Investment income receivable before deduction of tax	12	1111177	1253755
Increase (decrease) in the value of non-linked assets brought into account	13	1426502	138011
Increase (decrease) in the value of linked assets	14		
Other income	15	(88246)	(92442)
Total income	19	2881187	640602
Expenditure			
Claims incurred	21	2940131	2297346
Expenses payable	22	59864	74506
Interest payable before deduction of tax	23	1175	6014
Taxation	24	68882	143918
Other expenditure	25		
Transfer to (from) non technical account	26	30368	19523
Total expenditure	29	3100420	2541307
Business transfers-in	31		
Business transfers-out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	(219233)	(1900705)
Fund brought forward	49	21741515	23642220
Fund carried forward (39+49)	59	21522282	21741515

Long-term insurance business : Revenue accountName of insurer **Norwich Union Life & Pensions Limited**Name and number of fund/Summary **Provident Mutual Sub-Fund**Financial year ended **31st December 2006**Units **£000**

		Financial year	Previous year
		1	2
Income			
Earned premiums	11	71513	(3269119)
Investment income receivable before deduction of tax	12	136045	173660
Increase (decrease) in the value of non-linked assets brought into account	13	(208985)	118570
Increase (decrease) in the value of linked assets	14		
Other income	15	31630	30198
Total income	19	30203	(2946691)
Expenditure			
Claims incurred	21	327707	343451
Expenses payable	22	37364	25303
Interest payable before deduction of tax	23	3989	4237
Taxation	24	65	3458
Other expenditure	25		
Transfer to (from) non technical account	26	4949	4133
Total expenditure	29	374074	380582
Business transfers-in	31		6170656
Business transfers-out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	(343871)	2843383
Fund brought forward	49	2843383	
Fund carried forward (39+49)	59	2499512	2843383

Long-term insurance business : Revenue accountName of insurer **Norwich Union Life & Pensions Limited**Name and number of fund/Summary **Belgian Sub-Fund**Financial year ended **31st December 2006**Units **£000**

		Financial year	Previous year
		1	2
Income			
Earned premiums	11		
Investment income receivable before deduction of tax	12	1587	631
Increase (decrease) in the value of non-linked assets brought into account	13	(1587)	(631)
Increase (decrease) in the value of linked assets	14		
Other income	15		
Total income	19		
Expenditure			
Claims incurred	21		
Expenses payable	22		
Interest payable before deduction of tax	23		
Taxation	24		
Other expenditure	25		
Transfer to (from) non technical account	26		
Total expenditure	29		
Business transfers-in	31		
Business transfers-out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39		
Fund brought forward	49		
Fund carried forward (39+49)	59		

Long-term insurance business : Revenue accountName of insurer **Norwich Union Life & Pensions Limited**Name and number of fund/Summary **Non-Profit Sub-Fund 1**Financial year ended **31st December 2006**Units **£000**

		Financial year	Previous year
		1	2
Income			
Earned premiums	11	3111818	2780328
Investment income receivable before deduction of tax	12	305154	249736
Increase (decrease) in the value of non-linked assets brought into account	13	(460690)	416909
Increase (decrease) in the value of linked assets	14	700189	761579
Other income	15	15823	18185
Total income	19	3672294	4226737
Expenditure			
Claims incurred	21	996528	1144509
Expenses payable	22	687400	563231
Interest payable before deduction of tax	23	29663	6363
Taxation	24	(143403)	(102468)
Other expenditure	25		560000
Transfer to (from) non technical account	26		103200
Total expenditure	29	1570188	2274835
Business transfers-in	31		4827841
Business transfers-out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	2102106	6779743
Fund brought forward	49	8264322	1484579
Fund carried forward (39+49)	59	10366428	8264322

Long-term insurance business : Revenue accountName of insurer **Norwich Union Life & Pensions Limited**Name and number of fund/Summary **Non-Profit Sub-Fund 2**Financial year ended **31st December 2006**Units **£000**

		Financial year	Previous year
		1	2
Income			
Earned premiums	11	3592705	5086064
Investment income receivable before deduction of tax	12	862177	722149
Increase (decrease) in the value of non-linked assets brought into account	13	(82563)	(292742)
Increase (decrease) in the value of linked assets	14	1075141	1858103
Other income	15	40793	44059
Total income	19	5488253	7417633
Expenditure			
Claims incurred	21	2423857	1479791
Expenses payable	22	434206	449861
Interest payable before deduction of tax	23	7393	6992
Taxation	24	57062	(20611)
Other expenditure	25		(560000)
Transfer to (from) non technical account	26		
Total expenditure	29	2922518	1356033
Business transfers-in	31		12767214
Business transfers-out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	2565735	18828814
Fund brought forward	49	18828814	
Fund carried forward (39+49)	59	21394549	18828814

Long term insurance business : Analysis of premiumsName of insurer **Norwich Union Life & Pensions Limited**Total business/subfund **Summary**Financial year ended **31st December 2006**Units **£000**

		UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
		1	2	3	4	5
Gross						
Regular premiums	11	1090469	1343853	25102	2459424	2194434
Single premiums	12	2759586	2514969	7009	5281564	3860662
Reinsurance - external						
Regular premiums	13	280377	60073	133	340583	233763
Single premiums	14	38954	17978		56932	123177
Reinsurance - intra-group						
Regular premiums	15	15918	4700	301	20919	24517
Single premiums	16		114721	43	114764	1735088
Net of reinsurance						
Regular premiums	17	794174	1279080	24668	2097922	1936154
Single premiums	18	2720632	2382270	6966	5109868	2002397
Total						
Gross	19	3850055	3858822	32111	7740988	6055096
Reinsurance	20	335249	197472	477	533198	2116545
Net	21	3514806	3661350	31634	7207790	3938551

Long term insurance business : Analysis of premiumsName of insurer **Norwich Union Life & Pensions Limited**Total business/subfund **With Profits Sub-Fund**Financial year ended **31st December 2006**Units **£000**

		UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
		1	2	3	4	5
Gross						
Regular premiums	11	226339	135995	22401	384735	457591
Single premiums	12	(21738)	66779	1978	47019	83821
Reinsurance - external						
Regular premiums	13					
Single premiums	14					
Reinsurance - intra-group						
Regular premiums	15					
Single premiums	16					1200134
Net of reinsurance						
Regular premiums	17	226339	135995	22401	384735	457591
Single premiums	18	(21738)	66779	1978	47019	(1116313)
Total						
Gross	19	204601	202774	24379	431754	541412
Reinsurance	20					1200134
Net	21	204601	202774	24379	431754	(658722)

Long term insurance business : Analysis of premiumsName of insurer **Norwich Union Life & Pensions Limited**Total business/subfund **Provident Mutual Sub-Fund**Financial year ended **31st December 2006**Units **£000**

		UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
		1	2	3	4	5
Gross						
Regular premiums	11	17021	21493		38514	40779
Single premiums	12	14281	129661		143942	(2788298)
Reinsurance - external						
Regular premiums	13					
Single premiums	14					
Reinsurance - intra-group						
Regular premiums	15	10943			10943	300
Single premiums	16		100000		100000	521300
Net of reinsurance						
Regular premiums	17	6078	21493		27571	40479
Single premiums	18	14281	29661		43942	(3309598)
Total						
Gross	19	31302	151154		182456	(2747519)
Reinsurance	20	10943	100000		110943	521600
Net	21	20359	51154		71513	(3269119)

Long term insurance business : Analysis of premiumsName of insurer **Norwich Union Life & Pensions Limited**Total business/subfund **Non-Profit Sub-Fund 1**Financial year ended **31st December 2006**Units **£000**

		UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
		1	2	3	4	5
Gross						
Regular premiums	11	746191			746191	558388
Single premiums	12	2640429			2640429	2397246
Reinsurance - external						
Regular premiums	13	271313			271313	154977
Single premiums	14					8620
Reinsurance - intra-group						
Regular premiums	15	3489			3489	11709
Single premiums	16					
Net of reinsurance						
Regular premiums	17	471389			471389	391702
Single premiums	18	2640429			2640429	2388626
Total						
Gross	19	3386620			3386620	2955634
Reinsurance	20	274802			274802	175306
Net	21	3111818			3111818	2780328

Long term insurance business : Analysis of premiumsName of insurer **Norwich Union Life & Pensions Limited**Total business/subfund **Non-Profit Sub-Fund 2**Financial year ended **31st December 2006**Units **£000**

		UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
		1	2	3	4	5
Gross						
Regular premiums	11	100918	1186365	2701	1289984	1137676
Single premiums	12	126614	2318529	5031	2450174	4167893
Reinsurance - external						
Regular premiums	13	9064	60073	133	69270	78786
Single premiums	14	38954	17978		56932	114557
Reinsurance - intra-group						
Regular premiums	15	1486	4700	301	6487	12508
Single premiums	16		14721	43	14764	13654
Net of reinsurance						
Regular premiums	17	90368	1121592	2267	1214227	1046382
Single premiums	18	87660	2285830	4988	2378478	4039682
Total						
Gross	19	227532	3504894	7732	3740158	5305569
Reinsurance	20	49504	97472	477	147453	219505
Net	21	178028	3407422	7255	3592705	5086064

Long term insurance business : Analysis of claimsName of insurer **Norwich Union Life & Pensions Limited**Total business/subfund **Summary**Financial year ended **31st December 2006**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	481333	155712	2396	639441	529767
Disability periodic payments	12	22896	636	(1)	23531	36112
Surrender or partial surrender	13	1389379	2672259	46981	4108619	3364354
Annuity payments	14	3245	96251	4	99500	108114
Lump sums on maturity	15	954346	1044639	75190	2074175	1469954
Total	16	2851199	3969497	124570	6945266	5508301
Reinsurance - external						
Death or disability lump sums	21	185079	1194		186273	188396
Disability periodic payments	22	5915			5915	4142
Surrender or partial surrender	23	412	11000		11412	3145
Annuity payments	24	548			548	3379
Lump sums on maturity	25	1419	13347		14766	11296
Total	26	193373	25541		218914	210358
Reinsurance - intra-group						
Death or disability lump sums	31	5200	574	82	5856	11791
Disability periodic payments	32	21			21	73
Surrender or partial surrender	33	7359	14870	3412	25641	18092
Annuity payments	34					71
Lump sums on maturity	35	4461	1861	289	6611	2819
Total	36	17041	17305	3783	38129	32846
Net of reinsurance						
Death or disability lump sums	41	291054	153944	2314	447312	329580
Disability periodic payments	42	16960	636	(1)	17595	31897
Surrender or partial surrender	43	1381608	2646389	43569	4071566	3343117
Annuity payments	44	2697	96251	4	98952	104664
Lump sums on maturity	45	948466	1029431	74901	2052798	1455839
Total	46	2640785	3926651	120787	6688223	5265097

Long term insurance business : Analysis of claimsName of insurer **Norwich Union Life & Pensions Limited**Total business/subfund **With Profits Sub-Fund**Financial year ended **31st December 2006**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	88408	40681	1305	130394	142008
Disability periodic payments	12	11	111		122	177
Surrender or partial surrender	13	699061	680836	43615	1423512	1068547
Annuity payments	14		5805	4	5809	12213
Lump sums on maturity	15	740048	566195	74051	1380294	1074401
Total	16	1527528	1293628	118975	2940131	2297346
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	88408	40681	1305	130394	142008
Disability periodic payments	42	11	111		122	177
Surrender or partial surrender	43	699061	680836	43615	1423512	1068547
Annuity payments	44		5805	4	5809	12213
Lump sums on maturity	45	740048	566195	74051	1380294	1074401
Total	46	1527528	1293628	118975	2940131	2297346

Long term insurance business : Analysis of claimsName of insurer **Norwich Union Life & Pensions Limited**Total business/subfund **Provident Mutual Sub-Fund**Financial year ended **31st December 2006**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	5364	4431		9795	2710
Disability periodic payments	12	1432	28		1460	3549
Surrender or partial surrender	13	17158	81285		98443	132145
Annuity payments	14	859	69770		70629	77183
Lump sums on maturity	15	53548	108595		162143	132288
Total	16	78361	264109		342470	347875
Reinsurance - external						
Death or disability lump sums	21					3022
Disability periodic payments	22					
Surrender or partial surrender	23					
Annuity payments	24					
Lump sums on maturity	25					
Total	26					3022
Reinsurance - intra-group						
Death or disability lump sums	31	2247			2247	65
Disability periodic payments	32					
Surrender or partial surrender	33	7359			7359	421
Annuity payments	34					
Lump sums on maturity	35	4460	697		5157	916
Total	36	14066	697		14763	1402
Net of reinsurance						
Death or disability lump sums	41	3117	4431		7548	(377)
Disability periodic payments	42	1432	28		1460	3549
Surrender or partial surrender	43	9799	81285		91084	131724
Annuity payments	44	859	69770		70629	77183
Lump sums on maturity	45	49088	107898		156986	131372
Total	46	64295	263412		327707	343451

Long term insurance business : Analysis of claimsName of insurer **Norwich Union Life & Pensions Limited**Total business/subfund **Non-Profit Sub-Fund 1**Financial year ended **31st December 2006**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	375704			375704	315040
Disability periodic payments	12	198			198	170
Surrender or partial surrender	13	659570			659570	988265
Annuity payments	14	1805			1805	1862
Lump sums on maturity	15	146951			146951	34166
Total	16	1184228			1184228	1339503
Reinsurance - external						
Death or disability lump sums	21	184192			184192	173565
Disability periodic payments	22					
Surrender or partial surrender	23	412			412	
Annuity payments	24					3263
Lump sums on maturity	25	1419			1419	1224
Total	26	186023			186023	178052
Reinsurance - intra-group						
Death or disability lump sums	31	1676			1676	16941
Disability periodic payments	32					
Surrender or partial surrender	33					
Annuity payments	34					
Lump sums on maturity	35	1			1	1
Total	36	1677			1677	16942
Net of reinsurance						
Death or disability lump sums	41	189836			189836	124534
Disability periodic payments	42	198			198	170
Surrender or partial surrender	43	659158			659158	988265
Annuity payments	44	1805			1805	(1401)
Lump sums on maturity	45	145531			145531	32941
Total	46	996528			996528	1144509

Long term insurance business : Analysis of claimsName of insurer **Norwich Union Life & Pensions Limited**Total business/subfund **Non-Profit Sub-Fund 2**Financial year ended **31st December 2006**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	11857	110600	1091	123548	70009
Disability periodic payments	12	21255	497	(1)	21751	32216
Surrender or partial surrender	13	13590	1910138	3366	1927094	1175397
Annuity payments	14	581	20676		21257	16856
Lump sums on maturity	15	13799	369849	1139	384787	229099
Total	16	61082	2411760	5595	2478437	1523577
Reinsurance - external						
Death or disability lump sums	21	887	1194		2081	11809
Disability periodic payments	22	5915			5915	4142
Surrender or partial surrender	23		11000		11000	3145
Annuity payments	24	548			548	116
Lump sums on maturity	25		13347		13347	10072
Total	26	7350	25541		32891	29284
Reinsurance - intra-group						
Death or disability lump sums	31	1277	574	82	1933	(5215)
Disability periodic payments	32	21			21	73
Surrender or partial surrender	33		14870	3412	18282	17671
Annuity payments	34					71
Lump sums on maturity	35		1164	289	1453	1902
Total	36	1298	16608	3783	21689	14502
Net of reinsurance						
Death or disability lump sums	41	9693	108832	1009	119534	63415
Disability periodic payments	42	15319	497	(1)	15815	28001
Surrender or partial surrender	43	13590	1884268	(46)	1897812	1154581
Annuity payments	44	33	20676		20709	16669
Lump sums on maturity	45	13799	355338	850	369987	217125
Total	46	52434	2369611	1812	2423857	1479791

Long term insurance business : Analysis of expensesName of insurer **Norwich Union Life & Pensions Limited**Total business/subfund **Summary**Financial year ended **31st December 2006**Units **£000**

		UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
		1	2	3	4	5
Gross						
Commission - acquisition	11	489832	139057	556	629445	602808
Commission - other	12	76645	14056	271	90972	52904
Management - acquisition	13	120207	89995	4	210206	190353
Management - maintenance	14	95966	124626	272	220864	237973
Management - other	15	32603	52048	6	84657	122311
Total	16	815253	419782	1109	1236144	1206349
Reinsurance - external						
Commission - acquisition	21	23970			23970	90801
Commission - other	22	79	93		172	126
Management - acquisition	23					
Management - maintenance	24					
Management - other	25					
Total	26	24049	93		24142	90927
Reinsurance - intra-group						
Commission - acquisition	31					1497
Commission - other	32	922	1		923	703
Management - acquisition	33					
Management - maintenance	34	(785)	(6970)		(7755)	321
Management - other	35					
Total	36	137	(6969)		(6832)	2521
Net of reinsurance						
Commission - acquisition	41	465862	139057	556	605475	510510
Commission - other	42	75644	13962	271	89877	52075
Management - acquisition	43	120207	89995	4	210206	190353
Management - maintenance	44	96751	131596	272	228619	237652
Management - other	45	32603	52048	6	84657	122311
Total	46	791067	426658	1109	1218834	1112901

Long term insurance business : Analysis of expensesName of insurer **Norwich Union Life & Pensions Limited**Total business/subfund **With Profits Sub-Fund**Financial year ended **31st December 2006**Units **£000**

		UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
		1	2	3	4	5
Gross						
Commission - acquisition	11	(83)	2313	545	2775	2808
Commission - other	12	5918	304	263	6485	7273
Management - acquisition	13	44	1268	2	1314	(5284)
Management - maintenance	14	27103	15877	30	43010	36060
Management - other	15	(5573)	11853		6280	33649
Total	16	27409	31615	840	59864	74506
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	(83)	2313	545	2775	2808
Commission - other	42	5918	304	263	6485	7273
Management - acquisition	43	44	1268	2	1314	(5284)
Management - maintenance	44	27103	15877	30	43010	36060
Management - other	45	(5573)	11853		6280	33649
Total	46	27409	31615	840	59864	74506

Long term insurance business : Analysis of expensesName of insurer **Norwich Union Life & Pensions Limited**Total business/subfund **Provident Mutual Sub-Fund**Financial year ended **31st December 2006**Units **£000**

		UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
		1	2	3	4	5
Gross						
Commission - acquisition	11	389	1770		2159	1775
Commission - other	12	426	882		1308	(1560)
Management - acquisition	13	13	74		87	
Management - maintenance	14	3994	18125		22119	23304
Management - other	15	3738	229		3967	2105
Total	16	8560	21080		29640	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	30	1		31	
Management - acquisition	33					
Management - maintenance	34	(785)	(6970)		(7755)	321
Management - other	35					
Total	36	(755)	(6969)		(7724)	321
Net of reinsurance						
Commission - acquisition	41	389	1770		2159	1775
Commission - other	42	396	881		1277	(1560)
Management - acquisition	43	13	74		87	
Management - maintenance	44	4779	25095		29874	22983
Management - other	45	3738	229		3967	2105
Total	46	9315	28049		37364	25303

Long term insurance business : Analysis of expensesName of insurer **Norwich Union Life & Pensions Limited**Total business/subfund **Non-Profit Sub-Fund 1**Financial year ended **31st December 2006**Units **£000**

		UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
		1	2	3	4	5
Gross						
Commission - acquisition	11	411587			411587	396118
Commission - other	12	69626			69626	31903
Management - acquisition	13	110981		2	110983	94845
Management - maintenance	14	70470		252	70722	49387
Management - other	15	28982		6	28988	32649
Total	16	691646		260	691906	604902
Reinsurance - external						
Commission - acquisition	21	3552			3552	39428
Commission - other	22	62			62	43
Management - acquisition	23					
Management - maintenance	24					
Management - other	25					
Total	26	3614			3614	39471
Reinsurance - intra-group						
Commission - acquisition	31					1497
Commission - other	32	892			892	703
Management - acquisition	33					
Management - maintenance	34					
Management - other	35					
Total	36	892			892	2200
Net of reinsurance						
Commission - acquisition	41	408035			408035	355193
Commission - other	42	68672			68672	31157
Management - acquisition	43	110981		2	110983	94845
Management - maintenance	44	70470		252	70722	49387
Management - other	45	28982		6	28988	32649
Total	46	687140		260	687400	563231

Long term insurance business : Analysis of expensesName of insurer **Norwich Union Life & Pensions Limited**Total business/subfund **Non-Profit Sub-Fund 2**Financial year ended **31st December 2006**Units **£000**

		UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
		1	2	3	4	5
Gross						
Commission - acquisition	11	77939	134974	11	212924	202107
Commission - other	12	675	12870	8	13553	15288
Management - acquisition	13	9169	88653		97822	100792
Management - maintenance	14	(5601)	90624	(10)	85013	129222
Management - other	15	5456	39966		45422	53908
Total	16	87638	367087	9	454734	501317
Reinsurance - external						
Commission - acquisition	21	20418			20418	51373
Commission - other	22	17	93		110	83
Management - acquisition	23					
Management - maintenance	24					
Management - other	25					
Total	26	20435	93		20528	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	57521	134974	11	192506	150734
Commission - other	42	658	12777	8	13443	15205
Management - acquisition	43	9169	88653		97822	100792
Management - maintenance	44	(5601)	90624	(10)	85013	129222
Management - other	45	5456	39966		45422	53908
Total	46	67203	366994	9	434206	449861

Long term insurance business : Linked funds balance sheetName of insurer **Norwich Union Life & Pensions Limited**

Total business

Financial year ended **31st December 2006**Units **£000**

		Financial year	Previous year
		1	2
Internal linked funds (excluding cross investment)			
Directly held assets (excluding collective investment schemes)	11	27592082	24796498
Directly held assets in collective investment schemes of connected companies	12	3769941	2068768
Directly held assets in other collective investment schemes	13	1862786	
Total assets (excluding cross investment) (11+12+13)	14	33224809	26865266
Provision for tax on unrealised capital gains	15	119475	93100
Secured and unsecured loans	16		
Other liabilities	17	3170619	2183962
Total net assets (14-15-16-17)	18	29934715	24588204
Directly held linked assets			
Value of directly held linked assets	21	9628	8452
Total			
Value of directly held linked assets and units held (18+21)	31	29944343	24596656
Surplus units	32	174472	156085
Deficit units	33		
Net unit liability (31-32+33)	34	29769871	24440571

Long term insurance business : Revenue account for internal linked fundsName of insurer **Norwich Union Life & Pensions Limited**

Total business

Financial year ended **31st December 2006**Units **£000**

		Financial year	Previous year
		1	2
Income			
Value of total creation of units	11	4105061	3093494
Investment income attributable to the funds before deduction of tax	12	1020554	840285
Increase (decrease) in the value of investments in the financial year	13	1788726	2562139
Other income	14	20414	19623274
Total income	19	6934755	26119192
Expenditure			
Value of total cancellation units	21	1287857	1225264
Charges for management	22	135682	129136
Charges in respect of tax on investment income	23	57157	58134
Taxation on realised capital gains	24	58368	31449
Increase (decrease) in amount set aside for tax on capital gains not yet realised	25	25758	71891
Other expenditure	26	23422	15114
Total expenditure	29	1588244	1530988
Increase (decrease) in funds in financial year (19-29)	39	5346511	24588204
Internal linked fund brought forward	49	24588204	
Internal linked funds carried forward (39 + 49)	59	29934715	24588204

Long term insurance business : Summary of new businessName of insurer **Norwich Union Life & Pensions Limited**

Total business

Financial year ended **31st December 2006**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	236849	17858	10866	265573	362784
Single premium business	12	222	746	1075	2043	1210
Total	13	237071	18604	11941	267616	363994
Amount of new regular premiums						
Direct insurance business	21	112492	64490	8707	185689	188318
External reinsurance	22					
Intra-group reinsurance	23	1743	319187	3397	324327	197516
Total	24	114235	383677	12104	510016	385834
Amount of new single premiums						
Direct insurance business	25	334275	244432	32371	611078	611674
External reinsurance	26					
Intra-group reinsurance	27	2335934	1975548	10285	4321767	3240822
Total	28	2670209	2219980	42656	4932845	3852496

Long term insurance business : Analysis of new businessName of insurer **Norwich Union Life & Pensions Limited**

Total business

Financial year ended **31st December 2006**Units **£000**

UK Life / Direct insurance business

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
200	Annuity with-profits (CPA)			27	1732
205	Miscellaneous conventional with-profits		1		
300	Regular premium non-profit WL/EA OB	1629	595		
305	Single premium non-profit WL/EA OB			11	1154
325	Level term assurance	102482	50386		2
330	Decreasing term assurance	95499	37782		
345	Accelerated critical illness (reviewable premiums)	140	56		
355	Stand-alone critical illness (reviewable premiums)	3094	1349		
365	Income protection non-profit (reviewable premiums)	19073	6497		
370	Long-term care policy				13
395	Annuity non-profit (PLA)			183	25988
415	Collective Life		10404		221551

Long term insurance business : Analysis of new businessName of insurer **Norwich Union Life & Pensions Limited**

Total business

Financial year ended **31st December 2006**Units **£000**

UK Life / Direct insurance business

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
420	Group income protection	14898	4917		83085
500	Life UWP single premium				33
505	Life UWP whole life regular premium	3	175		
510	Life UWP endowment regular premium -savings	17	18		
575	Miscellaneous UWP		11	1	55
700	Life property linked single premium				635
710	Life property linked whole life regular premium		270		
715	Life property linked endowment regular premium -savings	14	20		
795	Miscellaneous property linked		11		27

Long term insurance business : Analysis of new businessName of insurer **Norwich Union Life & Pensions Limited**

Total business

Financial year ended **31st December 2006**Units **£000**

UK Life / Reinsurance accepted intra-group

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
360	Income protection non-profit (guaranteed premiums)		74		
415	Collective Life		1622		17653
700	Life property linked single premium				2318281
710	Life property linked whole life regular premium		47		

Long term insurance business : Analysis of new businessName of insurer **Norwich Union Life & Pensions Limited**

Total business

Financial year ended **31st December 2006**Units **£000**

UK Pension / Direct insurance business

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
155	Conventional pensions endowment with-profits	31	962	118	4624
160	Conventional pensions endowment with-profits -increments		26		965
165	Conventional deferred annuity with-profits		4		21
170	Conventional deferred annuity with-profits -increments				3
185	Group conventional pensions endowment with-profits		12		
200	Annuity with-profits (CPA)			176	4658
325	Level term assurance	12753	6835		
330	Decreasing term assurance	1056	346		
410	Group Life	669	29611		
525	Individual pensions UWP	3	20	9	828
530	Individual pensions UWP -increments		543		2758
535	Group money purchase pensions UWP	656	1210	37	458

Long term insurance business : Analysis of new businessName of insurer **Norwich Union Life & Pensions Limited**

Total business

Financial year ended **31st December 2006**Units **£000**

UK Pension / Direct insurance business

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
540	Group money purchase pensions UWP -increments		2266		11997
560	Group deposit administration with-profits -increments		1186		579
565	DWP National Insurance rebates UWP			17	71606
575	Miscellaneous UWP		737		9707
725	Individual pensions property linked		6	10	1910
730	Individual pensions property linked -increments		2707		13851
735	Group money purchase pensions property linked	2690	5864	345	3785
740	Group money purchase pensions property linked -increments		12155		40155
745	DWP National Insurance rebates property linked			3	75671
905	Index linked annuity			31	856

Long term insurance business : Analysis of new businessName of insurer **Norwich Union Life & Pensions Limited**

Total business

Financial year ended **31st December 2006**Units **£000**

UK Pension / Reinsurance accepted intra-group

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
725	Individual pensions property linked		73551		843221
730	Individual pensions property linked -increments		33194		575917
735	Group money purchase pensions property linked		128745		121355
740	Group money purchase pensions property linked -increments		83697		243762
745	DWP National Insurance rebates property linked				65958
755	Trustee investment plan				125335

Long term insurance business : Analysis of new businessName of insurer **Norwich Union Life & Pensions Limited**

Total business

Financial year ended **31st December 2006**Units **£000**

Overseas / Direct insurance business

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
120	Conventional endowment with-profits OB savings	2	45		
155	Conventional pensions endowment with-profits	23	96		86
160	Conventional pensions endowment with-profits -increments		47		48
165	Conventional deferred annuity with-profits		2		17
185	Group conventional pensions endowment with-profits		686		112
300	Regular premium non-profit WL/EA OB	7070	1552		
325	Level term assurance	2667	764	717	757
395	Annuity non-profit (PLA)			172	7032
410	Group Life	20	272		
525	Individual pensions UWP	7	38	1	153
530	Individual pensions UWP -increments		112		371
535	Group money purchase pensions UWP	18	65	36	200

Long term insurance business : Analysis of new businessName of insurer **Norwich Union Life & Pensions Limited**

Total business

Financial year ended **31st December 2006**Units **£000**

Overseas / Direct insurance business

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
540	Group money purchase pensions UWP -increments		152		715
565	DWP National Insurance rebates UWP			4	1849
725	Individual pensions property linked	71	94	87	1846
730	Individual pensions property linked -increments		156		2331
735	Group money purchase pensions property linked	988	2823	58	1650
740	Group money purchase pensions property linked -increments		1803		14067
745	DWP National Insurance rebates property linked				1137

Long term insurance business : Analysis of new businessName of insurer **Norwich Union Life & Pensions Limited**

Total business

Financial year ended **31st December 2006**Units **£000**

Overseas / Reinsurance accepted intra-group

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
360	Income protection non-profit (guaranteed premiums)		2		
700	Life property linked single premium				192
725	Individual pensions property linked		2616		9050
730	Individual pensions property linked -increments		779		1043

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 2006**

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	26477	26477	1128	4.26	
Approved fixed interest securities	12	2007914	2007914	96119	4.79	
Other fixed interest securities	13	630509	630509	35186	5.58	
Variable interest securities	14	105718	105771	3408	3.22	
UK listed equity shares	15	61177	149659	3495	2.34	
Non-UK listed equity shares	16		8744	2	0.02	
Unlisted equity shares	17	23776	24194			
Other assets	18	1632726	1535029	23801	1.55	
Total	19	4488297	4488297	163139	3.63	
Assets backing with-profits liabilities and with-profits capital requirement						
Land and buildings	21	2176506	3693568	170454	4.61	23
Approved fixed interest securities	22	9278842	8428548	489396	5.81	.97
Other fixed interest securities	23	3808305	4322799	210430	4.87	.49
Variable interest securities	24	265608	295449	10395	3.52	2.41
UK listed equity shares	25	6888663	7128467	200547	2.81	16.69
Non-UK listed equity shares	26	1961705	2117423	44642	2.11	10.02
Unlisted equity shares	27	1558936	256635	297	0.12	
Other assets	28	2238030	1933706	104114	5.38	4.79
Total	29	28176595	28176595	1230275	4.37	8.72
Overall return on with-profits assets						
Post investment costs but pre-tax	31					11.09
Return allocated to non taxable 'asset shares'	32					13.02
Return allocated to taxable 'asset shares'	33					11.13

Long term insurance business : Non-linked assetsName of insurer **Norwich Union Life & Pensions Limited**Category of assets **With Profits Sub-Fund**Financial year ended **31st December 2006**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	749083	749083	39476	4.81	
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	749083	749083	39476	4.81	
Assets backing with-profits liabilities and with-profits capital requirement						
Land and buildings	21	2176506	3638730	166654	4.58	23.24
Approved fixed interest securities	22	8663049	7812755	456541	4.73	1.03
Other fixed interest securities	23	2822217	3184315	154526	5.22	.6
Variable interest securities	24	193334	223035	9601	4.38	3.19
UK listed equity shares	25	6675723	6915455	194328	4.22	16.76
Non-UK listed equity shares	26	1936576	2087843	44014	3.88	9.89
Unlisted equity shares	27	1504098	256635	297	0.24	
Other assets	28	1988484	1841219	98442	5.35	4.79
Total	29	25959987	25959987	1124403	4.56	9.27
Overall return on with-profits assets						
Post investment costs but pre-tax	31					8.97
Return allocated to non taxable 'asset shares'	32					10.9
Return allocated to taxable 'asset shares'	33					9.29

Long term insurance business : Non-linked assetsName of insurer **Norwich Union Life & Pensions Limited**Category of assets **Provident Mutual Sub-Fund**Financial year ended **31st December 2006**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	505399	505399	26965	4.78	
Other fixed interest securities	13	205171	205171	11632	5.60	
Variable interest securities	14					
UK listed equity shares	15					
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18					
Total	19	710570	710570	38597	5.02	
Assets backing with-profits liabilities and with-profits capital requirement						
Land and buildings	21		54838	3800	6.93	7.09
Approved fixed interest securities	22	615793	615793	32855	4.78	.26
Other fixed interest securities	23	986088	1138484	55904	5.46	.2
Variable interest securities	24	72274	72414	794	1.39	3.22
UK listed equity shares	25	212940	213012	6219	4.32	14.3
Non-UK listed equity shares	26	25129	29580	628	3.53	18.89
Unlisted equity shares	27	54838				
Other assets	28	249546	92487	5672	3.05	4.77
Total	29	2216608	2216608	105872	4.94	2.28
Overall return on with-profits assets						
Post investment costs but pre-tax	31					2.12
Return allocated to non taxable 'asset shares'	32					2.12
Return allocated to taxable 'asset shares'	33					1.84

Long term insurance business : Non-linked assetsName of insurer **Norwich Union Life & Pensions Limited**Category of assets **Belgian Sub-Fund**Financial year ended **31st December 2006**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	8818	8818	411	4.66	
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	8818	8818	411	4.66	
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 assetsName of insurer **Norwich Union Life & Pensions Limited**Category of assets **Non-Profit Sub-Fund 1**Financial year ended **31st December 2006**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	22666	22666	966	4.26	
Approved fixed interest securities	12	77075	77075	2446	3.17	
Other fixed interest securities	13	61330	61330	3456	5.64	
Variable interest securities	14	51341	51341	2152	4.19	
UK listed equity shares	15	36111	96199	2767	2.88	
Non-UK listed equity shares	16					
Unlisted equity shares	17	23572	23960			
Other assets	18	613485	553009	1620	0.29	
Total	19	885580	885580	13408	1.51	
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 assetsName of insurer **Norwich Union Life & Pensions Limited**Category of assets **Non-Profit Sub-Fund 2**Financial year ended **31st December 2006**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	3811	3811	162	4.26	
Approved fixed interest securities	12	667539	667539	26821	4.02	
Other fixed interest securities	13	364008	364008	20098	5.52	
Variable interest securities	14	54377	54430	1256	2.31	
UK listed equity shares	15	25066	53460	728	1.36	
Non-UK listed equity shares	16		8744	2	0.03	
Unlisted equity shares	17	204	234			
Other assets	18	1019241	982020	22181	2.26	
Total	19	2134246	2134246	71248	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 2006**

Units **£000**

		Value of assets	Mean term	Yield before adjustment	Yield after adjustment
		1	2	3	4
UK government approved fixed interest securities	11	9879578	8.60	4.66	4.66
Other approved fixed interest securities	21	548066	8.72	5.03	5.03
Other fixed interest securities					
AAA/Aaa	31	1025652	7.53	5.28	5.19
AA/Aa	32	1186111	5.86	5.49	5.21
A/A	33	1547461	5.58	5.57	5.25
BBB/Baa	34	662732	4.94	5.68	5.01
BB/Ba	35	77998	1.41	2.63	0.95
B/B	36	127324	0.45	1.66	0.07
CCC/Caa	37	7752	0.61	31.76	26.81
Other (including unrated)	38	318278	72.65	4.26	1.75
Total other fixed interest securities	39	4953308	10.07	5.32	4.80
Approved variable interest securities	41	133196	11.20	1.78	1.78
Other variable interest securities	51	268024	9.27	4.41	4.41
Total (11+21+39+41+51)	61	15782172	9.10	4.85	4.69

Long term insurance business : Fixed and variable interest assetsName of insurer **Norwich Union Life & Pensions Limited**Category of assets **With Profits Sub-Fund**Financial year ended **31st December 2006**Units **£000**

		Value of assets	Mean term	Yield before adjustment	Yield after adjustment
		1	2	3	4
UK government approved fixed interest securities	11	8145753	8.45	4.72	4.72
Other approved fixed interest securities	21	416085	9.73	5.04	5.04
Other fixed interest securities					
AAA/Aaa	31	764982	6.68	5.21	5.12
AA/Aa	32	726451	4.50	5.49	5.21
A/A	33	832228	3.89	5.54	5.22
BBB/Baa	34	484410	4.41	5.61	4.94
BB/Ba	35	77327	1.39	2.59	0.91
B/B	36	125326	0.44	1.56	
CCC/Caa	37	7752	0.61	31.76	26.81
Other (including unrated)	38	165839	91.53	4.18	
Total other fixed interest securities	39	3184315	9.14	5.22	4.62
Approved variable interest securities	41	904			
Other variable interest securities	51	222131	10.96	4.40	4.40
Total (11+21+39+41+51)	61	11969188	8.72	4.86	4.70

Long term insurance business : Fixed and variable interest assetsName of insurer **Norwich Union Life & Pensions Limited**Category of assets **Provident Mutual Sub-Fund**Financial year ended **31st December 2006**Units **£000**

		Value of assets	Mean term	Yield before adjustment	Yield after adjustment
		1	2	3	4
UK government approved fixed interest securities	11	1002855	9.29	4.74	4.74
Other approved fixed interest securities	21	118337	5.79	5.20	5.20
Other fixed interest securities					
AAA/Aaa	31	216855	10.39	5.51	5.42
AA/Aa	32	362355	7.80	5.51	5.23
A/A	33	514630	6.73	5.64	5.32
BBB/Baa	34	96780	6.11	5.83	5.16
BB/Ba	35	596	3.11	7.75	6.07
B/B	36				
CCC/Caa	37				
Other (including unrated)	38	152439	52.11	4.34	3.65
Total other fixed interest securities	39	1343655	12.71	5.45	5.11
Approved variable interest securities	41	71914	15.70	1.39	1.39
Other variable interest securities	51	500	76.97	0.67	0.67
Total (11+21+39+41+51)	61	2537261	11.13	5.04	4.86

Long term insurance business : Fixed and variable interest assetsName of insurer **Norwich Union Life & Pensions Limited**Category of assets **Non-Profit Sub-Fund 1**Financial year ended **31st December 2006**Units **£000**

		Value of assets	Mean term	Yield before adjustment	Yield after adjustment
		1	2	3	4
UK government approved fixed interest securities	11	71666	7.05	3.39	3.39
Other approved fixed interest securities	21	5409	0.45	0.25	0.25
Other fixed interest securities					
AAA/Aaa	31	4414	12.94	5.14	5.05
AA/Aa	32	16068	7.28	5.43	5.15
A/A	33	22384	8.83	5.54	5.22
BBB/Baa	34	18389	7.13	6.04	5.37
BB/Ba	35	75	6.89	6.32	4.64
B/B	36				
CCC/Caa	37				
Other (including unrated)	38				
Total other fixed interest securities	39	61330	8.21	5.63	5.23
Approved variable interest securities	41	6001	9.98	1.83	1.83
Other variable interest securities	51	45340	0.24	4.51	4.51
Total (11+21+39+41+51)	61	189746	5.70	4.24	4.11

Long term insurance business : Fixed and variable interest assetsName of insurer **Norwich Union Life & Pensions Limited**Category of assets **Non-Profit Sub-Fund 2**Financial year ended **31st December 2006**Units **£000**

		Value of assets	Mean term	Yield before adjustment	Yield after adjustment
		1	2	3	4
UK government approved fixed interest securities	11	659304	9.51	4.00	4.00
Other approved fixed interest securities	21	8235	5.53	5.19	5.19
Other fixed interest securities					
AAA/Aaa	31	39401	7.77	5.34	5.25
AA/Aa	32	81237	9.14	5.47	5.19
A/A	33	178219	9.72	5.47	5.15
BBB/Baa	34	63153	6.61	5.88	5.21
BB/Ba	35				
B/B	36	1998	0.81	7.87	4.77
CCC/Caa	37				
Other (including unrated)	38				
Total other fixed interest securities	39	364008	8.79	5.54	5.18
Approved variable interest securities	41	54377	5.56	2.31	2.31
Other variable interest securities	51	53		0.03	0.03
Total (11+21+39+41+51)	61	1085977	9.04	4.44	4.32

Long term insurance business : Summary of mathematical reservesName of insurer **Norwich Union Life & Pensions Limited**Total business/subfund **Summary**Financial year ended **31st December 2006**Units **£000**

		UK Life	UK Pension	Overseas	Total Financial Year	Total Previous Year
		1	2	3	4	5
Gross						
Form 51 - with-profits	11	6993080	5271902	328477	12593459	12131492
Form 51 - non-profit	12	1789278	2351083	197027	4337388	5220888
Form 52	13	2068067	7689303	322247	10079617	11030903
Form 53 - linked	14	10174075	20338440	207921	30720436	25265900
Form 53 - non-linked	15	(215575)	169755	954	(44866)	192266
Form 54 - linked	16	238004			238004	359362
Form 54 - non-linked	17	66480		2519	68999	72337
Total	18	21113409	35820483	1059145	57993037	54273148
Reinsurance - external						
Form 51 - with-profits	21	6980		55357	62337	56049
Form 51 - non-profit	22	1073074	29775	47933	1150782	1650510
Form 52	23	97			97	113
Form 53 - linked	24		950566		950566	826729
Form 53 - non-linked	25	148	1		149	149
Form 54 - linked	26					
Form 54 - non-linked	27					
Total	28	1080299	980342	103290	2163931	2533550
Reinsurance - intra-group						
Form 51 - with-profits	31	188425			188425	188446
Form 51 - non-profit	32	8966		131902	140868	192197
Form 52	33					
Form 53 - linked	34					
Form 53 - non-linked	35	767	9924		10691	138
Form 54 - linked	36					
Form 54 - non-linked	37	834		2519	3353	3554
Total	38	198992	9924	134421	343337	384335
Net of reinsurance						
Form 51 - with-profits	41	6797675	5271902	273120	12342697	11886997
Form 51 - non-profit	42	707238	2321308	17192	3045738	3378181
Form 52	43	2067970	7689303	322247	10079520	11030790
Form 53 - linked	44	10174075	19387874	207921	29769870	24439171
Form 53 - non-linked	45	(216490)	159830	954	(55706)	191979
Form 54 - linked	46	238004			238004	359362
Form 54 - non-linked	47	65646			65646	68783
Total	48	19834118	34830217	821434	55485769	51355263

Long term insurance business : Summary of mathematical reservesName of insurer **Norwich Union Life & Pensions Limited**Total business/subfund **With Profits Sub-Fund**Financial year ended **31st December 2006**Units **£000**

		UK Life	UK Pension	Overseas	Total Financial Year	Total Previous Year
		1	2	3	4	5
Gross						
Form 51 - with-profits	11	6576164	4855033	274498	11705695	11192625
Form 51 - non-profit	12	4	703568	16692	720264	763589
Form 52	13	2065031	6432059	321654	8818744	9482174
Form 53 - linked	14					
Form 53 - non-linked	15					
Form 54 - linked	16					
Form 54 - non-linked	17					
Total	18	8641199	11990660	612844	21244703	21438388
Reinsurance - external						
Form 51 - with-profits	21	6384		1378	7762	7948
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	6384		1378	7762	7948
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	6569780	4855033	273120	11697933	11184677
Form 51 - non-profit	42	4	703568	16692	720264	763589
Form 52	43	2065031	6432059	321654	8818744	9482174
Form 53 - linked	44					
Form 53 - non-linked	45					
Form 54 - linked	46					
Form 54 - non-linked	47					
Total	48	8634815	11990660	611466	21236941	21430440

Long term insurance business : Summary of mathematical reservesName of insurer **Norwich Union Life & Pensions Limited**Total business/subfund **Provident Mutual Sub-Fund**Financial year ended **31st December 2006**Units **£000**

		UK Life	UK Pension	Overseas	Total Financial Year	Total Previous Year
		1	2	3	4	5
Gross						
Form 51 - with-profits	11	416916	416869		833785	891408
Form 51 - non-profit	12	27041	591494		618535	754815
Form 52	13	104	1228440		1228544	1413072
Form 53 - linked	14					
Form 53 - non-linked	15	631	9924		10555	11148
Form 54 - linked	16					
Form 54 - non-linked	17					
Total	18	444692	2246727		2691419	3070443
Reinsurance - external						
Form 51 - with-profits	21	596			596	642
Form 51 - non-profit	22	3840	152		3992	49669
Form 52	23					
Form 53 - linked	24					
Form 53 - non-linked	25					
Form 54 - linked	26					
Form 54 - non-linked	27					
Total	28	4436	152		4588	50311
Reinsurance - intra-group						
Form 51 - with-profits	31	188425			188425	188446
Form 51 - non-profit	32					
Form 52	33					
Form 53 - linked	34					
Form 53 - non-linked	35	631	9924		10555	
Form 54 - linked	36					
Form 54 - non-linked	37					
Total	38	189056	9924		198980	188446
Net of reinsurance						
Form 51 - with-profits	41	227895	416869		644764	702320
Form 51 - non-profit	42	23201	591342		614543	705146
Form 52	43	104	1228440		1228544	1413072
Form 53 - linked	44					
Form 53 - non-linked	45					11148
Form 54 - linked	46					
Form 54 - non-linked	47					
Total	48	251200	2236651		2487851	2831686

Long term insurance business : Summary of mathematical reservesName of insurer **Norwich Union Life & Pensions Limited**Total business/subfund **Belgian Sub-Fund**Financial year ended **31st December 2006**Units **£000**

		UK Life	UK Pension	Overseas	Total Financial Year	Total Previous Year
		1	2	3	4	5
Gross						
Form 51 - with-profits	11			53979	53979	47459
Form 51 - non-profit	12			36375	36375	36020
Form 52	13					
Form 53 - linked	14					
Form 53 - non-linked	15					
Form 54 - linked	16					
Form 54 - non-linked	17					
Total	18			90354	90354	83479
Reinsurance - external						
Form 51 - with-profits	21			53979	53979	47459
Form 51 - non-profit	22			36375	36375	36020
Form 52	23					
Form 53 - linked	24					
Form 53 - non-linked	25					
Form 54 - linked	26					
Form 54 - non-linked	27					
Total	28			90354	90354	83479
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 reservesName of insurer **Norwich Union Life & Pensions Limited**Total business/subfund **Non-Profit Sub-Fund 1**Financial year ended **31st December 2006**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	992107			992107	1686497
Form 52	13	2932			2932	3496
Form 53 - linked	14	10157371			10157371	7699860
Form 53 - non-linked	15	(216716)			(216716)	(124246)
Form 54 - linked	16	238004			238004	359362
Form 54 - non-linked	17	10089			10089	10111
Total	18	11183787			11183787	9635080
Reinsurance - external						
Form 51 - with-profits	21					
Form 51 - non-profit	22	807178			807178	1309710
Form 52	23	97			97	113
Form 53 - linked	24					
Form 53 - non-linked	25	148			148	147
Form 54 - linked	26					
Form 54 - non-linked	27					
Total	28	807423			807423	1309970
Reinsurance - intra-group						
Form 51 - with-profits	31					
Form 51 - non-profit	32	8966			8966	59469
Form 52	33					
Form 53 - linked	34					
Form 53 - non-linked	35	136			136	138
Form 54 - linked	36					
Form 54 - non-linked	37	834			834	1181
Total	38	9936			9936	60788
Net of reinsurance						
Form 51 - with-profits	41					
Form 51 - non-profit	42	175963			175963	317318
Form 52	43	2835			2835	3383
Form 53 - linked	44	10157371			10157371	7699860
Form 53 - non-linked	45	(217000)			(217000)	(124531)
Form 54 - linked	46	238004			238004	359362
Form 54 - non-linked	47	9255			9255	8930
Total	48	10366428			10366428	8264322

Long term insurance business : Summary of mathematical reservesName of insurer **Norwich Union Life & Pensions Limited**Total business/subfund **Non-Profit Sub-Fund 2**Financial year ended **31st December 2006**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	770125	1056021	143960	1970106	1979967
Form 52	13		28804	593	29397	132160
Form 53 - linked	14	16705	20338440	207921	20563066	17566040
Form 53 - non-linked	15	510	159831	954	161295	305364
Form 54 - linked	16					
Form 54 - non-linked	17	56391		2519	58910	62226
Total	18	843731	21583096	355947	22782774	20045757
Reinsurance - external						
Form 51 - with-profits	21					
Form 51 - non-profit	22	262056	29623	11558	303237	255111
Form 52	23					
Form 53 - linked	24		950566		950566	826729
Form 53 - non-linked	25		1		1	2
Form 54 - linked	26					
Form 54 - non-linked	27					
Total	28	262056	980190	11558	1253804	1081842
Reinsurance - intra-group						
Form 51 - with-profits	31					
Form 51 - non-profit	32			131902	131902	132728
Form 52	33					
Form 53 - linked	34					
Form 53 - non-linked	35					
Form 54 - linked	36					
Form 54 - non-linked	37			2519	2519	2373
Total	38			134421	134421	135101
Net of reinsurance						
Form 51 - with-profits	41					
Form 51 - non-profit	42	508069	1026398	500	1534967	1592128
Form 52	43		28804	593	29397	132160
Form 53 - linked	44	16705	19387874	207921	19612500	16739311
Form 53 - non-linked	45	510	159830	954	161294	305362
Form 54 - linked	46					
Form 54 - non-linked	47	56391			56391	59853
Total	48	581675	20602906	209968	21394549	18828814

Long term insurance business : index linked businessName of insurer **Norwich Union Life & Pensions Limited**

Global business

Total business

Financial year ended **31st December 2006**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	3514	30063
Deposits	DJ Euro Stoxx 50	26550	26550
Variation Margin	DJ Euro Stoxx 50		(26550)
Sub total assets		30064	
Sub total liabilities			
Sub total net assets		30064	
Options	FTSE 100	17845	207940
Deposits	FTSE 100	109591	109591
Floating rate notes	FTSE 100	80504	80504
Variation margin	FTSE 100		(190095)
Sub total assets		207940	
Sub total liabilities			
Sub total net assets		207940	
Total assets		238004	n/a
Total liabilities			n/a
Net total assets		238004	n/a

Long-term insurance business - analysis of valuation interest ratesName of insurer **Norwich Union Life & Pensions Limited**Total business / subfund **With Profits Sub-Fund**Financial year ended **31st December 2006**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	5587801	2.90	3.41	4.76
UK Pens WP Form 51 With Profit Annuity	135913		2.00	4.76
UK Pens WP Form 51 Other Pensions	4656440		3.70	4.76
UK Pens NP Form 51	597616		3.60	4.50
OS WP Form 51	174836		3.70	4.76
OS NP Form 51	16256		3.60	4.50
Misc Form 51	1265308			4.01
UK Life WP Form 52	2108736	3.55	4.17	4.76
UK Pens WP Form 52	6647137		4.00	4.76
OS WP Form 52	332239		4.00	4.76
Total:	21522282	n/a	n/a	n/a

Long-term insurance business - analysis of valuation interest ratesName of insurer **Norwich Union Life & Pensions Limited**Total business / subfund **Provident Mutual Sub-Fund**Financial year ended **31st December 2006**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	217760	3.65	4.49	5.23
UK Life WP Form 51 Annuities	4631		4.45	4.94
UK Life NP Form 51 Annuities	4852		4.45	4.94
UK Pens WP Form 51 With Profit Annuity	414353		4.45	4.94
UK Pens NP Form 51 Deferred Annuity	177774		4.00	4.88
UK Pens NP Form 51 Immediate annuity	412850		4.45	4.94
UK Pens WP Form 52 Compact	48048		3.25	4.78
UK Pens WP Form 52	1195452		4.45	5.23
Misc	23792	n/a	n/a	
Total:	2499512	n/a	n/a	n/a

Long-term insurance business - analysis of valuation interest ratesName of insurer **Norwich Union Life & Pensions Limited**Total business / subfund **Non-Profit Sub-Fund 1**Financial year ended **31st December 2006**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	60978			
Form 51 NP UK L&GA Assurances	25788	3.10	3.88	3.94
Form 51 NP UK L&GA Assurances	9429		3.75	4.87
Form 51 NP UK L&GA Assurances	6882		4.00	4.87
Form 51 NP UK L&GA Annuities	29935		4.30	4.65
Form 51 NP UK L&GA Deferred Annuity	10607		4.30	4.87
Form 51 NP UK L&GA Additional Reserve	30443			
Form 52 NP UK L&GA Assurances	2932	3.40	4.25	4.40
Form 53 NP UK L&GA Assurances	17392			
Form 53 NP UK L&GA Assurances	(237812)	3.40	4.25	
Form 53 NP UK L&GA Additional Reserve	2169			
NPSF1 Miscellaneous	12311			3.90
Total:	(28946)	n/a	n/a	n/a

Long-term insurance business - analysis of valuation interest ratesName of insurer **Norwich Union Life & Pensions Limited**Total business / subfund **Non-Profit Sub-Fund 2**Financial year ended **31st December 2006**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	50089			
Form 51 NP UK Pens Annuities	262645		4.30	4.65
Form 51 NP UK Pens Assurances	(8192)		3.90	4.87
Form 51 NP UK Pens Deferred Annuity	642268		4.30	4.87
Form 51 NP UK Pens Additional reserves	49057			
Form 51 NP UK PHI	166106			2.98
Form 51 NP UK PHI Claims Reserves	12728		3.50	3.95
Form 51 NP UK PHI	23706		3.90	3.95
Form 51 NP UK Income Protection	121210		4.00	5.02
Form 51 NP UK Income Protection CIP	100549		4.75	5.08
Form 51 NP UK PHI Additional Reserve	77217			2.98
Form 52 NP UK Pens Assurances	25803		4.20	4.92
Form 53 NP UK Pens Assurances	140918		4.20	4.92
Form 53 NP UK Pens Additional Reserve	18831			
Form 54 NP UK Income Protection CIP	56391		2.20	2.43
NPSF2 Miscellaneous	42723			2.13
Total:	1782049	n/a	n/a	n/a

Long term insurance business : distribution of surplusName of insurer **Norwich Union Life & Pensions Limited**Total business/subfund **Summary**Financial year ended **31st December 2006**Units **£000**

		Financial year	Previous year
		1	2
Valuation result			
Fund carried forward	11	55782771	51678034
Bonus payments in anticipation of a surplus	12	392091	181562
Transfer to non-technical account	13	35317	126856
Transfer to other funds/parts of funds	14		557600
Subtotal (11 to 14)	15	56210179	52544052
Mathematical reserves	21	55485769	51355262
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	724410	1188790
Composition of Surplus			
Balance brought forward	31		426764
Transfer from non-technical account	32		
Transfer from other funds/parts of funds	33		651672
Surplus arising since the last valuation	34	724410	110354
Total	39	724410	1188790
Distribution of Surplus			
Bonus paid in anticipation of a surplus	41	392091	181562
Cash bonuses	42		
Reversionary bonuses	43	297002	322772
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	689093	504334
Net transfer out of fund/part of fund	47	35317	684456
Total distributed surplus (46+47)	48	724410	1188790
Surplus carried forward	49		
Total (48+49)	59	724410	1188790
Percentage of distributed surplus allocated to policyholders			
Current year	61		
Current year - 1	62		
Current year - 2	63		
Current year - 3	64		

Long term insurance business : distribution of surplusName of insurer **Norwich Union Life & Pensions Limited**Total business/subfund **With Profits Sub-Fund**Financial year ended **31st December 2006**Units **£000**

		Financial year	Previous year
		1	2
Valuation result			
Fund carried forward	11	21522282	21741515
Bonus payments in anticipation of a surplus	12	356713	154852
Transfer to non-technical account	13	30368	19523
Transfer to other funds/parts of funds	14		
Subtotal (11 to 14)	15	21909363	21915890
Mathematical reserves	21	21236941	21430440
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	672422	485450
Composition of Surplus			
Balance brought forward	31		426764
Transfer from non-technical account	32		
Transfer from other funds/parts of funds	33		
Surplus arising since the last valuation	34	672422	58686
Total	39	672422	485450
Distribution of Surplus			
Bonus paid in anticipation of a surplus	41	356713	154852
Cash bonuses	42		
Reversionary bonuses	43	285341	311075
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	642054	465927
Net transfer out of fund/part of fund	47	30368	19523
Total distributed surplus (46+47)	48	672422	485450
Surplus carried forward	49		
Total (48+49)	59	672422	485450
Percentage of distributed surplus allocated to policyholders			
Current year	61	95.48	95.98
Current year - 1	62	95.98	96.10
Current year - 2	63	96.10	95.14
Current year - 3	64	95.14	95.30

Long term insurance business : distribution of surplusName of insurer **Norwich Union Life & Pensions Limited**Total business/subfund **Provident Mutual Sub-Fund**Financial year ended **31st December 2006**Units **£000**

		Financial year	Previous year
		1	2
Valuation result			
Fund carried forward	11	2499512	2843383
Bonus payments in anticipation of a surplus	12	35378	26710
Transfer to non-technical account	13	4949	4133
Transfer to other funds/parts of funds	14		
Subtotal (11 to 14)	15	2539839	2874226
Mathematical reserves	21	2487851	2831686
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	51988	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	51988	(49132)
Total	39	51988	42540
Distribution of Surplus			
Bonus paid in anticipation of a surplus	41	35378	26710
Cash bonuses	42		
Reversionary bonuses	43	11661	11697
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	47039	38407
Net transfer out of fund/part of fund	47	4949	4133
Total distributed surplus (46+47)	48	51988	42540
Surplus carried forward	49		
Total (48+49)	59	51988	42540
Percentage of distributed surplus allocated to policyholders			
Current year	61	90.48	90.28
Current year - 1	62	90.28	89.08
Current year - 2	63	89.08	90.64
Current year - 3	64	90.64	90.83

Long term insurance business : distribution of surplusName of insurer **Norwich Union Life & Pensions Limited**Total business/subfund **Non-Profit Sub-Fund 1**Financial year ended **31st December 2006**Units **£000**

		Financial year	Previous year
		1	2
Valuation result			
Fund carried forward	11	10366428	8264322
Bonus payments in anticipation of a surplus	12		
Transfer to non-technical account	13		103200
Transfer to other funds/parts of funds	14		557600
Subtotal (11 to 14)	15	10366428	8925122
Mathematical reserves	21	10366428	8264322
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29		660800
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		660800
Total	39		660800
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
Total distributed surplus (46+47)	48		660800
Surplus carried forward	49		
Total (48+49)	59		660800
Percentage of distributed surplus allocated to policyholders			
Current year	61		
Current year - 1	62		
Current year - 2	63		
Current year - 3	64		

Long term insurance business : distribution of surplusName of insurer **Norwich Union Life & Pensions Limited**Total business/subfund **Non-Profit Sub-Fund 2**Financial year ended **31st December 2006**Units **£000**

		Financial year	Previous year
		1	2
Valuation result			
Fund carried forward	11	21394549	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	21394549	18828814
Mathematical reserves	21	21394549	18828814
Surplus including contingency and other reserves held towards the capital requirements (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: 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 2007**

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	7,088	996		CWP	N	7088
Endowment assurance	15	13465	2762		CWP	N	13465
Endowment assurance	20	23687	4529		CWP	N	23687
Endowment assurance	25	43451	11458		CWP	N	43451
Regular premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Regular premium pension	10	30147	2475		UWP	N	30147
Regular premium pension	15	57849	7858		UWP	N	57849
Regular premium pension	20	107367	9092		CWP	N	107367
Single premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	10	17976	2072		UWP	N	17976
Single premium pension	15	32603	8978		UWP	N	32603
Single premium pension	20	63365	9234		CWP	N	63365

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 2007**

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	11908	983		CWP	N	11908
Endowment assurance	20	21645	2823		CWP	N	21645
Endowment assurance	25	34748	4267		CWP	N	34748
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	101244	12568		CWP	N	101244
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	52397	11701		CWP	N	52397

Long-term insurance business: With-profits payouts on surrenderName of insurer **Norwich Union Life & Pensions Limited**Original insurer **Norwich Union Life & Pensions Limited**Date of surrender value **1st March 2007**

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	5044			CWP	N	18318
Endowment assurance	15	12934			CWP	N	22986
Endowment assurance	20	23299			CWP	N	29804
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	16416	2016	0	UWP	Y	16560
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	17976	2072	0	UWP	Y	17976

Long-term insurance business: With-profits payouts on surrenderName of insurer **Norwich Union Life & Pensions Limited**Original insurer **Provident Mutual Sub-Fund**Date of surrender value **1st March 2007**

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	11384			CWP	N	20921
Endowment assurance	20	20555			CWP	N	27839
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 requirementName of insurer **Norwich Union Life & Pensions Limited**

Global business

Financial year ended **31st December 2006**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							
Life protection reinsurance	11	0.0%	2649823	2649823			
Classes I (other), II and IX	12	0.1%	104874103	104419858		53285	39835
Classes I (other), II and IX	13	0.15%	7574993	4260301	0.51	5773	5400
Classes I (other), II and IX	14	0.3%	181978646	40912946		277380	254767
Classes III, VII and VIII	15	0.3%	5546334	4159046	0.75	12477	15272
Total	16		302623899	156401974		348915	315274
Insurance health risk and life protection reinsurance capital component							
Class IV, supplementary classes 1 and 2 and life protection reinsurance	21					28633	30819
Insurance expense risk capital component							
Life protection and permanent health reinsurance	31	0.0%					
Classes I (other), II and IX	32	1%	18537506	17446205	0.94	174462	176470
Classes III, VII and VIII (investment risk)	33	1%	10570991	8848369	0.85	89853	107596
Classes III, VII and VIII (expenses fixed 5 yrs +)	34	1%	11011131	9701266	0.88	97013	95650
Classes III, VII and VIII (other)	35	25%				7225	6884
Class IV (other)	36	1%	838499	572114	0.85	7127	9861
Class V	37	1%					
Class VI	38	1%	33	33	1.00		
Total	39					375680	396461
Insurance market risk capital component							
Life protection and permanent health reinsurance	41	0.0%	17122	17122			
Classes I (other), II and IX	42	3%	18537506	17257782	0.93	517733	523758
Classes III, VII and VIII (investment risk)	43	3%	10570991	9867646	0.93	296029	322787
Classes III, VII and VIII (expenses fixed 5 yrs +)	44	0%	11011131	9701266			
Classes III, VII and VIII (other)	45	0%	17315318	16393283			
Class IV (other)	46	3%	838499	572114	0.85	21382	29583
Class V	47	0%					
Class VI	48	3%	33	33	1.00	1	1
Total	49		58290600	53809246		835145	876129
Long term insurance capital requirement	51					1588373	1618683

Supplementary notesName of insurer **Norwich Union Life & Pensions Limited**

Global business

Financial year ended **31st December 2006****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.

Waiver 624754

The FSA, on the application of the firm, made a direction in June 2006 under section 148 of the Financial Services and Markets Act 2000. The effect of the direction is to enable the firm to contract to pay benefits under linked long term contracts relating to the Norwich Union Linked Property Fund which are themselves determined, either wholly or partly, by reference to units in the JPUT's and the Retirement Housing Limited Partnership and the Cardiff Bay Limited Partnership.

Waiver 670984

The FSA, on the application of the firm, made a direction in December 2006 under section 148 of the Financial Services and Markets Act 2000. The effect of the direction is to enable the firm to contract to pay benefits under linked long term contracts relating to Life Portfolio Bond which are themselves determined, either wholly or partly, by reference to units in the Morley European Property Fund

Waiver 678525

The FSA, on the application of the firm, made a direction in June 2006 under section 148 of the Financial Services and Markets Act 2000. The effect of the direction is to enable the firm to contract to pay benefits under linked long term contracts relating to the Norwich Union Linked Property Fund which are themselves determined, either wholly or partly, by reference to units in the JPUT's and the Retirement Housing Limited Partnership; the Cardiff Bay Limited Partnership; Cheshire Oaks Limited Partnership; Swindon Limited Partnership; Bridgend Limited Partnership and Ashford 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)	62,672,766
Form 13 Line 89 (Other than long term business)	590,662
Form 14 Lines 11, 12 and 49	(57,171,277)
Form 15 Line 69	(234,027)
	<u>5,858,124</u>
ii) Components of capital resources that are treated as a liability:	200,000
Subordinated loan capital	
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	186,000
iv) Capital resources requirement of regulated related undertakings	<u>730,636</u>
Total i) to iv) above	
Form 3, Line 79	<u>6,974,760</u>

Supplementary notesName of insurer **Norwich Union Life & Pensions Limited**

Global business

Financial year ended **31st December 2006****Code****0306 Line 92 - Financial Reinsurance**

The impact of the financial reinsurance shown at line 92 is to reduce mathematical reserves by £201.6m. The amount of contingent liability for payment to the reinsurer is £214.4m. The commutation value of the reinsurance arrangement at the end of the financial year is £214.4m.

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 GENPRU and INSPRU exceeds the valuation that the firm uses for external financial reporting purposes	
b) Positive valuation differences in respect of liabilities where valuation in GENPRU and INSPRU is lower than the valuation that the firm uses for external financial reporting purposes	
Deferred taxation provision	160,300
Difference in technical provisions	2,885,099
Deferred income reserve	47,351
c) Negative valuation differences in respect of assets where valuation in GENPRU and INSPRU is lower than the valuation that the firm uses for external financial reporting purposes	
Valuation of investments in Group Undertakings	(3,893)
d) Negative valuation differences in respect of liabilities where valuation in GENPRU and INSPRU exceeds the valuation that the firm uses for external financial reporting purposes	
Net positive valuation difference included in line 14	<u>3,088,857</u>

0312 Section 148 waivers**Implicit items 644953**

The Financial Services Authority made, on the application of the firm, a direction in October 2006 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 £1827.7m (Long term business) and £0.1m (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 £401.7m (all Long term business).
- (iv) Reversionary interests or remainders in property other than land or buildings £nil.

Supplementary notesName of insurer **Norwich Union Life & Pensions Limited**

Global business

Financial year ended **31st December 2006****Code****1302 Aggregate value of hybrid securities – long term insurance business****1309**

The company held hybrid securities of £872.6m.

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**1319**

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 19.99%. Unquoted holdings are limited to 2% of the fund.

Fixed

Exposure to non-government bonds is limited to holdings which are deemed to be of a suitable quality 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 2% of the non-government bond portfolio.

Derivatives

Summary of derivative exposure limits:

	WP Fund	Shareholder Fund	PM Fund	Main	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

Supplementary notesName of insurer **Norwich Union Life & Pensions Limited**

Global business

Financial year ended **31st December 2006****Code****1306 Counterparty exposure at the year end****1312**

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.

1316 Leased Assets

The tangible assets balance shown in line 13.80 contains no leased assets

1318 Other asset adjustments

	Category 1	Category 10
	£'000	£'000
Gross up and notional settlement of interfund liabilities	2,200	61,100
Disclosure of unit-linked credits as liabilities in statutory accounts		303,100
Premium debt restriction		8,448
Other		8,099
Inadmissible intangible assets	61,900	
Inadmissible AVIF	46,270	
Other asset adjustments included in Form 13 line 100	110,370	380,747

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

No provision is required in respect of a provision for reasonably foreseeable 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 Contingent liabilities, etc**1502**

There are no charges over any assets of the Company.

Included in deferred tax liabilities at line 21 of Form 14 is an amount of £117m in respect of a full provision for potential capital gains tax on unrealised gains. The potential liability and 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, in respect of the existing or future liabilities of related companies.

There are no other fundamental uncertainties.

1404 Provision**1506**

The amount of implicit provision required by INSPRU 3.2.17R(3) included in line 38 is £nil.

Supplementary notesName of insurer **Norwich Union Life & Pensions Limited**

Global business

Financial year ended **31st December 2006****Code****1405 Other adjustment to Liabilities**

	£'000
Adjustment to FSA mathematical reserves	2,884,729
Disclosure of unit-linked credits as liabilities in statutory accounts	303,100
Adjustment to FSA taxation provision	160,300
Gross up and notional settlement of interfund liabilities	61,100
Deferred income reserve	47,351
Other	5,355
Other adjustments to liabilities included in Form 14 line 74	3,461,935

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 2006. Revenue transactions of those operations, which are traded in currencies other than sterling, are translated at average rates of exchange for the financial year.

1507 Other Asset Adjustments

	£'000
Gross up and notional settlement of interfund liabilities	2,200
Other adjustments to liabilities included in Form 15 line 83	2,200

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 £nil. The variation margin is allocated to Form 13 as follows:

	£'000
Form 13 line 44	284,192

4001 Restatement of Prior Year Balances

Comparatives at F41 Lines 13 and 14 and F43 L21 of Non-Profit Sub-Fund 1 have been restated to reclassify £35m of reassured commission to reassured premium. This has given rise to the restatement of lines 11 and 22 of Form 40. This reclassification is to bring the accounting for specific creditor contracts in line with the terms of the schemes. The correct accounting has been followed in 2006 and the restatement is necessary to allow appropriate comparison to be made."

4002 Other income and expenditure

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

Supplementary notesName of insurer **Norwich Union Life & Pensions Limited**

Global business

Financial year ended **31st December 2006****Code****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 taxation regulations applicable to that class of business.

4008 Provision of management services

Under a management agreement Norwich Union Life Services Limited supplies and makes a charge for the provision of management services to the Company.

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	£5,310m
		Claims	£1,835m
		Commission	£236m
		Expenses	£154m
	Nature of transactions during the period	Reinsurance ceded	
	Value of transactions during the period	Premiums	£113m
		Claims	£40m
		Expenses	£ (8)m
	Amounts unpaid at the end of the period	£44m owed by CGNU Life Assurance Limited	
	Amounts written off in the period	£nil	

Supplementary notesName of insurer **Norwich Union Life & Pensions Limited**

Global business

Financial year ended **31st December 2006****Code****4100 Form omitted****4200 Form omitted****4300 Form omitted**

Forms 41, 42 and 43 in respect of the Belgium Fund have been omitted as the fund does not contain any premiums, claims or expenses

4401 Basis of valuation in internal linked funds

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

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 2006 are £39.2m and £2.0m respectively. There is no variation margin payable.

4405 Liquidity ratio

The "Life Managed High Income – L143YA" fund has a net asset value of £64.6m and a negative liquidity ratio of 7.78% at 31 December 2006. This fund is a distribution fund with a large overdraft, created by the monthly distributions paid to policyholders without the sale of underlying assets to cover these amounts. This will start to be performed in 2007 to reduce the overdraft position.

4502 Other income and expenditure

Other Income comprises the following balances:

	2006 £'000
Management Fee Rebates	<u>20,414</u>

Other Expenditure comprises the following balances:

	2006 £'000
Custody and Other Management Fees	2,740
Payment of Distributions to Policyholders	18,892
Interest Paid	1,620
Miscellaneous Investment Expenses	170
	<u>23,422</u>

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 point which gives the lowest yield.

Supplementary notesName of insurer **Norwich Union Life & Pensions Limited**

Global business

Financial year ended **31st December 2006****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 INSPRU 3.1.34R before any allowance for tax required by INSPRU 3.1.29R.

	Yield
Loans secured by insurance policies (Form 13 Line 52)	8.00%
NUER Loan (Form 13 Line 26)	5.98%
NUH Loan (Form 13 Line 28)	8.40%
Group Debtors (Form 13 line 78)	5.13%

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 Fund Management Limited have provided ratings for securities for which there is no published rating.

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	9
NPSF2	UKP	415	306
WPSF	UKP	390	64
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	11,669
NPSF2	UKP GR	435	Miscellaneous Assurance	11,368

Supplementary notesName of insurer **Norwich Union Life & Pensions Limited**

Global business

Financial year ended **31st December 2006****Code****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	453,445
PMSF	UKP GR	575	AWP Personal Pension Plan	242,668
PMSF	UKP GR	575	AWP Executive Pension Plan	151,144
PMSF	UKP GR	575	AWP Individual Pension Arrangement	125,468
PMSF	UKP GR	575	AWP COMPACT	47,722
PMSF	UKP GR	575	AWP Additional Voluntary Contributions	41,175
WPSF	UKP GR	575	Personal Pension Review	12,950

5701 Non-Profit sub-fund

Negative and positive mathematical reserves offset each other for certain lines in Form 57, as detailed below.

Form 51 NP UK L&GA Assurances - Net 3.1%, Gross 3.88%

Product code	Product description	Net reserve (£000)
300	Regular premium non-profit WL/EA OB	18,515
325	Level term assurance	37,914
330	Decreasing term assurance	-26,010
340	Accelerated critical illness (guaranteed premiums)	-72,401
345	Accelerated critical illness (reviewable premiums)	-35,222
440	Additional reserves non-profit OB	100,207
n/a	Other	2,786
	Total	25,788

Form 51 NP UK Pens Assurances - Gross 3.9%

Product code	Product description	Net reserve (£000)
325	Level term assurance	-12,160
330	Decreasing term assurance	-771
n/a	Other	4,739
	Total	-8,192

Form 53 NP UK L&GA Assurances - Net 3.4%, Gross 4.25%

Product code	Product description	Net non-unit reserve (£000)
700	Life property linked single premium	-241,297
n/a	Other	3,484
	Total	-237,812

Form 53 NP UK Pens Assurances - Gross 4.2%

Product code	Product description	Net non-unit reserve (£000)
725	Individual pensions property linked	53,438
735	Group money purchase pensions property linked	88,999
755	Trustee investment plan	-1,519
	Total	140,918

Supplementary notesName of insurer **Norwich Union Life & Pensions Limited**

Global business

Financial year ended **31st December 2006****Code****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	256,799	177	99,737	-	356,713
Reversionary bonus	58.43	13,398	2,576	269,368	-	285,341
Total allocated to policyholders	58.46	270,197	2,752	369,105	-	642,054
Net Transfer out of fund	58.47	30,022	347	-	-	30,368
Total Distributed Surplus	58.48	300,219	3,099	369,105	-	672,422
Percentage of surplus allocated to shareholders		10.00%	11.18%	0.00%	-	4.52%

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 £5,227,000 in respect of shareholders transfers associated with the distribution of surplus
- a transfer from the Provident Mutual Fund into the non-technical account of £11,000 in respect of personal pension compensation payments and mortgage endowment promise payments
- a transfer into the Provident Mutual Fund from the non-technical account of £289,000 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 £5,227,000 were shown separately in line 47, line 61 would show 90.00.

6002 The mathematical reserves after deduction for reinsurance as shown in Form 60, are lower than the reserves as shown in Form 58 by 1,973,841 (£000). These reserves relate to Unit Linked business which is subject to reinsurance between Norwich Union Life & Pensions Limited (NUL&P) and CGNU Life Assurance Limited (CGNU). The reserves are shown on Form 58 but not on Form 60 because the reserves are held within NUL&P but CGNU accepts the risk associated with the reserves. The presentation adopted in Form 60 ensures that CGNU provides the long term insurance capital requirement in relation to these reserves.

Valuation report – IPRU (INS) Appendix 9.4

Name of insurer **Norwich Union Life & Pensions Limited – With-Profit Fund**
 Global business
 Financial year ended **31 December 2006**

1. Introduction

- (1) The **valuation date** is 31 December 2006.
- (2) The previous valuation was completed with an effective date of 31 December 2005.
- (3) An interim valuation was carried out with an effective date of 30 June 2006 for the purposes of rule 9.3A.

2. Product Range

There have not been any significant changes to products during the financial year. The with-profit sub-fund is open to new with-profit business.

3. Discretionary charges and benefits

- (1) The table below shows the period during which a market value reduction (MVR) applied during 2006. 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 2006. Units purchased in a year that is not shown were not subject to an MVR during 2006.

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	(N/A)	(N/A)	01/01/06 - 01/03/06	01/01/06 - 01/03/06
1999	01/01/06 - 01/03/06	(N/A)	01/01/06 - 31/12/06	01/01/06 - 31/12/06
2000	01/01/06 - 31/12/06	01/01/06 - 31/12/06	01/01/06 - 31/12/06	01/01/06 - 31/12/06
2001	(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 January 1995 Pensions, including 98 Series products, the 2006 increase in plan fees was RPI published September (2.2%). Figures were reviewed with effect from 1 January 2006.
 For pre 1 January 1995 Pensions business, figures were reviewed 1 April 2006.
 - Personal Pension Plans (including AVCs, Jersey Investment Plan): 2.7% increase
 - Group Money Purchase plans: 4.3% increase
- (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-profit policies.
- (7) There are no internal linked funds in the with-profit sub-fund of Norwich Union Life & Pensions Limited (the Company).
- (8) There are no internal linked funds in the with-profit sub-fund of the Company.
- (9) There are no internal linked funds in the with-profit sub-fund of the Company.
- (10) There are no internal linked funds in the with-profit sub-fund of the Company.

Valuation report – IPRU (INS) Appendix 9.4

Name of insurer **Norwich Union Life & Pensions Limited – With-Profit Fund**
 Global business
 Financial year ended **31 December 2006**

4. Valuation basis (other than for special reserves)**(1) Valuation methodology**

£10m is less than £215m = 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.

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	Interest rate 31 December 2006	Interest rate 31 December 2005
<u>Life Assurances</u>		
Conventional business WP	2.9%	3.1%
Conventional business NP PHI business in Life fund	2.9%	2.9%
UWP business	3.55%	3.6%
<u>Pensions and General Annuities</u>		
Deferred Annuity With Profit		
In payment	3.7%	3.9%
In deferment – Single Premium	3.7%	3.9%
In deferment – Regular Premium	3.7%	3.9%
Deferred Annuity Non Profit		
In Payment	3.6%	3.6%
In deferment – Single Premium	3.6%	3.6%
In deferment – Regular Premium	3.6%	3.6%
Non-profit policies including PHI	3.6%	3.6%
Regular Premium With Profit policies	3.7%	3.9%
Single Premium With Profit policies	3.7%	3.9%
Group Defined Benefits	3.7%	3.9%
UWP business	4.0%	4.3%
With Profit Annuity	2.0%	2.0%

Valuation report – IPRU (INS) Appendix 9.4

Name of insurer

Norwich Union Life & Pensions Limited – With-Profit Fund

Global business

Financial year ended

31 December 2006**(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 the Long Term Gilt Yield + 3%. The cap reduces the average yield on property by approximately 0.12%.

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 2006, plus an additional margin.

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 2006	Mortality basis 31 December 2005
<u>NUL&P WP Life Assurances</u>		
Whole life and Endowments	138% AM92/138% AF92	A67/70 ult –3years
<u>NUL&P WP Pensions & General Annuities</u>		
Whole life and Endowments	138% AM92/138% AF92	A67/70 ult –3years
Pure Endowment	50% AM92/AF92	50% AM80/AF80
Deferred Annuity		
In deferment	50% AM92/AF92	50% AM80/AF80
Post vesting	90.5% PCMA00/85% PCFA00	86% PCMA00/80% PCFA00
Group Defined Benefits		
In deferment	50% AM92/AF92	50% AM80/AF80
Post vesting	a(55) ult	a(55) ult
With Profit Annuity	90.5% PCMA00/85% PCFA00	86% PCMA00/80% PCFA00

Unitised with-profit 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 December 2004; from that date, improvements are expected. The allowance for improvements is as follows:

Valuation report – IPRU (INS) Appendix 9.4Name of insurer **Norwich Union Life & Pensions Limited – With-Profit Fund**

Global business

Financial year ended **31 December 2006**

	31 December 2006	31 December 2005
Males	100% of Medium Cohort, minimum 2.0%, applicable from 2005	100% of Medium Cohort, minimum 2.0%, applicable from 2005
Females	75% of Medium Cohort, minimum 1.5%, applicable from 2005	75% of Medium Cohort, minimum 1.5%, applicable from 2005

- 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 2006	Expectation of Life for annuitant aged 75 in 2006	Expectation of Life from age 65 for annuitant aged 45 in 2006	Expectation of Life from age 65 for annuitant aged 55 in 2006
90.5% of PCMA00 plus 100% CMI_Medium_Cohort, min 2%, applied from 2005	23.076	13.952	27.552	25.252
85% of PCFA00 plus 75% CMI_Medium_Cohort, min 1.5%, applied from 2005	25.228	15.886	28.289	26.731

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:

- any possible detrimental impact of significant changes in the incidence of disease on the mortality experience of the insurer;
- 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 assumptions:

There are no liabilities within the NUL&P with-profit fund that require morbidity assumptions.

(6) Expense assumptions:

Expense assumptions are taken as 130% of the amounts detailed in the Management Services Agreement (MSA) plus an aggregate provision of £9.4m. 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.

Non-unit reserves on UWP business are held in the non-profit Subfunds, expense assumptions for this business are shown in the non-profit Sub-fund Appendix 9.4.

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

The table below shows the per-policy expenses for 2005 and 2006 (excluding allowance for project costs). Note the figures for 2005 were 110% of MSA expenses.

Product	Product code	Renewal admin (£ per policy)	
		2006	2005
CWP savings endowment	120	27.38	22.34
CWP target cash endowment	125	27.38	22.34
CWP Pensions	155/165	34.63	28.26
Annuity	400	24.52	20.01

Valuation report – IPRU (INS) Appendix 9.4

Name of insurer **Norwich Union Life & Pensions Limited – With-Profit Fund**
 Global business
 Financial year ended **31 December 2006**

Assumed future expense inflation

4.51% per annum (NAE – 0.5%, as set out by the MSA agreement)

Zillmer adjustments

No Zillmer adjustments were made to net premium reserves (as the valuation was done on a gross premium basis).

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	Investment expense
Equity	0.160%
Property	0.208%
Gilts	0.036%
Other Fixed Interest	0.095%
Cash	0.066%

The adjustments reflect the charging structure agreed with the Company's fund managers, Morley Fund Management Limited.

Tax Relief

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

(7) There are no internal linked funds in the with-profit sub-fund of the Company.

(8) **Bonus Assumptions:**

Conventional with-profit business

The Company is a realistic basis life firm. Accordingly, no allowance has been made for future annual or final bonus on Conventional with-profit business. This is consistent with INSPRU1.2.31G. There are no guarantees relating to future annual or final bonus on this business.

Unitised with-profit 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 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.

(9) **Persistency assumptions:**

No allowance has been made for lapses in the valuation except for the following:

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

We have also assumed that policyholders that are able to take regular withdrawals without incurring an MVR take 5% of their units in this way (per annum).

Valuation report – IPRU (INS) Appendix 9.4

Name of insurer **Norwich Union Life & Pensions Limited – With-Profit Fund**
Global business
Financial year ended **31 December 2006**

(10) **Other basis items:**

Option take-up rates

- **Guaranteed Annuity Rate Options:**

We have assumed that current option take-up is 95%. This is based on actual 2006 take-up of 81% and incorporates margins for prudence.

- **Guaranteed Minimum Pensions (GMP) on Section 32 policies:**

We have assumed 100% 'option take-up' of the minimum pension. In practice, policyholders do not have 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 BLAGAB proportion of business in the fund. No discounting has been applied to the tax rate used; this is in line with the new IFRS regulations. This reserve forms part of the Company's Accounting Liabilities as shown on Form 14.

(11) No account was taken in the valuation of the long-term liabilities of any derivative assets held on the valuation date.

(12) The fund has made no changes to valuation methodology in respect of the following changes in INSPRU valuation rules:

- (a) Allowance for lapses on valuation of protection business
- (b) Allowance for negative reserves on valuation of protection business
- (c) Allowance for lapses on valuation of unit-linked business
- (d) Allowance for attributable expenses on valuation of unit-linked business

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 take-up rates given in section 4(10)).
- 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.

Valuation report – IPRU (INS) Appendix 9.4

Name of insurer **Norwich Union Life & Pensions Limited – With-Profit Fund**
 Global business
 Financial year ended **31 December 2006**

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 take-up rates are used (as given in 4(10))
- Realistic-peak annuity interest rates and discounting are used
- Realistic-peak assumptions for persistency are used

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

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

If this second reserve is larger than the base Regulatory-peak figure, an allowance for stochastic variation is added to the Regulatory-peak reserve. The allowance at 31 December 2006 is zero.

(b)

(i) Product	Conventional pensions endowment with-profits	Conventional deferred annuity with-profits	Deferred annuity non-profit
(ii) Basic Reserve (£m)	950.4	304.0	298.2
(iii) Spread of outstanding durations:			
0-5 years	34%	44%	14%
6-10 years	32%	30%	20%
11-20 years	31%	22%	41%
over 20 years	3%	4%	25%
(iv) Guarantee Reserve (£m)	690.1	239.6	234.0

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-profit fund has no unit-linked business.

The non-unit-linked policies with a guaranteed surrender value are certain Unitised With-Profit Life contracts.

No Conventional policies have a guaranteed surrender value. Unitised With-Profit 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:

- The option to surrender the policy on a certain set of dates without an MVR being applied (a no-MVR guarantee).

Valuation report – IPRU (INS) Appendix 9.4

Name of insurer **Norwich Union Life & Pensions Limited – With-Profit Fund**

Global business

Financial year ended **31 December 2006**

- 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)
- 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 INSPRU 1.2.71R(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(9), along with assumptions about guarantee take-up. The interest rates used in the calculation are given in 4(2).

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

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

In practice, for NUL&P With-Profit 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).

Valuation report – IPRU (INS) Appendix 9.4

Name of insurer

Norwich Union Life & Pensions Limited – With-Profit Fund

Global business

Financial year ended

31 December 2006

(b)

(i) Product name	(ii) basic reserve (£)	(iii) spread of outstanding term	(iv) guarantee reserve (£)	(v) guaranteed amount (£)	vi) MVR-free conditions			(vii) in force regular premiums	(viii) increments allowed to policy?
					1) no-MVR guarantee on full surrender	2) money-back guarantee (full surrender)	3) regular withdrawal guarantee		
Norwich Capital Plan (10/89 onwards)	400,328,046	7% with no-MVR date in 2007; 60% with no-MVR date in 2008-2011; 33% with no-MVR date after this (fairly level spread)	0	400,328,046	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 apply to increments
Norwich With-Profits Bond; Norwich Bond 2000; Norwich Flexibond (pre 2/10/00); Bicentenary Bond	1,382,046,041	20% with money-back gtee in 2007; 10% with money back gtee in 2008, 40% with money-back gtee in 2009; 30% with MBG in 2010.	0	1,382,046,041	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 they do not receive 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 business with conversion and renewal options does not exceed £1bn.

(4) Other guarantees and options**(a) 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 December 2006 this led to an additional provision of £0m.

The base reserve for the business affected is: £1,591.8m

The additional reserve required is: £705.7m

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- (b) 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 2007 arising from explicit reserves is £41,175,000.

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.

For details about expense loadings for UWP business see Appendix 9.4 for the Non-Profit Subfunds.

- (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 £1,603,000. This difference has been calculated after stripping out costs of Pension Review Compensation and other exceptional expenses 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.

INSPRU 1.2.50R(2) 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 INSPRU 1.2.50R(2):

- (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 (3.01%) 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 2007 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.

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

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.

- (6) NUL&P WP Fund does not hold any reserves for non-attributable expenses.

7. Mismatching Reserves

- (1) All of the mathematical reserves of the NUL&P WP Fund (sterling value £21,522m) 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) The Company is a realistic-basis firm and a resilience capital requirement is no longer required.
- (5) The Company is a realistic-basis firm and a resilience capital requirement is no longer required.
- (6) The Company is a realistic-basis firm and a resilience capital requirement is no longer required.
- (7) INSPRU 1.1.34R(1): "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 rule.

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-profit 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 NUL&P with-profit fund's claims amounts for 2007 is £2,500m. Expected income, in 2007, from assets currently held in the fund is £1100m and £725m is held in deposit-style assets. Premium income for 2006 was around £430m and there is no reason to expect it to fall significantly. Therefore we expect to be able to pay the majority of the company's claims from incoming premiums/ income/cash. The

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Company also holds an additional £7,700m in gilts. We expect the shortfall could be made by selling some of these assets at short notice without altering prices. Accordingly no additional reserve is considered necessary.

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 NUL&P with-profit 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:

- (a) 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.
- (b) The company intends that payments will be made while they can be provided for from earnings on the free reserves within the with-profit fund.

The reserve will be calculated by considering the full liability for payments advised to policyholders in Promise mailings or the current shortfall if lower.

As payment of this amount is contingent on earnings on the free reserves, we test whether this full amount can be paid from these earnings with reference to the stochastic model used for the Realistic peak valuation. If earnings are materially lower than the full reserve we will only reserve for the amount of the promise paid from these earnings. The reduction in reserves at 31 December 2006 for the affordability condition is zero.

The amount of provision is £1,020m.

(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 £28.7m.

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: £2,077 (Leeds Permanent Claims); £2,488 (other WP claims)
- Percentage of complaints leading to a claim: 83% (Leeds Permanent Claims); 60% (other WP claims)

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- Claims processing expense: £250 per complaint
- Policyholders will be unable to complain beyond 31 December 2008 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 £12.5m.

(4) Staff Pension Scheme Reserve

The Company's with-profit fund has agreed to meet a share of the costs of funding the Aviva Staff Pensions Scheme deficit. A reserve has been established as the discounted value of the future payments into the scheme as per the current funding plan. Because the fund has agreed to meet a share of the total payments into the scheme, payments over the full funding term are allowed for rather than just 5 years (albeit that the difference here is not material because of the shape of the funding plan).

The total reserve held was £41m

(5) Continued Beyond Maturity (CBM) Data Quality Reserve

A provision of £20m is held to cover the risk that poor data on CBM policies is producing an inadequate reserve.

9. Reinsurance

- (1) The NUL&P WP fund does not cede any long-term business to a reinsurer who is not authorised to carry on insurance business in the United Kingdom.
- (2) The NUL&P WP fund has no reinsurance treaties where it is the cedent and where the reserves or premiums exceed £10m.
- (3) 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 receives the annual premiums payable by the policyholders of the Belgium fund. During 2006 these totalled £28,760,000.
 - (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 £90,354,000.
 - (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 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-profit fund and the NUL&P Belgium fund do not have any financing arrangements.

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Name of insurer

Norwich Union Life & Pensions Limited – With-Profit Fund

Global business

Financial year ended

31 December 2006**10. Reversionary (annual, regular) bonus**

(1)

Product	Amount of Gross mathematical reserve (£m)	Regular bonus (2005)	Regular bonus (2006)	Guaranteed bonus (2006)
Conventional Life				
Super-compound series (all business)	5,574.7	0% SA / 0.5% RB	0% SA / 0.5% RB	0.00%
Simple Bonus Whole Life	17.2	16%	16%	0.00%
Conventional Pensions				
Individual & Group Pensions (excl With-Profit Annuity)	4,831.3	0% SA / 0% RB	0% SA / 0% RB	0.00%
Group Defined Benefits	27.6	0.00%	0.00%	0.00%
With-Profits Annuity	135.9	2.00%	2.00%	0.00%
Unitised Life				
Units without regular bonus guarantee	1,622.5	2.08%	2.00%	0.00%
Units with regular bonus guarantee	480.1	2.50%	2.50%	2.50%
Unitised Pensions				
Units without regular bonus guarantee	2,954.9	3.00%	3.00%	0.00%
Units with regular bonus guarantee	4,006.7	4.00%	4.00%	4.00%
ISA				
ISA	6.3	3.00%	3.00%	0.00%
Belgium (in the NUL&P Belgium sub-fund)				
	54.0	0.00%	0.00%	0.00%

- (2) The figures for bonus awarded on Unitised with-profit 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.

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1. Introduction

- (1) The **valuation date** is 31 December 2006.
- (2) The previous valuation was completed with an effective date of 31 December 2005.
- (3) An interim valuation was carried out with an effective date of 30 June 2006 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 except by increment.

3. Discretionary charges and benefits

- (1) The Provident Mutual fund (PM fund) has no option to apply a market value reduction on any of its with-profit 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 4.2%. The exception is for charges on Compact and Everyman which increased by 2.8%.

Defined Benefit Schemes

Deferred Allocation Funding:

The administration fee increased by 4.2%.

- (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-profit 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. Norwich Union Life & Pensions Limited (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.

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For funds with an excess of realised/unrealised gains over losses the percentage used for gains and losses varied by fund in the range 17.5% to 20% during the year to 31 December 2006..

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 13% to 19.5% during the year to 31 December 2006.

- (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 Company, 1% of gross mathematical reserves is £514m > £10m. A limit of £10m will be applied to all subfunds of the Company when considering whether a group of products is material.

A gross premium method of valuation was used for Conventional with-profit and Conventional non-profit business.

The Accumulating with-profit 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

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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.

Product	Interest rate (%) 31 December 2006	Interest rate (%) 31 December 2005
Life with-profit assurances	3.65	3.35
Life non-profit business	3.30	3.00
Pension accumulating with-profit (excluding Compact)	4.45	4.10
Compact pension accumulating with-profit	3.25	3.25
Non profit immediate annuity	4.45	4.35
With profit immediate annuity	4.45	4.35
Pension Deferred Annuity Non Profit and Guaranteed Annuity Options		
In payment	3.70	3.65
In deferment	4.00	3.85
Pension Deferred Annuity With Profit and Guaranteed Annuity Options		
In payment	3.75	3.90
In deferment	4.45	4.10
PHI business		
Active lives	4.00	3.25
Disabled lives	4.75	3.75
Disabled lives (index-linked)	2.2	2.1

(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.

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In the case of equity, the cap is the Long Term Gilt Yield + 2%. The cap reduces the average yield on equities by approximately 0.07%. In the case of property, the cap is also the Long Term Gilt Yield + 2% and reduces the average yield by approximately 0.31%.

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 2006, plus an additional margin.

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 2006	Mortality basis 31 December 2005
Life Assurances		
Assurances	115% AM92/AF92	115% AM92/AF92
Pensions and General Annuities		
Accumulating With Profit :		
In deferment	50% AM92/AF92	50% AM92/AF92
Post Vesting (incl GAO)	100% PCMA00/110% PCFA00	95% PMA92/PFA92 (modified)
Deferred Annuity		
In deferment	50% AM92/AF92	50% AM92/AF92
Post Vesting	100% PCMA00/110% PCFA00	100% PMA92/PFA92 -1 (C=2020) *
With-Profit and Non-Profit Annuity in Payment (Individual)	90% IML00/IFL00	105% IM92/IF92 (modified)
Non-Profit Annuity in Payment (Group):	100% PCMA00/110% PCFA00	95% PMA92/PFA92 (modified)
With-Profit Annuity in Payment (Group):	100% PCMA00/110% PCFA00	110% PMA92/PFA92 (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 PCXA00) are assumed to apply as at 31 December 2004. The base tables (% of modified PXA92) are assumed to apply at calendar year 2002 (except * uses C+2020 projection year for future mortality improvement). The allowance for improvements is as follows:

	31 December 2006	31 December 2005
Males: 2003-2004	N/A	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, minimum 2.0%, applicable from 2005
Females: 2003-2004	N/A	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, minimum 1.5%, applicable from 2005

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- 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 2006	Expectation of Life for annuitant aged 75 in 2006	Expectation of Life from age 65 for annuitant aged 45 in 2006	Expectation of Life from age 65 for annuitant aged 55 in 2006
100% of PCMA00 plus 100% CMI_Medium_Cohort, min 2%, applied from 2005	22.059	13.148	26.400	24.165
110% of PCFA00 plus 75% CMI_Medium_Cohort, min 1.5%, applied from 2005	22.815	13.885	25.668	24.215
90% IML00 plus 100% CMI_Medium_Cohort, min 2%, applied from 2005	23.287	14.002	27.381	25.274
90% IFL00 plus 75% CMI_Medium_Cohort, min 1.5%, applied from 2005	25.539	15.704	28.312	26.896

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:

- any possible detrimental impact of significant changes in the incidence of disease on the mortality experience of the insurer;
- 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 £2.5m.

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 Age	31/12/2006		31/12/2005	
	Male	Female	Male	Female
25	0.00325	0.00186	0.00372	0.00340
35	0.00229	0.00347	0.00271	0.00279
45	0.00357	0.00569	0.00450	0.00548
55	0.00606	0.00948	0.00868	0.01367

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Name of insurer **Norwich Union Life & Pensions Limited – Provident Mutual Fund**
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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 Recovery Period Age	31/12/2006				31/12/2005			
	Recovery 2 Years		Recovery 5 Years		Recovery 2 Years		Recovery 5 Years	
	Male	Female	Male	Female	Male	Female	Male	Female
25	0.25353	0.25353	0.07525	0.07525	0.26677	0.26677	0.07921	0.07921
35	0.20510	0.2051	0.06280	0.06280	0.21582	0.21582	0.06610	0.06610
45	0.15473	0.15473	0.51330	0.51330	0.16283	0.16283	0.05403	0.05403
55	0.10273	0.10273	0.41180	0.41180	0.10812	0.10812	0.04334	0.04334

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 allowances are set by reference to a Management Services Agreement (MSA) 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.

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

The table below shows the per-policy expenses used in the basis. The 2006 figures include an additional 10% margin for development costs and additional expenses.

1. PM	Existing Business Admin Fees	31 December 2006	31 December 2005
Product code	Category		
120	Conventional endowment with-profits OB savings	33.78	19.92
125	Conventional endowment with-profits OB target cash	33.78	19.92
165	Conventional deferred annuity with-profits	101.23	26.57
400	Annuity non-profit (CPA)	13.83	15.94
700	Life property linked single premium	30.34	26.57
715	Life property linked endowment regular premium -savings	33.78	33.21
720	Life property linked endowment regular premium – target cash	33.78	33.21
725	Individual pensions property linked	28.25	51.80
735	Group money purchase pensions property linked	8.74	0.00*

* Previously charged as a % of reserve rather than per policy amount

Assumed future expense inflation:

3.64% per annum

Expense assumptions for PHI business are shown below:

Item of expense	Exposure Measure	31 December 2006 basis	31 December 2005 basis
Claims expenses	Claims Outgo	10.0%	10.0%
Individual renewal expenses (product code 365 and 385)	Number of policies	£25.15 per policy	£24.00 per policy
Legacy Group renewal expenses	Premium	12.5%	12.5%
Investment expenses	Asset Value	0.025%	0.025%

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Zillmer adjustments:

No Zillmer adjustments were made to net premium reserves.

Investment expenses:

An explicit reserve is held for investment expenses based on a proportion of the assets held.

Asset Class	Investment expense
Equity	0.327%
Property	0.426%
Gilts	0.040%
Other Fixed Interest	0.081%
Cash	0.136%
Overall	0.097%

Tax Relief:

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.

(7) Unit Linked policies: basis for non-unit reserves.

Non-unit reserves have been reinsured to CGNU Life Assurance Limited (CGNU). The basis used to calculate these reserves is shown in the Appendix 9.4 report for CGNU.

(8) Bonus Assumptions:

Conventional with-profit business:

The Company is a realistic basis life firm. Accordingly, no allowance has been made for future annual or final bonus on Conventional with-profit business. This is consistent with INSPRU1.2.31G. There are no guarantees relating to future annual or final bonus on this business.

Accumulating with-profit 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.

(9) Persistency assumptions:

We have not assumed any lapses in the valuation except as follows:

For Accumulating with-profit 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.

(10) Other basis items

Option Take-Up Rates

- **Guaranteed Annuity Rate Options:**

We have assumed that current option take-up is 87%. This includes a margin over current experience of just over 10%. This rate is assumed to increase by 1% per annum to 95%.

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Name of insurer **Norwich Union Life & Pensions Limited – Provident Mutual Fund**

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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 BLAGAB proportion of business in the fund. No discounting has been applied to the tax rate used; this is in line with the new IFRS regulations. This reserve forms part of the Company's Accounting Liabilities as shown on Form 14.

- (11) No account was taken in the valuation of the long-term liabilities of any derivative assets held on the valuation date.
- (12) The fund has made no changes to valuation methodology in respect of the following changes in INSPRU valuation rules:
- (a) Allowance for lapses on valuation of protection business
 - (b) Allowance for negative reserves on valuation of protection business
 - (c) Allowance for lapses on valuation of unit-linked business
 - (d) Allowance for attributable expenses on valuation of unit-linked business

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(10)).
- 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(10))
- Realistic-peak (realistic valuation) annuity interest rates and discounting are used
- Realistic-peak assumptions for persistency are used

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

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

If this second reserve is larger than the base Regulatory-peak figure, an allowance for stochastic variation is added to the Regulatory-peak reserve. The allowance at 31 December 2006 is zero.

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(b)

(i) Product Name	Personal Pension Plan	Products with GAO excluding Personal Pension Plan
(ii) Basic Reserve (£m)	155.6	696.9
(iii) Spread of outstanding durations		
0-5 years	75.4%	58.0%
6-10 years	16.7%	22.9%
11-20 years	7.8%	15.8%
over 20 years	0.1%	3.2%
(iv) guarantee reserve (£m)	87.1	252.7
(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 PM 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-profit 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 £1,715m. 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 £1 at the selected pension date or on earlier death. The guaranteed amount is £1,794m. 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 is shown below:

Durations	0-4	5-9	10-14	15-19	20-24	24-29	30+
Proportion	10%	15%	18%	22%	19%	12%	5%

(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.

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- 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 2007 is £22,407,000. The amount was derived from the explicit allowances for expenses as per the Investment Management Agreement with Morley Fund Management Limited (£6,068,000) and from administrative and premium related charges (£16,340,000). 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 £743,000. This is much lower than the allowance for expenses in 6(1) above. However, this is due to the accounting treatment of expenses which are passed through Non Profit Sub Fund 2. The breakdown below adjusts for this one-off adjustment and items where the future costs have separate reserves.

Form 43 Line 14 total	743,000
Less expenses reinsured intra-group Form 43 line 34	-29,976,000
Total Gross expenses	30,719,000
Less UL AMCs reinsured to CGNU and treated as an expense in Form 43	14,218,000
Less UL expenses as sterling reserves reinsured to CGNU	-6,463,000
Less write offs and bad debt	694,000
Total for true comparison	22,270,000

After removing these additions the allowance for expenses in the reserves exceeds last year's figure by £137,000.

- (4) Under the Scheme of Transfer, no charges are made to the PM Fund in connection with the acquisition of new business (other than incremental business).
- (5) The PM Fund is closed to new business. The closure of the Company to new business at the end of 2007 would not require an additional provision.
- (6) No expenses have been treated as non-attributable.

7. Mismatching Reserves

- (1) All of the mathematical reserves of the PM Fund (sterling value £2,500m) 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) The Company is a realistic-basis firm and a resilience capital requirement is no longer required.
- (5) The Company is a realistic-basis firm and a resilience capital requirement is no longer required.
- (6) The Company is a realistic-basis firm and a resilience capital requirement is no longer required.

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- (7) INSPRU 1.1.34R(1): “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 rule.

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 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.

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 PM fund’s non-linked claims amounts for 2007 is £270m. Expected income, in 2007, from assets currently held in the fund is £140m and £105m is held in deposit-style assets. The fund currently holds an additional £765m 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

The PM fund does not hold any other special reserves exceeding £10m.

9. Reinsurance

- (1) The 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 United Kingdom.
- (2) The following reinsurance arrangements satisfy the conditions in either 9.2(a), (b) or (c):
- (a)
- (d) CGNU
 - (e) During 2005 endowment policyholders within the Provident Mutual fund had the option request that their asset shares be invested in the CGNU with-profit 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 2006 was £0.
 - (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.

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Name of insurer **Norwich Union Life & Pensions Limited – Provident Mutual Fund**

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- (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.
- (b)
- (d) CGNU
 - (e) CGNU has taken liability for the sterling reserves of Provident Mutual's unit-linked business. CGNU has paid a premium to PM and holds the statutory liability. In return, the CGNU fund will be entitled to all future profits arising from these reserves.
 - (f) CGNU paid NUL&P Provident Mutual Fund £129m in 2006 under this treaty
 - (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 £10,555,000.
 - (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.

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Name of insurer

Norwich Union Life & Pensions Limited – Provident Mutual Fund

Global business

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31 December 2006**10. Reversionary (annual, regular) bonus**

(1)

Product	Amount of mathematical reserve (£m)	Regular bonus (2005)	Regular bonus (2006)	Guaranteed bonus (2005)
Life				
Endowment / Whole Life (incl Budget Plan, Permanent Total Disability, Flightdeck)	396.6	0% SA / 0% RB	0% SA / 0% RB	0.00%
Pensions (excl With-Profit Annuity)				
Personal Pension Plan (Series 1 & 2)	47.0	0% of benefit secured	0% of benefit secured	0.2% gteed interest per month
Personal Pension Plan (Series 3)	195.7	0% of benefit secured	0% of benefit secured	0.22% gteed interest per month
Self Employed Retirement Annuities	453.4	0% of benefit secured	0% of benefit secured	3.25% gteed interest rate in prem basis
IPA / AVC / Money Purchase schemes	166.7	0% of benefit secured	0% of benefit secured	3.25% gteed interest rate in prem basis
Executive Pension Plan	151.2	0% of benefit secured	0% of benefit secured	3.25% gteed interest on Higher rate fund money only
Compact	48.0	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)	166.8	0% of account balance	0% of account balance	0.00%
Other Deferred Annuities	11.0	0% of account balance	0% of account balance	0.00%
With-Profit Annuity				
Annuitants from defined benefit schemes (excluding Air France)	231.8	3.50%	3.50%	0.00%
Annuitants from Air France	18.1	5.00%	5.00%	5.00%
Annuitants on 1999 series rates	2.3	3.50%	4.00%	0.00%
Other annuitants:				
retiring before 1984	4.4	7.00%	9.00%	0.00%
retiring between 1984 and 1992	50.2	3.00%	4.00%	0.00%
retiring between 1993 and 1997	33.7	1.00%	1.00%	0.00%
retiring between 1998 and 2002	52.3	0.00%	0.00%	0.00%
retiring 2003 and later	12.5	0.00%	0.00%	0.00%

(2) There is no Unitised with-profit business in the PM 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.

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Name of insurer **Norwich Union Life & Pensions Limited – Non-Profit Subfunds**
Global business
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1. Introduction

- (1) The **valuation date** is 31 December 2006.
- (2) The previous valuation was completed with an effective date of 31 December 2005.
- (3) An interim valuation was carried out with an effective date of 30 June 2006 for the purposes of rule 9.3A.

2. Product Range

The only significant changes to products during the financial year were as follows:

Pension Term Assurance

This protection product was introduced, offering level or decreasing life cover. A fixed regular policy fee is charged.

Simplified Life

This product was launched in 2006 as a term assurance, with either a level or decreasing sum assured and a simplified underwriting procedure. A fixed regular policy fee is charged.

Norwich Union Stakeholder Pension

This product was relaunched during 2006, incorporating modified fund management charges.

Whole Life product

Guaranteed Whole Life was launched during 2006 and provides whole of life cover, with a guarantee that the premium will not increase. A fixed regular policy fee is charged.

Pension Term Assurance free cover

For new Pension Term Assurance proposals, a promise was introduced during 2006 offering free cover of an amount equal to the proposed sum assured (but limited to £1m) to customers with acceptance terms.

Withdrawn products

The following products have been withdrawn, although increments to existing policies may be allowed: Executive Personal Pension, Freestanding AVC and Pension Buyout Plan (Section 32).

3. Discretionary charges and benefits

- (1) Details of any market value reductions have been included in the with-profits fund abstract.
- (2) There have been no changes to premiums on reviewable protection policies.
- (3) Interest of 7.4% was added in 2006 for the group non-profit deposit administration benefits shown in Form 51 (UK Pensions).
- (4) Where service charges have been increased in 2006 on linked policies, the increases were in the range of 2.2% to 2.8% (depending on policy conditions), apart from certain Group Money Purchase policies where the increase was 4.3%.
- (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-profit policies.
- (7) **Allocation and creation of units**

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

Asset units are created and cancelled at either the asset offer price or the asset bid price depending upon the prevailing basis of the fund and using the most recently available price. The pricing basis is set

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Name of insurer **Norwich Union Life & Pensions Limited – Non-Profit Subfunds**
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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 purchased 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

- (a) 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.
- (b) The gross value of Accumulation Units is also calculated as the net value increased by a bid/offer spread of 7%.
- (c) Premiums are carried to the Accumulation Account and applied (without any deduction) to purchase Accumulation Units using the current gross value of the unit.
- (d) 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.
- (e) Unit transactions are based on the most recent valuation.

Annuity Units

- (a) At least once a week the value of Annuity Units is calculated. The value is such that, in the opinion of the Company's Chief 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.
 - (b) 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.
 - (c) Annuity Units are cancelled on the death of the annuitant.
 - (d) 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 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.

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Name of insurer **Norwich Union Life & Pensions Limited – Non-Profit Subfunds**
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For funds with an excess of realised/unrealised gains over losses the percentage used for gains and losses varied by fund in the range 17.5% to 20% during the year to 31 December 2006.

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 13% to 19.5% during the year to 31 December 2006.

(10) Benefits from discounts, commission and 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 for special reserves)

Where either the gross mathematical reserves or the gross annual premiums for a group of products exceeds £10m, details of the method and basis for valuation are provided below.

(1) Valuation methodology

Non-linked business

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. For certain blocks of business, negative reserves arising on individual contracts are set to zero – there is no allowance for future policy lapses on these contracts. However, for a large block of protection business, negative reserves have been allowed and prudent lapse assumptions have been included. The lapse rates assumed are higher than expected for contracts where the reserve is negative and lower than expected where the reserve is positive.

For 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.

For Creditor business written in the former SAL and L&E companies, the total reserve consists of an Unearned Premium reserve, an Outstanding Claims reserve and a Profit Commission Reserve. For other Collective Life business, the reserve was calculated as one year's office premium for annual premium contracts, plus the unearned proportion, on a 24ths basis, of the single premiums paid plus a reserve for profit sharing.

Individual PHI contracts have been valued using a gross premium valuation based on inception/annuity methodology. Contracts with waiver of premium were valued by treating the premium waiver as an extra benefit. 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. Annually reviewable PHI contracts have been valued on an unexpired premium basis, plus claims reserve.

For waiver of premium benefits, the reserve is taken to be on 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 compensation payments and associated levies and expenses. Further details are provided in section 6.

Valuation report – IPRU (INS) Appendix 9.4

Name of insurer **Norwich Union Life & Pensions Limited – Non-Profit Subfunds**
Global business
Financial year ended **31 December 2006**

Unit-linked business

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.

Non-unit reserves include explicit allowance for per policy expenses. Allowance has also been made for expenses which are not directly attributable to individual contracts, as described in section 6. 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 expected future experience, with a margin for prudence, for contract types where negative sterling reserves arise.

Where non-unit reserves are negative, these are set to zero, except where the policy terms 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 on 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.

Valuation report – IPRU (INS) Appendix 9.4

Name of insurer **Norwich Union Life & Pensions Limited – Non-Profit Subfunds**
 Global business
 Financial year ended **31 December 2006**

(2) Valuation interest rates:

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 2006	31 December 2005
Life Assurances		
Conventional business	3.1%	2.9%
PHI		
Standalone critical illness	3.9%	3.6%
Income Protection		
Active lives	4.0%	3.25%
Disabled lives	4.75%	3.75%
Disabled lives (index-linked)	2.2%	2.1%
Pensions and General Annuities		
Immediate Annuity	4.3%	3.975%
Deferred Annuity/WDIS		
Post vesting	3.9%	3.6%
In deferment	4.3%	4.1%
Other	3.9%	3.6%
Sterling Reserves – Life		
Fund growth	4.7%	4.3%
Discount rate	3.4%	3.2%
Sterling Reserves – Pensions		
Fund growth	5.6%	5.2%
Discount rate	4.2%	3.9%

(3) Adjustment to yield for credit risk

The risk-adjusted yield in Form 57 has been determined after making the following allowances for risk, in accordance with INSPRU 3.1.41R.

For fixed interest assets, this adjustment took account of:

- The historic experience of bad debts for each of the major fixed interest asset classes,
- Market margins of gross yield over the yields of risk-free investments of a similar term in the same currency, where available,
- 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,
- 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	0.40%
Loans secured by mortgages	0.50%

No equity shares or property were used for the purposes of Form 57.

The yield on all assets is further reduced by 2.5% to allow for risk, as required by INSPRU 3.1.28R.

Valuation report – IPRU (INS) Appendix 9.4Name of insurer **Norwich Union Life & Pensions Limited – Non-Profit Subfunds**

Global business

Financial year ended **31 December 2006****(4) Mortality assumptions**

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 2006	31 December 2005
Whole life and Endowments	unchanged	AM92/AF92
Fifty Plus/Funeral Plans	unchanged	ELT15 (M/F)
Term assurance	unchanged	Modified TM92/TF92 (see below)
Mortgage Protection	unchanged	Modified TM92/TF92 (see below)
Term assurance with Critical Illness	unchanged	Modified Critical Illness Base Table 1993 (see below)
Mortgage Protection with Critical Illness		
Unit linked assurances	unchanged	A67/70 ult –1 yr
German GALA and DIVA	unchanged	75% German DAVM/F

Other Assurances	31 December 2006	31 December 2005
Whole life and Endowments	138% AM92/AF92	A67/70 ult –1 yr/+4 yrs
Pure Endowment	unchanged	50% AM80 / 50% AF80
Term assurance (up to Feb 1998)	Modified TM92/TF92 (see below)	90% AM80/AF80 ult
Term assurance (from Feb 1998)	same as above	70% AM80/AF80 ult
Mortgage Protection (up to Feb 1998)	Modified TM92/TF92 (see below)	90% AM80/AF80 ult
Mortgage Protection (from Feb 1998)	Same as above	70% AM80/AF80 ult
Accelerated Critical Illness (unitised)	unchanged	A67/70 ult +6 years

Rates for the **modified tables** for 31 December 2006 are as follows:

Age	Term Assurance 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 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 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 2005 were the same as for 31 December 2006.

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Name of insurer **Norwich Union Life & Pensions Limited – Non-Profit Subfunds**
 Global business
 Financial year ended **31 December 2006**

Ex-NULL Pensions and General Annuities	31 December 2006	31 December 2005
Immediate Annuities – individual	74% IML00 77% IFL00	69% IML00 72% IFL00
Immediate Annuities – group	90.5% PCMA00 85% PCFA00	85.5% PCMA00 80% PCFA00
Structured Settlements	As individual annuities above + 1 year + 0.01 unchanged	As individual annuities above + 1 year + 0.01 65% AM92/ 65% AF92
Deferred annuity cash contracts Deferred & Reversionary Annuity		
In deferment	unchanged	65% AM92/ 65% AF92 (Tied=100%)
Post vesting	90.5% PCMA00 85% PCFA00	85.5% PCMA00 80% PCFA00
Retirement Annuity		
In deferment	unchanged	65% AM92/ 65% AF92 (Tied=100%)
Post vesting	74% IML00 77% IFL00	69% IML00 72% IFL00
Other Pensions and General Annuities	31 December 2006	31 December 2005
Deferred Annuity & WDIS		
In deferment – deferred	unchanged	50% AM80 / 50% AF80
In deferment – WDIS	unchanged	70% AM80 / 70% AF80
Post vesting	90.5% PCMA00 85% PCFA00	85.5% PCMA00 80% PCFA00

Annuitant mortality bases – expectation of life

	Expectation of Life for annuitant		Expectation of Life from age 65 for annuitant	
	aged 65	aged 75	aged 45	aged 55
90.5% PCMA00	23.08	13.95	27.55	25.25
85% PCFA00	25.23	15.89	28.29	26.73
74% IML00	25.20	15.54	29.53	27.31
77% IFL00	26.94	16.91	29.84	28.36
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

Mortality improvement

The 2006 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 for 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

The margins in the published mortality and morbidity bases are considered sufficient to provide for adverse deviations in experience arising from various causes, so no additional reserves are held.

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Name of insurer **Norwich Union Life & Pensions Limited – Non-Profit Subfunds**
 Global business
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(5) Morbidity assumptions:**Critical Illness**

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 2006	31 December 2005
Standalone Critical Illness	unchanged	Modified Reassurer rates (see below)
Other Life Assurances		
Standalone Critical Illness	unchanged	1 periodic premium

Rates for the modified tables for 31 December 2006 (and 2005) were as follows:

Age	Stand alone Critical Illness			
	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

For critical illness policies with guaranteed premiums, a guarantee loading is applied to the critical illness rate, unchanged from end-2005.

CI guarantee loading (for each year of policy term)	Female	Male
Term assurance	1.25%	1.0%
Mortgage protection	1.0%	0.75%
Standalone	1.25%	1.0%

Income Protection - 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			
	Annual rates per mille:			
	31 Dec 2006	31 Dec 2006	31 Dec 2005	31 Dec 2005
	Male	Female	Male	Female
25	1.01	1.04	1.82	2.27
35	0.78	1.29	1.41	2.87
45	1.41	2.97	2.58	6.33
55	3.18	5.76	5.84	11.93

Age	PHI rates			
	Annual rates per mille:			
	31 Dec 2006	31 Dec 2006	31 Dec 2005	31 Dec 2005
	Male	Female	Male	Female
25	3.25	1.86	3.72	3.40
35	2.29	3.47	2.71	2.79
45	3.57	5.69	4.50	5.48
55	6.06	9.48	8.68	13.67

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Name of insurer

Norwich Union Life & Pensions Limited – Non-Profit Subfunds

Global business

Financial year ended

31 December 2006**Income Protection - 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
Non-smoker status

Deferred period 6 months
Location – South England

Age	Safeguard rates : 31 December 2006			
	Annual rates per mille:			
	Recovery 2 years	Recovery 2 years	Recovery 5 years	Recovery 5 years
	Male	Female	Male	Female
25	231.79	231.79	68.76	68.76
35	187.49	187.49	57.38	57.38
45	141.42	141.42	46.90	46.90
55	93.89	93.89	37.62	37.62

Age	Safeguard rates : 31 December 2005			
	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	PHI rates : 31 December 2006			
	Annual rates per mille:			
	Recovery 2 years	Recovery 2 years	Recovery 5 years	Recovery 5 years
	Male	Female	Male	Female
25	253.53	253.53	75.25	75.25
35	205.10	205.10	62.80	62.80
45	154.73	154.73	51.33	51.33
55	102.73	102.73	41.18	41.18

Age	PHI rates : 31 December 2005			
	Annual rates per mille:			
	Recovery 2 years	Recovery 2 years	Recovery 5 years	Recovery 5 years
	Male	Female	Male	Female
25	266.77	266.77	79.21	79.21
35	215.82	215.82	66.10	66.10
45	162.83	162.83	54.03	54.03
55	108.12	108.12	43.34	43.34

The margins in the published morbidity bases are considered sufficient to provide for adverse deviations in experience arising from changes in morbidity experience, so no additional reserves are 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.

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Name of insurer **Norwich Union Life & Pensions Limited – Non-Profit Subfunds**
 Global business
 Financial year ended **31 December 2006**

(6) Expense assumptions:

Details of the expense bases used at 31 December 2006 are as follows.

No zillmer adjustment was used at the end of 2006 - valuations were carried out on a Gross Premium basis

The expense assumptions are the same for both premium-paying and non-premium paying contracts.

Per policy expenses in the year after the valuation date

	31 December 2006	31 December 2005
Annuity	14.53	14.06
Critical Illness	11.70	11.32
Term Assurance	11.70	11.32
Income Protection	29.02	27.64
UL bond	14.49	16.34
UL group regular premium pension	19.78	24.59
UL group single premium pension	19.78	24.59
UL regular premium pension	19.04	24.59
UL savings endowment	28.22	30.05
UL single premium pension	45.40	39.99
UL target cash endowment	10.23	26.44
UWP bond	10.23	26.44
UWP group regular premium pension	13.24	65.22
UWP group single premium pension	24.80	61.40
UWP regular premium pension	9.62	35.11
UWP savings endowment	10.23	26.44
UWP single premium pension	9.62	35.11
UWP target cash endowment	10.23	26.44

Expenses as % of Claim

	2006	2005
Income protection claims in payment	11.0%	11.0%

Tax relief on expenses for BLAGAB products has been assumed at the rate of 20%. No tax relief has been allowed on other business.

Investment expenses

For non-unit liabilities, the yield on assets backing the liabilities was reduced for investment expenses of 0.044%. This reduced the upper bound on the interest rates used in the valuation.

In the calculation of sterling reserves on unitised business, explicit allowance was made for investment expenses of 0.177% of the unit fund for unit linked investments and 0.101% of the asset share for unitised with profit investments written in the company's with profit fund.

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

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Global business

Financial year ended **31 December 2006**

(7)	Inflation rate for future expenses	31 December 2006	31 December 2005
	Ex-NULL products	3.9%	3.8%
	Income Protection	4.9%	4.7%
	Other products	4.4%	4.3%
	Linked business		
	Unit Growth Rate for gross business	5.6%	5.2%
	Unit Growth Rate for net business	4.7%	4.3%
	Future increases in policy charges	2.0%	2.0%

(8) There are no with-profit contracts in the non-profit subfunds.

(9) A summary of lapse, surrender and paid-up assumptions is provided below:

Product		Average lapse / surrender / paid-up rate for the policy years			
		1-5	6-10	11-15	16-20
Accelerated critical illness	lapse 1	12.1%	8.6%	7.7%	7.7%
Accelerated critical illness	lapse 2	5.8%	4.1%	3.7%	3.7%
Decreasing Term	lapse 1	15.0%	17.5%	13.3%	9.0%
Decreasing Term	lapse 2	9.0%	10.5%	8.0%	5.4%
Level term	lapse 1	12.1%	8.6%	7.7%	7.7%
Level term	lapse 2	5.8%	4.1%	3.7%	3.7%
UL bond	surrender	1.8%	7.4%	7.8%	7.8%

Apart from the table above, no allowance is made for lapses.

The 'lapse 1' rates in the table are used for contracts where the reserve is negative, and the 'lapse 2' rates are used for contracts where the reserve is positive.

No PUP assumptions are shown in the above table. It is assumed that premiums cease at the valuation date for regular premium unit-linked policies, unless the assumption of continuing premiums leads to a higher non-unit reserve.

For the vast majority of UL and UWP Bonds (97% of total mathematical reserves on all such business), automatic withdrawals are taken to be the actual withdrawal amount at the valuation date for each individual policy.

For unit-linked bonds, the surrender rates shown in the table exclude additional surrenders at the end of the period where surrender penalties apply. The average additional surrender rate is 14.2%.

(10) Other basis items**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 contracts 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.

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

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Global business

Financial year ended **31 December 2006**

- (11) 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.

(12) Changes in INSPRU valuation rules

The estimated effect on mathematical reserves of changes in valuation methodology arising from changes in INSPRU valuation rules at 31 December 2006 is analysed below:

	Estimated effect
Allowance for lapses on valuation of protection business	£62.3m
Allowance for negative reserves on valuation of protection business	£273.5m
Allowance for lapses on valuation of unit-linked business	£0.0m
Allowance for attributable expenses on valuation of unit-linked business	£124.2m
Overall allowance	£460.0m

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, subject to option take-up rates as described in 4(10). Where a guaranteed annuity is more valuable on the valuation basis than the cash alternative, a provision for future expenses in payment is also held.

(b) Pensionvestor

Pensionvestor policies have a basic reserve of £69m.

The distribution of policies by outstanding term and retirement age is as follows:

Outstanding Term (years)							Total
	0-5	5-10	10-15	15-20	20-25	25-30	
Retirement Age							
55 and under	4	0	0	1	0	0	5
56-60	509	292	132	24	1	0	958
61-65	297	186	90	28	3	1	605
66-70	46	3	6	2	0	0	57
71-75	24	28	55	4	0	0	111
Total	880	509	283	59	4	1	1736

The guarantee reserve is £45m.

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 given on increments.

(2) Guaranteed surrender and unit-linked 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 Company's Provident Mutual Fund, where the majority of these guarantees arise.

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Name of insurer **Norwich Union Life & Pensions Limited – Non-Profit Subfunds**
 Global business
 Financial year ended **31 December 2006**

(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 with 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-NUL protection policies with conversion and renewal options.

Product name	In-force premiums	Sum Assured	Guarantee Reserve
Level Term Assurance	£11.7m	£4,431m	£1.7m
Decreasing Term Assurance	£21.0m	£4,703m	£11.2m

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 generally 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 for expense loadings, grossed up for taxation where appropriate, expected to arise during 2007 is shown in the table below:

Homogenous risk Group	Implicit allowances	Explicit allowance (investment)	Explicit allowance (other)	Non attributable expenses	Total
UL Life	£36.7m	£18.4m	£5.7m	£0.0m	£60.7m
UL individual pensions	£99.3m	£26.5m	£12.3m	£0.0m	£138.0m
UL employer sponsored pension	£27.2m	£9.4m	£10.8m	£0.0m	£47.4m
All expenses attributable	£0.4m	£0.0m	£38.5m	£0.0m	£39.0m
Total	£163.6m	£54.2m	£67.3m	£0.0m	£285.1m

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Name of insurer **Norwich Union Life & Pensions Limited – Non-Profit Subfunds**

Global business

Financial year ended **31 December 2006**

- (2) Non-attributable expenses on unit linked business are allowed for implicitly, through expected future valuation surplus (on the valuation basis). In 2007, the implicit allowance on unit linked business of £163.6m easily covers the expected amount of non-attributable expenses, £32.8m.

Investment expenses on conventional business are reserved for implicitly, through a margin the valuation interest rate. The expected expense over 2007 is £0.4m.

- (3) The total amount of maintenance expenses shown at line 14 of Form 43 (combined for the non-profit subfunds) is £155.7m. Unit fund management charges of £9.6m are included in the Form 43 figure, but do not constitute expenses for comparison against the above allowances.

The actual expense figure comparable with the allowance in section 6(1) is £146.2m.

The implicit allowance on unitised business is the main reason that the £285.1m allowance in the table above is higher than line 14 of Form 43. The implicit allowance has been taken to be the valuation surplus. This emerges due to the constraint that sterling reserves cannot be negative, and the surplus is materially higher than the level of non-attributable expenses on this business.

- (4) In determining the requirement for a new business expense overrun reserve, a prudent assessment of the projected value of 2007 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 2007 new business.
- (5) In addition to per policy expense reserves, explicit expense reserves of £102.0m are held in accordance with INSPRU 1.2.50R. 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.
- (6) For unit-linked business, the explicit expense reserve only covers expenses directly attributable to unit-linked contracts. Non-attributable expenses are covered by future valuation surplus, and so the reserve for these expenses is zero.

7. Mismatching Reserves

- (1) Apart from £17.2 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) The Company is a realistic-basis firm and no resilience capital requirement is required.
- (5) The Company is a realistic-basis firm and no resilience capital requirement is required.
- (6) The Company is a realistic-basis firm and no resilience capital requirement is required.
- (7) 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. The firm 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. Any cash flow shortfall could therefore be met by selling some of these assets at short notice.

However, a further reserve of £100m is held against the risk of mismatching between positive and negative cash flows arising on different blocks of conventional business where positive and negative reserves are held.

Valuation report – IPRU (INS) Appendix 9.4

Name of insurer **Norwich Union Life & Pensions Limited – Non-Profit Subfunds**
 Global business
 Financial year ended **31 December 2006**

8. Other Special Reserves**Counterparty Risk Reserve**

A reserve of £20m 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 counterparty risk amounts for each reinsurer.

Staff Pension Scheme Deficit Reserve

A reserve of £70m is held to cover the funding payments to be made to the Aviva Staff Pension Scheme over a 5-year period. Payments increase with inflation over the remaining funding period.

Data Quality Reserve

A provision of £20m 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) Within the non profit subfunds 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 reinsurer is authorised to carry out insurance business in the United Kingdom, and whether the reinsurer is connected to the Company.

Ref	Name of Reinsurer	A	C	Class of business	Reinsurance Premiums £'000s	31/12/06 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.	34,556	86,112	Closed	
B	Swiss Re Life & Health Limited	Yes	No	Permanent Health	4,823	29,087	Closed	
C	Swiss Re Life & Health Limited	Yes	No	Long Term Care	1,462	33,106	Closed	
D	Swiss Re Life & Health Limited	Yes	No	Standalone Gteed CI	1,631	25,983	Closed	
E	Hannover Re (Ireland)	No	No	Term and Gteed Integrated CI	1,646	15,536	Closed	
F	Munich Reinsurance Company, UK Life Branch.	Yes	No	Term and Gteed Integrated CI	29,654	105,143	Open	10% up to £500k
G	Revios Reinsurance Ireland Limited	No	No	Term and Gteed Integrated CI	3,913	17,761	Closed	
H	RGA Americas Reinsurance Company Limited	No	No	Term and Gteed Integrated CI	35,183	115,002	Closed	
I	Swiss Re Life & Health Limited	Yes	No	Group Disability	40,300	109,024	Closed	
J	Swiss Re Life & Health Limited	Yes	No	Term and Gteed Integrated CI	15,165	102,658	Closed	
K	Swiss Re Life & Health Limited	Yes	No	MP and Gteed Integrated CI	68,208	70,639	Closed	
L	XL Re Limited (UK Branch)	Yes	No	Term and Gteed Integrated CI	8,183	71,361	Open	Life: 10% up to £500k, CI: 25% up to £50k
M	Swiss Re Life & Health Limited	Yes	No	2005 Existing Business	1,767	107,200	Closed	
N	Swiss Re Life & Health Limited	Yes	No	2006 Existing Business	907	94,300	Closed	
O	Invesco Pensions Limited	Yes	No	Unit-linked External Funds	25,390	71,760	Closed	
P	Deutsche Asset Management Life & Pensions Ltd	Yes	No	Unit-linked External Funds	111	50,501	Closed	
Q	Norwich Union Annuity Limited	Yes	Yes	Immediate Annuities	7,032	144,837	Open	
R	Legal and General Assurance (Pensions Management)	Yes	No	Unit linked	40,326	826,386	Open	
S	Norwich Union Insurance	Yes	Yes	Creditor	40,292	39,667	Open	0% for m<60 months then 100(m-59)/m% for m>59

Valuation report – IPRU (INS) Appendix 9.4

Name of insurer **Norwich Union Life & Pensions Limited – Non-Profit Subfunds**

Global business

Financial year ended **31 December 2006**

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	Quota Share & Surplus Reinsurance
C	Up to 50% of benefit (min 10%)
D,E,G	Quota Share – death and CI benefits
F	Quota Share – life
H,L	Quota Share – death benefits
I	Surplus
J,K	50% of SA
M,N	Financing Arrangement (TDSL)
O,P	Unit-linked External Funds
Q	100% of Immediate Annuity benefits
R	Unit liability
S	Quota Share

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 December 2006.

There are no deposit back arrangements in any of these treaties.

Financing Treaties (table references M, N)

Two financing arrangements exist between the Company and Swiss Reinsurance Company. 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 2006**

1. Introduction

- (1) The **valuation date** is 31 December 2006.
- (2) The date of the previous valuation was 31 December 2005.
- (3) An interim valuation was completed under the Integrated Prudential Sourcebook (PRU) as at 30 June 2006.

2. Assets

(1) Economic assumptions for valuation of non-profit business

The Norwich Union Life & Pensions Limited With-Profit fund (NUL&P WP) has no future non-profit profits that require economic assumptions.

The only profits are release of LTICR on the non-profit business and the release of the £20m data quality reserve included in the regulatory valuation, both of 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 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 9.4AName of insurer **Norwich Union Life & Pensions Limited – With-Profit Fund**

Global business

Financial year ended **31 December 2006****At 31 December 2006**

Product Class	With-profit benefits reserve £m	Future Policy Related Liabilities £m	Total £m
Conventional Life		844	8,278
Asset Share (individual)	6,432		
Asset Share (grouped)	175		
BRV	827		
Conventional Pensions		1,739	5,008
Asset Share (individual)	2,280		
Asset Share (grouped)	292		
BRV	670		
Regulatory Reserve	28		
UWP Life		-11	2,361
Asset Share (individual)	2,372		
UWP Pensions		-88	7,833
Asset Share (individual)	7,921		
Miscellaneous Other		164	164
Total	20,997	2,648	23,645

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 1 May 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 £827m 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 £168m 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 2006 is £616m.

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 2006**

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 2006 is £4,408m.

'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.

(2) Not applicable

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 2006.
 (b) Not applicable.

(3) Allocation of expenses

- (a) See (b)
 (b) NULS income and expenses are calculated on a monthly basis and a profit or loss determined on an annual basis.
 (c) The text below sets out the treatment of charges made to asset shares with respect to expenses and commission.

For Conventional with-profit business – the actual per policy expenses are charged to the policies

For Unitised with-profit business – the policies have defined charges as per the policy conditions, and expenses are charged to the non-profit fund.

Other expenses fall to the estate.

Abstract of valuation report for realistic valuation – IPRU (INS) Appendix 9.4AName of insurer **Norwich Union Life & Pensions Limited – With-Profit Fund**

Global business

Financial year ended **31 December 2006**

	2006			
	Charged to WPBR	Not-Charged to WPBR	Non-Profit expenses	Total
	£m	£m	£m	£m
Estimated initial expenses and commission	0	10	0	10
Renewal expenses and commission	153	-16	0	137
Shareholder Transfers	6	25	0	30

The £16m 'negative expense' not charged to WPBR is in the main a refund of endowment compensation costs, following reattribution between NU Life companies.

The above table approximately splits out the expenses incurred over 2006. 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.

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 1/9th 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 2006 are approximately £154m. 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.

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 2006**

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 2006 are approximately £152m (2005: £150m).

(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	2004	2005	2006
NUL&P WP	Conventional Life	101%	99%	100%
	Conventional Pensions	110%	114%	111%
	UWP Life	99%	98%	98%
	UWP Pensions	102%	97%	96%

The figures above for 2005 and 2006 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 2006. The rates quoted below apply to all policies.

NUL&P WP written business 10.90%

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:

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 2006**

(a) 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	5.41%
5	5.14%
10	4.84%
15	4.64%

Future economic assumptions for the conventional whole life and with-profit immediate annuity business are:

Product Class	2006
Conventional Whole Life	3.1%
With-profit Immediate Annuity	4.94%

The basis used for whole life business is that used for the regulatory valuation.

The rate used for immediate annuities is the flat risk free rate.

(b) Investment returns and risk adjustments.

The BRV is based on the risk free rate.

(c) Expense inflation:

See (e) below.

(d) 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.

(e) Future Expense Assumptions

Product Class	2006	
	Renewal Expenses Per policy	Expense Inflation %
Conventional Whole Life	£22.34	4.3
Conventional Pension PUPs	£26.81	4.4
With-profit Immediate Annuity	£26.81	4.51

(f) 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

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 2006**

(g) 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.

(2) **Regulatory Reserves**

Not applicable

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.

Abstract of valuation report for realistic valuation – IPRU (INS) Appendix 9.4AName of insurer **Norwich Union Life & Pensions Limited – With-Profit Fund**

Global business

Financial year ended **31 December 2006**

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

- The fund is now assumed to have a minimum Equity Backing Ratio of 30% in all scenarios;
- The take-up rate for guaranteed annuity options is now assumed to increase by 1% every year from its initial level until an ultimate level of 95% is reached;
- To the extent that the asset mix in the fund is different from the benchmark asset mix for the fund, it is assumed that the asset mix is reset to the benchmark immediately following the valuation date.

(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 cost of guarantees/options	Planned Deductions to WPBR for other costs	Contractual Guarantee costs	Non-Contractual Commitments	Smoothing costs
Conventional Life	139	0	15	681	-47
Conventional Pensions	90	0	233	0	72
Direct Written - UWP Life	35	0	8	22	-7
Direct Written - UWP Overseas	0	0	0	0	0
Direct Written - UWP Pensions	371	0	333	0	-50
Direct Written - UWP Stakeholder	0	0	0	0	0

Planned Enhancements to WPBR

None

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

In order to reconcile to Form 19, £16m of contractual Guarantee Costs need to be added. This relates to Section 32 Guaranteed Minimum Pension costs, which 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 = £15m

Best-estimate = £0.3m

Option value = 98%

Conventional life guarantees are almost completely out of the money.

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 2006**

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	=	£242m
Best-estimate	=	£194m
Option value	=	20%

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.

The no-MVR guarantee is out of the money in respect of all years of unit purchase.

For units with a minimum bonus guarantee the margin is less than 10% in respect of units purchased between 1998 and 2001 and in 2006. The margin is in excess of 10% in respect of all other years of unit purchase.

For units without a minimum bonus guarantee the margin is less than 10% in respect of units purchased between 1998 and 2000 and in 2006. The margin is in excess of 10% in respect of all other years of unit purchase.

UWP Pensions

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

For units with a minimum bonus guarantee, the no-MVR guarantee is only in the money, by a margin of less than 10%, in respect of units purchased in 2000.

The no-MVR guarantee is out of the money in respect of all other years of unit purchase.

The margin is less than 10% in respect of units purchased in 1989, 1998, 1999, 2001 and 2006. The margin is in excess of 10% in respect of all other years of unit purchase.

For units without a minimum bonus guarantee, the no-MVR guarantee is only in the money, by a margin of less than 10%, in respect of units purchased in 2000.

The no-MVR guarantee is out of the money in respect of all other years of unit purchase.

The margin is less than 10% in respect of units purchased in 1998, 1999, 2001 and 2006. The margin is in excess of 10% in respect of all other years of unit purchase.

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 on the fund after tax are 6% or more, or the amount as communicated to policyholders in other circumstances.

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.

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.

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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 PPFMs 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 (%) – 2006
1	5.41%
2	5.32%
3	5.26%
4	5.20%
5	5.14%
6	5.07%
7	5.00%
8	4.94%
9	4.89%
10	4.84%
12	4.75%
15	4.64%
20	4.44%
25	4.26%
30	4.11%

- All assets were expected to grow at the risk-free rate (i.e. risk neutral pricing was used).

Derivation of risk-free rate curve:

The risk free rate was based on government 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 33bp at 25 years, to 41bp for three year term, the average and the spread for the 10-15year period is around 37bp.

Our decomposition of this spread is

Description	Bp - 2006
LIBOR – LIBMID (to get mid market)	6
LIBMID – repo at 3 months (credit spread)	8
Implied Repo ability	23
Total spread	37

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This implies a risk free rate of gilt + 23 bp could be justified based on 31 December 2006 market conditions

However, we have used a gilt + 10bp approach to provide a margin for risk and uncertainty and for consistency with the approach used at 31 December 2005.

Use of the curve:

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

The fixed rate chosen reflected the term of the liabilities being valued, plus a margin to allow for the approximations inherent in this approach.

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: 4.94%

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 information provided by an investment bank.

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	Volatility
1	14.25%
2	15.15%
3	15.79%
4	16.10%
5	16.38%

The table below set out the resultant extrapolated volatility.

Term	Volatility
7	16.63%
10	16.76%
15	16.80%

The model used can only utilise a level volatility across all terms. We have used a volatility assumption of 17.00% (20.00% at 31 December 2005) 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 shorter term guarantees.

Overseas Equity

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

Property volatility

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

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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 an investment bank)

Swap maturity	Implied volatility (%)
1	11.6
5	12.0
10	12.4
15	12.7
20	12.7
25	12.7

For the purposes of our model, we have used an implied volatility of 12.5% 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	0.57%
2	1.14%
3	2.72%
5	2.88%
7	4.06%
10	5.85%

The discounted mean term of the fixed interest assets at 31st December 2006 is 7.6 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 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%

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Financial year ended **31 December 2006**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 2006.

	UK Equities	Property	European Equities	US Equities	Japanese Equities	Pacific Basin Equities	Emerging Market Equities	UK government bonds	Corporate Bonds	Global Bonds	Cash
UK Equities	1.00	0.25	0.79	0.83	0.55	0.58	0.65	0.31	0.29	0.52	0.10
Property	0.25	1.00	0.22	0.05	0.55	0.11	0.15	0.07	0.03	-0.20	-0.33
European Equities	0.79	0.22	1.00	0.91	0.48	0.55	0.58	0.37	0.28	0.69	-0.10
US Equities	0.83	0.05	0.91	1.00	0.43	0.47	0.56	0.37	0.30	0.74	0.00
Japanese Equities	0.55	0.55	0.48	0.43	1.00	0.62	0.65	0.01	0.00	0.20	-0.17
Pacific Basin Equities	0.58	0.11	0.55	0.47	0.62	1.00	0.87	0.25	0.37	0.53	0.00
Emerging Market Equities	0.65	0.15	0.58	0.56	0.65	0.87	1.00	0.08	0.16	0.47	0.18
UK government bonds	0.31	0.07	0.37	0.37	0.01	0.25	0.08	1.00	0.97	0.50	0.11
Corporate Bonds	0.29	0.03	0.28	0.30	0.00	0.37	0.16	0.97	1.00	0.51	0.12
Global Bonds	0.52	-0.20	0.69	0.74	0.20	0.53	0.47	0.50	0.51	1.00	0.13
Cash	0.10	-0.33	-0.10	0.00	-0.17	0.00	0.18	0.11	0.12	0.13	1.00

Inflation:

Future inflation is assumed to be that implied by the difference between nominal and real government bond yields as at 31 December 2006.

Asset mix/EBR management:

The initial asset mix was equal to the benchmark mix for the asset share investments in with profit funds as at 31 December 2006. The resulting asset mix is shown below, together with the volatility parameters for each class:

Class	Asset share	Volatility parameter
	%	%
UK Equities	35.0	17.0
Property	15.0	15.0
European Equities	3.0	17.2
US Equities	3.0	19.4
Japanese Equities	1.0	19.2
Pacific Basin Equities	2.0	20.0
Emerging Market Equities	2.0	23.6
UK Government Bonds	12.0	3.3
Corporate Bonds	15.0	5.3
Global Bonds	3.0	5.3
Cash	9.0	0.0
	100	

Management of the EBR within the stochastic return projector is discussed in 6(5)(a).

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Financial year ended **31 December 2006****(iii) Option prices from asset model**

ROW	Asset type	n	K= 0.75				K= 1				K= 1.5			
			5	15	25	35	5	15	25	35	5	15	25	35
		r	5.14%	4.64%	4.26%	3.99%	5.14%	4.64%	4.26%	3.99%	5.14%	4.64%	4.26%	3.99%
		p:					x	x	x	x	x	x	x	x
1	Risk-free zero coupon bond		778,478	506,654	352,216	254,585								
2	FTSE AllShare	1	43,280	120,900	178,107	226,132	151,344	256,771	327,564	387,693	531,867	626,995	702,784	768,165
3	FTSE AllShare	0.8	33,971	82,205	110,221	129,129	125,200	183,573	211,773	234,058	468,634	476,710	484,907	488,953
4	Property	1	33,650	95,529	146,550	190,862	133,832	225,472	289,866	344,568	524,268	596,915	661,044	718,776
5	Property	0.8	25,759	60,962	84,453	101,865	108,295	154,504	177,877	198,195	458,972	445,167	444,215	442,329
6	15 yr risk free ZCB	1	5,958	34,202	63,331	86,426	80,635	138,528	181,612	215,362	504,142	526,462	561,034	587,873
7	15 yr risk free ZCB	0.8	3,407	15,950	24,743	29,235	56,947	76,722	84,501	91,406	433,913	362,349	333,774	305,410
8	15 yr corporate	1	13,161	53,943	91,005	121,263	99,277	168,900	219,107	260,088	509,461	548,948	594,670	629,966
9	15 yr corporate	0.8	8,685	29,229	42,850	51,041	74,729	103,293	116,422	127,231	440,684	389,843	371,905	352,878
10	65% FTSE AllShare, 35% Property	1	24,900	78,841	124,803	163,194	120,022	201,740	259,905	311,071	514,041	574,277	629,078	682,114
11	65% FTSE AllShare, 35% Property	0.8	18,317	48,059	68,401	81,364	94,768	133,609	153,572	170,006	448,003	420,630	411,792	406,791
12	65% FTSE AllShare, 35% ZCB	1	20,172	72,877	120,085	159,247	113,350	196,745	258,194	310,027	512,008	573,796	634,002	687,365
13	65% FTSE AllShare, 35% ZCB	0.8	14,224	42,787	63,846	76,442	88,250	127,912	148,899	166,171	445,513	418,333	413,461	407,773
14	40% Eq, 15% prop, 22.5% ZCB, 22.5% corp	1	9,427	45,626	81,759	112,560	90,272	156,111	205,652	250,070	503,360	538,811	580,453	623,814
15	40% Eq, 15% prop, 22.5% ZCB, 22.5% corp	0.8	5,777	22,944	36,504	44,979	66,106	92,506	105,772	118,333	434,301	378,785	357,591	342,932
			L = 15				L = 20				L = 25			
16	Receiver swaptions		6.92%	8.97%	8.78%	8.70%	9.21%	11.54%	11.21%	11.11%	11.56%	13.90%	13.41%	13.29%

Notes on the table above:

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

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

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.

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

Tax should be ignored in all calculations.

All options should be assumed to be European-style.

Commentary on the results:

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

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

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

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

(iv) Initial Equity and Property Rental Yields

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

(v) UK risk free rates are applied throughout.

Returns under the Accounts and Statements Rules

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(vi) **Duration of significant guarantees**

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

NUL&P WP – Duration of guarantees

	Duration (yrs)	%																				
		2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024-2033	2034+		
Conventional Life																						
Base guarantee	10.3	-	0	5	4	9	13	12	6	7	6	4	2	2	2	2	2	2	2	21	0	100
Mortgage promise	6.9	2	2	3	5	11	15	16	12	12	11	7	1	1	0	0	0	0	0	0	0	100
Conventional Pensions																						
Base guarantee	9.9	2	3	4	5	6	7	7	7	7	7	7	7	6	6	5	5	4	9	0	100	
GAR option	6.8	11	10	8	8	8	8	7	6	5	5	4	3	3	3	2	2	2	5	0	100	
S32 GMP guarantee	10.5	2	3	3	4	5	5	6	6	6	7	7	7	6	6	6	5	4	12	0	100	
Unitised Life:																						
Base guarantee	11.7	-	3	6	7	8	6	6	5	5	5	4	6	5	4	4	3	2	14	7	100	
Mortgage promise	9.9	1	2	2	3	4	5	9	7	4	4	7	20	15	4	4	4	3	2	0	100	
Unitised Pensions:																						
Base guarantee	18.3	-	-	1	1	1	2	2	2	2	3	3	3	4	4	4	4	5	48	11	100	

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Financial year ended **31 December 2006****(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	0.989	0.996	0.966	1.005
1000 Sims result	1.010	1.017	1.011	1.020
5000 Sims result	1.009	1.010	1.006	1.006
10000 Sims result	1.003	1.005	1.001	0.998
Distribution result	1.002	1.005	1.002	1.001

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

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

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

ROW	r (Continuous)	p	K= 0.75				K= 1				K= 1.5			
			5	15	25	35	5	15	25	35	5	15	25	35
			5.01%	4.53%	4.17%	3.91%	5.01%	4.53%	4.17%	3.91%	5.01%	4.53%	4.17%	3.91%
2	FTSE AllShare: matrix approach	1	43,280	120,900	178,107	226,132	151,344	256,771	327,564	387,693	531,867	626,995	702,784	768,165
2	FTSE AllShare: Black-Scholes valuation	1	42,232	121,031	178,267	224,288	150,742	257,998	329,163	384,942	533,714	628,718	703,972	766,020
	Difference / MV(0)		0.1%	0.0%	0.0%	0.2%	0.1%	-0.1%	-0.2%	0.3%	-0.2%	-0.2%	-0.1%	0.2%
4	Property: matrix approach	1	33,650	95,529	146,550	190,862	133,832	225,472	289,866	344,568	524,268	596,915	661,044	718,776
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)		0.2%	-0.3%	-0.2%	0.1%	0.1%	-0.3%	-0.2%	0.2%	0.2%	-0.3%	-0.3%	0.0%
10	65% FTSE AllShare, 35% Property: matrix approach	1	24,900	78,841	124,803	163,194	120,022	201,740	259,905	311,071	514,041	574,277	629,078	682,114
10	65% FTSE AllShare, 35% Property: B-S valuation	1	22,952	79,715	123,872	160,447	118,729	204,131	261,602	307,279	514,611	576,870	632,380	680,256
	Difference / MV(0)		0.2%	-0.1%	0.1%	0.3%	0.1%	-0.2%	-0.2%	0.4%	-0.1%	-0.3%	-0.3%	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
Market Price	9.32
NU Asset Model Price	9.40

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

- We make a credit risk adjustment relative to the risk free rate that maintains put/call parity
- We calibrate volatility to around 10 years rather than 5.

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

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

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

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

An uplift factor of 5% has been used at all durations, which includes an allowance for the variability of investment return prior to retirement.

In addition, a small reserve for GMP guarantees on Section 32 Transfer policies arises. This reserve has been calculated as the statutory provision, with an adjustment to allow for future bonuses together with a 15% uplift. These costs have been included in the figures quoted in 6(4)(a)(i).

Costs of Financial Options

This represents the cost of the guaranteed annuity option (GAO) attaching to conventional deferred cash pensions. Contracts provide for a basic cash amount plus accrued regular bonus and a final bonus. The policyholder then has the option to take this cash amount or to convert this into income at guaranteed rates written into the policy conditions.

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

Cost of annuity rate guarantees	£m
Base GAO cost	701.3
Uplift (5%)	23.9
Expense reserve	35.1
Total	760.3
Base cost of GMP gtee on S32	507.3
Uplift (15%)	76.1
Total	583.4

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. However, it is assumed that the EBR will not fall below 30% in any scenario.

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

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. The assumption is that the current level of annual bonus will be maintained indefinitely, as there is currently a reasonable margin for final bonus in these rates

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 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**

UWP Bonus Rates

Product	31 December 2006	31 December 2011	31 December 2016
UWP Life:	2.00%	2.00%	2.00%
UWP Pensions:	2.00%	2.00%	2.00%

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%;

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Name of insurer **Norwich Union Life & Pensions Limited – With-Profit Fund**
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- Units purchased before 1 January 1999 on Pensions policies written before 1 January 1995 have a guaranteed regular bonus rate of 4% p.a.

Assets Backing With-Profit Benefits Reserve

To the extent that the asset mix in the fund is different from the benchmark asset mix for the fund, it is assumed that the asset mix is reset to the benchmark immediately following the valuation date.

Consequently, the projections below are based on the benchmark asset share mix as at 31 December 2006:

Asset class	31 Dec 2006	31 Dec 2011	31 Dec 2016
UK equities	35.2%	33.6%	31.8%
Overseas equities	10.2%	9.7%	9.2%
Land and buildings	15.2%	14.5%	14.1%
Approved fixed interest securities	11.8%	12.6%	13.4%
Other fixed interest securities	18.9%	20.2%	21.5%
All other assets	8.7%	9.3%	10.0%
Total assets	100.0%	100.0%	100.0%
EBR	60.6%	57.9%	55.0%

(ii) **Projection at risk free rate plus 17.5%**

The same bonus rates are anticipated as in the previous projection

Assets Backing With-Profit Benefits Reserve

Asset class	31 Dec 2006	31 Dec 2011	31 Dec 2016
UK equities	35.2%	34.6%	33.4%
Overseas equities	10.2%	10.0%	9.7%
Land and buildings	15.2%	15.0%	14.9%
Approved fixed interest securities	11.8%	12.0%	12.6%
Other fixed interest securities	18.9%	19.3%	20.1%
All other assets	8.7%	8.9%	9.3%
Total assets	100.0%	100.0%	100.0%
EBR	60.6%	59.7%	58.0%

(iii) **Projection at risk free rate minus 17.5%**

The same bonus rates are anticipated as in the previous projection

Assets Backing With-Profit Benefits Reserve

Asset class	31 Dec 2006	31 Dec 2011	31 Dec 2016
UK equities	35.2%	32.5%	30.0%
Overseas equities	10.2%	9.4%	8.7%
Land and buildings	15.2%	14.0%	13.2%
Approved fixed interest securities	11.8%	13.2%	14.4%
Other fixed interest securities	18.9%	21.1%	23.0%
All other assets	8.7%	9.8%	10.7%
Total assets	100.0%	100.0%	100.0%
EBR	60.6%	56.0%	51.9%

Abstract of valuation report for realistic valuation – IPRU (INS) Appendix 9.4AName of insurer **Norwich Union Life & Pensions Limited – With-Profit Fund**

Global business

Financial year ended **31 December 2006****(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		Average surrender/paid-up rate for the policy years			
		1-5	6-10	11-15	16-20
CWP savings endowment	surrender	2.5%	2.5%	2.5%	2.5%
CWP target cash endowment	surrender	2.0%	2.0%	2.0%	2.0%
UWP savings endowment	surrender	9.5%	9.5%	9.5%	9.5%
UWP target cash endowment	surrender	9.5%	9.5%	9.5%	9.5%
UWP bond	surrender	9.5%	9.5%	9.5%	9.5%
UWP bond	Automatic withdrawals	2%	2%	2%	2%
CWP pension regular premium	PUP	0%	0%	0%	0%
CWP pension regular premium	surrender	2.0%	2.0%	2.0%	2.0%
CWP pension single premium	surrender	0.5%	0.5%	0.5%	0.5%
UWP indiv pension regular premium	PUP	n/a	n/a	n/a	n/a
UWP indiv pension regular premium	surrender	1.0%	1.0%	1.0%	1.0%
UWP indiv pension single premium	surrender	1.0%	1.0%	1.0%	1.0%

For UWP business we make no allowance for future premiums, so the PUP rate is not applicable.

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% p.a.

Mortality Assumptions

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

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% initially with an increase of 1% per annum until a take up rate of 95% is achieved has been assumed in respect of Guaranteed Annuity options attaching to pensions.

The 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.

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Name of insurer **Norwich Union Life & Pensions Limited – With-Profit Fund**
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(7) Policyholder Actions

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

7. Financing Costs

There are no financing costs.

8. Other long-term insurance liabilities

Product Class	Any other liabilities related to treating customers fairly	Any other long-term insurance liabilities
Conventional Life	0	333
Conventional Pensions	0	179
UWP Life	0	0
UWP Pensions	0	0
Miscellaneous	0	164
Total	0	677

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. £513m is held in respect of these liabilities to the estate.

The following liabilities are held under the miscellaneous category.

£13m is held in respect of future pension transfer review costs.

£41m 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.

£16m is held to cover the cost of future expenses not charged to asset shares

£14m is held in respect of IBNR death claims and miscellaneous options attaching to NUL&P policies.

£5m is held to cover compensation costs other than those identified above.

An additional liability of £50m is held as a contingency.

9. Realistic current liabilities

The realistic current liabilities include the following:

- Provisions for deferred taxation
- Provisions for inter company transfers from internal reinsurance
- Outstanding Claims
- Other creditors
- Accruals and deferred income

The realistic current liabilities at 31 December 2006 are £511m.

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

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Name of insurer **Norwich Union Life & Pensions Limited – With-Profit Fund**
 Global business
 Financial year ended **31 December 2006**

10. Risk Capital Margin

Fund	RCM (£m)
NUL&P WP	622

(1)

- (a) 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	22.7%
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.

(b)

Asset Class	Rise in FI yields	Fall in FI yields
Nominal change in yields	+81bps	-81bps
long-term yield – level post-stress	5.43%	3.81%
long-term yield – % movement post-stress	+17.50%	-17.50%

The fall in fixed-interest yield scenario is more onerous.

(c)

Fund	Average Increase in credit spread	Change in FI asset value
NUL&P WP	0.11%	-0.54%

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.

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 -15%

- (d) 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 = 0.87%

(e) Not applicable

(2) Management Actions under the stress tests

- (a) The following changes in management actions 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 in the annual bonus declaration one year following the valuation date.

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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 tests, we have assumed that full payments will be made under the terms of the Mortgage Endowment Promise. The reduction in payments to that covered by earnings on the estate is currently not material.

Guaranteed Annuity Options

The initial 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.

- (b) Table showing the effects of the actions in 10(1)(b)(i):

	Effect of action (£m)
Cuts in payouts	118.7
Regular bonuses	151.4
Guarantee charges	90.7
Mortgage promise	0.0
GAO take-up	-14.5
Total	346.3

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.

- (c) 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 INSPRU 1.3.188R.

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Global business

Financial year ended **31 December 2006**

(3)

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

Assets backing RCM	£m	%
UK equities	0.0	0.00%
Overseas equities	0.0	0.00%
Land and buildings	0.0	0.00%
Approved fixed interest securities	621.9	100.00%
Other fixed interest securities	0.0	0.00%
All other assets	0.0	0.00%
Total	621.9	100.00%

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

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

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

	2006 %
Income tax	20
Franked income tax	-
Withholding tax	15

(2) Tax treatment in future policy related liabilities

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

Corporation Tax 30%

Income Tax 20%

Franked Income Tax 0%

Withholding Tax 15%

Turnover Rates (for CGT calculation)

UK Equity 20%

Overseas Equity 40%

Property 12.5%

CGT indexation 1.93% (2/3rds of the RPI assumption)

Average BLAGAB tax rate applying to asset shares:

NUL&P WP written 14.31%

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.

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Name of insurer **Norwich Union Life & Pensions Limited – With-Profit Fund**
 Global business
 Financial year ended **31 December 2006**

12. Derivatives

Security	Value at 31 December 2006
	£m
Equity futures	112
Bond futures	-978
Swaps	150

The exposure to futures is part of the company's portfolio management strategy, and all the futures expire no later than March 2007.

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

	£m
Working capital at 31/12/2005	1,281
Investment return on opening working capital	31
Profits on assets backing liabilities	478
Economic assumption changes	61
Non-economic assumption changes	-138
Policyholder action assumption changes	-24
Other experience variances	148
Impact of new business	0
Changes in reinsurance and regulation	2
Modelling changes and opening adjustments	13
Working capital at 31/12/2006	1,853

Notes

1. The profits on assets backing liabilities includes the reduction in guarantee costs arising from returns in excess of the projected rates as at 31/12/2005, as well as the impact of the change in Risk Free Rate during 2006.
2. Non-economic assumption changes include annuitant mortality and bonus rates, as well as the introduction of the EBR floor and changes in miscellaneous reserves, where they could not be analysed separately.
3. Policyholder action assumption changes relate to persistency and GAO take-up assumptions
4. Experience variances include impact of premiums, claims and expenses
5. The fund does not write significant volumes of new business
6. Note that the change in other liabilities from line 47 is included in the analysis above
7. The change in working capital arising purely from the change in line 51 cannot be quantified.

14. Optional Disclosure

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

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Name of insurer **Norwich Union Life & Pensions Limited – Provident Mutual Fund**
Global business
Financial year ended **31 December 2006**

1. Introduction

- (1) The **valuation date** is 31 December 2006.
- (2) The date of the previous valuation was 31 December 2005.
- (3) An interim valuation was completed under the Prudential Sourcebook (PSB) as at 30 June 2006.

2. Assets

(1) Economic assumptions for valuation of non-profit business

Non-profit profits are valued using an earned rate equal to the risk free rate (weighted by guarantee term). Profits are discounted at risk free rate plus 0.5% to provide an adjustment to reflect risk and uncertainty, and to give a margin to allow for the cost of any non-financial guarantees.

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

Tax on investment returns and tax relief on expenses is assumed to be 20% consistent with fixed-interest assets backing the non-profit liability.

The expense inflation assumption is the best-estimate assumption.

	31 December 2006	31 December 2005
Gross Earned Rate	4.75%	4.20%
Net Earned Rate	3.80%	3.36%
Discount Rate	5.25%	4.70%
Expense Inflation	3.60%	2.70%

All unit linked profits were reinsured to CGNU Life Assurance Limited (CGNU) during 2006.

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

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

3. With-Profits Benefits Reserve Liabilities

- (1) There are four main methods used to calculate the with-profits benefits reserve.

- Asset share (individual) (retrospective)
- Asset share (group) (retrospective)
- Bonus Reserve Valuation (prospective)
- Regulatory Reserve (prospective)

The majority of the with-profits benefits reserves are asset shares calculated on an individual policy (or increment) basis. They represent an accumulation of premiums plus investment return less charges and other sources of profit or loss in line with the fund's PPFM. A small amount of business is treated at an aggregate level using accounts and reserve information to derive the asset share.

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; and

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Global business

Financial year ended **31 December 2006**

- 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 £294m.

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

At 31 December 2006

Product Class	With-profit benefits reserve £m	Future Policy Related Liabilities £m	Total £m
Conventional Life		4	260
Asset Share (ind)	229		
Regulatory Reserve	27		
Conventional Pensions		380	1,960
Asset Share (ind)	1,025		
Asset Share (group)	213		
Bonus Reserve Valuation	294		
Regulatory Reserve	48		
Miscellaneous Other		66	66
Total	1,835	450	2,285

Conventional life consists mainly of endowment business with £8m of whole life business. The WPBR consists of individual policy level asset shares for premium paying business and regulatory reserve of £19m for paid-up policies where no historical premium payment information is available, and another £8m of regulatory reserve on various products with no Prophet asset share model. 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 £259m.

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 £213m at 31 December 2006.

Regulatory reserves of £48m (2005: £30m) are held in respect of various conventional pensions where reliable asset shares are not available.

(2) Not applicable

4. With-profits benefits reserve – Retrospective method**(1) Table of methods**

Method	With-profit benefits reserve (%)
Asset Share (individual)	68
Asset Share (grouped)	12
BRV	16
Regulatory Reserve	4
Miscellaneous Other	0
Total	100

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

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Global business

Financial year ended **31 December 2006**

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) Not applicable.
- (3) **Allocation of expenses**
- (a) See (b)
- (b) NULS income and expenses are calculated on a monthly basis and a profit or loss determined on an annual basis.
- (c) 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.

				2006
	Charged to WPBR £m	Not-Charged to WPBR £m	Non-Profit expenses £m	Total £m
Initial expenses and commission	0	0	2	2
Renewal expenses and commission	6	13	1	20
Shareholder Transfers	1	4	0	5

The above tables approximately splits out the expenses incurred over 2006. 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

From 2006 onwards, the charges to the with profit fund are to be based on the total costs incurred in the administration based on an equitable allocation of costs, as certified by the With Profits Actuary, increased by a profit margin of 15%.

There is a cap on the maximum amount that can be charged in respect of policy administration to protect the policyholders. The With Profits Actuary will approve the expenses to be charged. Expenses in respect of other services can be charged to the fund so long as the With Profits Actuary approves them as being permissible 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 2006 are approximately £6m. A charge of 2.25% in respect of endowment compensation costs was made to exiting policies which added an additional £2m to expenses charged to the WPBR. 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 on a cost plus basis.

Actual investment management fees are charged to asset shares.

Shareholder transfers are not charged to asset shares.

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Name of insurer **Norwich Union Life & Pensions Limited – Provident Mutual Fund**

Global business

Financial year ended **31 December 2006**

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	2004	2005	2006
PM	Life	96%	96%	101%
PM	Pensions	90%	92%	93%

These are estimates of claim amounts relative to asset share for the past three complete calendar years.

The figures above for 2005 and 2006 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 after any charge for projected Guarantee Annuity Option costs are applied. The 2006 figure for life policies is quoted relative to the asset share after any deduction for mortgage endowment mis-selling.

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 2006 are 2.12%. This rate applies to all policies.

5. With-profits benefits reserve – Prospective method

(1) **Prospective assumptions**

16% of the PM with-profit benefits reserve is made up of bonus reserves and 4% is made up of regulatory reserves. The key assumptions are:

- a) Future bonus rate is as described in section 3(1).
- b) Lapses set to zero.
- c) Expense inflation set to 3.6%.
- d) Valuation rate, mortality basis and renewal expenses are as outlined in Appendix 9.4.

6. Costs of guarantees, options and smoothing

(1) Not applicable

(2)

(a) The calculation of the cost of guarantees, options and smoothing 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.

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Global business

Financial year ended **31 December 2006****(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

- The take-up rate for guaranteed annuity options is now assumed to increase by 1% every year from its initial level until an ultimate level of 95% is reached.
- To the extent that the asset mix in the fund is different from the benchmark asset mix for the fund, it is assumed that the asset mix is reset to the benchmark immediately following the valuation date.

(4) Description of guarantees, options or smoothing being valued**(a) Stochastic Model - Description of guarantees, options or smoothing**

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

Product Class	Planned enhancements to With Profits Benefits Reserve £m	Planned deductions for cost of guarantees/options £m	Contractual Guarantee costs £m	Non-Contractual Commitments £m	Smoothing costs £m
Conventional Life	4	0	0	0	0
Conventional Pensions	11	0	17	0	0
Miscellaneous	0	0	0	0	0

Planned Enhancements to WPBR

When the fund is in surplus prior to adjustments, we allow for payouts on maturing policies of all classes to be enhanced. The level of the enhancement is calculated so that the net realistic working capital in the fund is zero. At 31 December 2006, the planned enhancement was £15m

Planned Deductions to WPBR for guarantees and options

When the fund is in deficit prior to adjustments, we allow for payouts on maturing policies of classes that have a Guaranteed Annuity Option to be 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 2006, there was no planned deduction.

Note that the fund has moved from deficit to surplus during the year, prior to these adjustments.

Planned Deductions to WPBR for other costs

When the fund is in deficit prior to adjustments, payouts on maturing Endowment policies are charged the cost of any compensation payable in respect of mis-selling of Mortgage Endowments. At 31 December 2006, there was no planned deduction.

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Global business

Financial year ended **31 December 2006****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 any change 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 (%) – 2006
1	5.41%
2	5.32%
3	5.26%
4	5.20%
5	5.14%
6	5.07%
7	5.00%
8	4.94%
9	4.89%
10	4.84%
12	4.75%
15	4.64%
20	4.44%
25	4.26%
30	4.11%

- The discount rate was set equal to the risk-free rate as above EXCEPT for the calculation of future profits on non-profit business. For this calculation the discount rate is increased by 0.5%. This is an adjustment to reflect risk and uncertainty on the non-profit business, and to give a margin to allow for the cost of any non-financial guarantees.
- All assets were expected to grow at the risk-free rate (i.e. risk neutral pricing was used).

Derivation of risk-free rate curve:

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

The swap – gilt spread varies between 33bp at 25 years, to 41bp for three year term, the average and the spread for the 10-15year period is around 37bp.

Our decomposition of this spread is

Description	Bp - 2006
LIBOR – LIBMID (to get mid market)	6
LIBMID – repo at 3 months (credit spread)	8
Implied Repo ability	23
Total spread	37

This implies a risk free rate of gilt + 23 bp could be justified based on 31 December 2006 market conditions

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However, we have used a gilt + 10bp approach to provide a margin for risk and uncertainty and for consistency with the approach used at 31 December 2005.

Use of the curve:

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

The fixed rate chosen reflected the term of the liabilities being valued, plus a margin to allow for the approximations inherent in this approach.

Main liabilities modelled with flat risk-free rate:

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

Term of liabilities: approx 5 years

Risk free rate used: 4.75%

Annuity interest rate used: 4.00% (equal to the 8 into 15-year forward rate based on the full curve).

Form of probability distribution:

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

Derivation of Equity/Property volatility:

UK Equity

Market implied volatility (that is the Black-Scholes solution to observed option pricing given risk free rates that maintain “put call parity” – essentially swap rates) has been derived from information provided by an investment bank.

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	Volatility
1	14.25%
2	15.15%
3	15.79%
4	16.10%
5	16.38%

The table below set out the resultant extrapolated volatility.

Term	Volatility
7	16.63%
10	16.76%
15	16.80%

The model used can only utilise a level volatility across all terms. We have used a volatility assumption of 17.00% (20.00% at 31 December 2005) 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 shorter term guarantees.

Overseas Equity

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

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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 an investment bank)

Swap maturity	Implied volatility (%)
1	11.6
5	12.0
10	12.4
15	12.7
20	12.7
25	12.7

For the purposes of our model, we have used an implied volatility of 12.5% 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	0.57%
2	1.14%
3	2.72%
5	2.88%
7	4.06%
10	5.85%

The discounted mean term of the fixed interest assets at the date of the most recent RBS is 8.7 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 volatility assumption of 4.50%. 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

	NULAP PM
Gilts	4.50%
Other Fixed Interest	6.50%

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Financial year ended **31 December 2006**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 2006.

	UK Equities	Property	European Equities	US Equities	Japanese Equities	Pacific Basin Equities	Emerging Market Equities	UK government bonds	Corporate Bonds	Global Bonds	Cash
UK Equities	1.00	0.25	0.79	0.83	0.55	0.58	0.65	0.31	0.29	0.52	0.10
Property	0.25	1.00	0.22	0.05	0.55	0.11	0.15	0.07	0.03	-0.20	-0.33
European Equities	0.79	0.22	1.00	0.91	0.48	0.55	0.58	0.37	0.28	0.69	-0.10
US Equities	0.83	0.05	0.91	1.00	0.43	0.47	0.56	0.37	0.30	0.74	0.00
Japanese Equities	0.55	0.55	0.48	0.43	1.00	0.62	0.65	0.01	0.00	0.20	-0.17
Pacific Basin Equities	0.58	0.11	0.55	0.47	0.62	1.00	0.87	0.25	0.37	0.53	0.00
Emerging Market Equities	0.65	0.15	0.58	0.56	0.65	0.87	1.00	0.08	0.16	0.47	0.18
UK government bonds	0.31	0.07	0.37	0.37	0.01	0.25	0.08	1.00	0.97	0.50	0.11
Corporate Bonds	0.29	0.03	0.28	0.30	0.00	0.37	0.16	0.97	1.00	0.51	0.12
Global Bonds	0.52	-0.20	0.69	0.74	0.20	0.53	0.47	0.50	0.51	1.00	0.13
Cash	0.10	-0.33	-0.10	0.00	-0.17	0.00	0.18	0.11	0.12	0.13	1.00

Inflation:

Future inflation is assumed to be that implied by the difference between nominal and real government bond yields as at 31 December 2006.

Asset mix/EBR management:

The initial asset mix was equal to the benchmark mix for the asset share investments in With-Profit funds as at 31 December 2006. The resulting asset mix is shown below, together with the volatility parameters for each class:

Class	% of asset share	Volatility parameter
UK Equities	10%	17.0%
Property	3%	15.0%
European Equities	1%	17.2%
US Equities	0%	19.4%
Japanese Equities	0%	19.2%
Pacific Basin Equities	0%	20.0%
Emerging Market Equities	0%	23.6%
UK government bonds	27%	4.5%
Corporate bonds	51%	6.5%
Global bonds	0%	6.5%
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

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(iii) **Option prices from asset model**

ROW	Asset type	n	K= 0.75				K= 1				K= 1.5						
			5	15	25	35	5	15	25	35	5	15	25	35			
			r	5.14%	4.64%	4.26%	3.99%	5.14%	4.64%	4.26%	3.99%	5.14%	4.64%	4.26%	3.99%		
		p:															
1	Risk-free zero coupon bond		778,478	506,654	352,216	254,585	x	x	x	x	x	x	x	x	x	x	x
2	FTSE AllShare	1	43,280	120,900	178,107	226,132	151,344	256,771	327,564	387,693	531,867	626,995	702,784	768,165			
3	FTSE AllShare	0.8	33,971	82,205	110,221	129,129	125,200	183,573	211,773	234,058	468,634	476,710	484,907	488,953			
4	Property	1	33,650	95,529	146,550	190,862	133,832	225,472	289,866	344,568	524,268	596,915	661,044	718,776			
5	Property	0.8	25,759	60,962	84,453	101,865	108,295	154,504	177,877	198,195	458,972	445,167	444,215	442,329			
6	15 yr risk free ZCB	1	5,958	34,202	63,331	86,426	80,635	138,528	181,612	215,362	504,142	526,462	561,034	587,873			
7	15 yr risk free ZCB	0.8	3,407	15,950	24,743	29,235	56,947	76,722	84,501	91,406	433,913	362,349	333,774	305,410			
8	15 yr corporate	1	13,161	53,943	91,005	121,263	99,277	168,900	219,107	260,088	509,461	548,948	594,670	629,966			
9	15 yr corporate	0.8	8,685	29,229	42,850	51,041	74,729	103,293	116,422	127,231	440,684	389,843	371,905	352,878			
10	65% FTSE AllShare, 35% Property	1	24,900	78,841	124,803	163,194	120,022	201,740	259,905	311,071	514,041	574,277	629,078	682,114			
11	65% FTSE AllShare, 35% Property	0.8	18,317	48,059	68,401	81,364	94,768	133,609	153,572	170,006	448,003	420,630	411,792	406,791			
12	65% FTSE AllShare, 35% ZCB	1	20,172	72,877	120,085	159,247	113,350	196,745	258,194	310,027	512,008	573,796	634,002	687,365			
13	65% FTSE AllShare, 35% ZCB	0.8	14,224	42,787	63,846	76,442	88,250	127,912	148,899	166,171	445,513	418,333	413,461	407,773			
14	40% Eq, 15% prop, 22.5% ZCB, 22.5% corp	1	9,427	45,626	81,759	112,560	90,272	156,111	205,652	250,070	503,360	538,811	580,453	623,814			
15	40% Eq, 15% prop, 22.5% ZCB, 22.5% corp	0.8	5,777	22,944	36,504	44,979	66,106	92,506	105,772	118,333	434,301	378,785	357,591	342,932			
			L = 15				L = 20				L = 25						
16	Receiver swaptions		6.92%	8.97%	8.78%	8.70%	9.21%	11.54%	11.21%	11.11%	11.56%	13.90%	13.41%	13.29%			

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.

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

Tax should be ignored in all calculations.

All options should be assumed to be European-style.

Commentary on the results:

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

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

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

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

(iv) Initial Equity and Property Rental Yields

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

(v) UK risk free rates are applied throughout.

(vi) Duration of significant guarantees

There are no significant guarantee costs for the PM fund.

(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	0.989	0.996	0.966	1.005
1000 Sims result	1.010	1.017	1.011	1.020
5000 Sims result	1.009	1.010	1.006	1.006
10000 Sims result	1.003	1.005	1.001	0.998
Distribution result	1.002	1.005	1.002	1.001

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:

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Norwich Union Life & Pensions Limited – Provident Mutual Fund

Global business

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ROW	r (Continuous)	p	K= 0.75				K= 1				K= 1.5			
			5	15	25	35	5	15	25	35	5	15	25	35
			5.01%	4.53%	4.17%	3.91%	5.01%	4.53%	4.17%	3.91%	5.01%	4.53%	4.17%	3.91%
2	FTSE AllShare: matrix approach	1	43,280	120,900	178,107	226,132	151,344	256,771	327,564	387,693	531,867	626,995	702,784	768,165
2	FTSE AllShare: Black-Scholes valuation	1	42,232	121,031	178,267	224,288	150,742	257,998	329,163	384,942	533,714	628,718	703,972	766,020
	Difference / MV(0)		0.1%	0.0%	0.0%	0.2%	0.1%	-0.1%	-0.2%	0.3%	-0.2%	-0.2%	-0.1%	0.2%
4	Property: matrix approach	1	33,650	95,529	146,550	190,862	133,832	225,472	289,866	344,568	524,268	596,915	661,044	718,776
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)		0.2%	-0.3%	-0.2%	0.1%	0.1%	-0.3%	-0.2%	0.2%	0.2%	-0.3%	-0.3%	0.0%
10	65% FTSE AllShare, 35% Property: matrix approach	1	24,900	78,841	124,803	163,194	120,022	201,740	259,905	311,071	514,041	574,277	629,078	682,114
10	65% FTSE AllShare, 35% Property: B-S valuation	1	22,952	79,715	123,872	160,447	118,729	204,131	261,602	307,279	514,611	576,870	632,380	680,256
	Difference / MV(0)		0.2%	-0.1%	0.1%	0.3%	0.1%	-0.2%	-0.2%	0.4%	-0.1%	-0.3%	-0.3%	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
Market Price	9.32
NU Asset Model Price	9.40

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

- We make a credit risk adjustment relative to the risk free rate that maintains put/call parity
- We calibrate volatility to around 10 years rather than 5.

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

(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 an allowance for the variability of investment return prior to retirement.

Costs 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).

Similarly, if any excess is available once the cost of guarantees has been met, this will serve to increase the cost of Guaranteed Annuity Options.

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The table below shows how the cost of the GAO is constructed.

Cost of annuity rate guarantees	£m
Base GAO cost	333
Uplift (5%)	17
Adjustment after charge to AS	<u>2</u>
Form 19 reserve	<u>352</u>

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
2007	16
2008	10
2009	10
2010	9
2011	8
2012	8
2013	7
2014	6
2015	5
2016	4
2017-2021	13
2022-2027	4
2027 and later	0
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 content of the fund.

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

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Maximum Cuts in payout

The model assumes bonus is reviewed annually (in practice reviewed at least semi-annually). Final bonus is set to deliver target payout ratio subject to change of no more than 15% in payout compared to equivalent policy maturing 1 year earlier.

Target level of payout

Prospective individual payout targets at maturity are set so that the long-term payout target as a percentage of asset share would be such that the smoothing cost was neutral allowing for costs incurred to the valuation date.

Regular Bonus Assumptions

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.

Any 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 the PM fund 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**

To the extent that the asset mix in the fund is different from the benchmark asset mix for the fund, it is assumed that the asset mix is reset to the benchmark immediately following the valuation date.

Consequently, the projections below are based on the benchmark asset share mix as at 31 December 2006.

The fund does not have any Unitised With-Profits business.

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Financial year ended **31 December 2006***Assets Backing With-Profit Benefits Reserve*

Asset class	31 Dec 2006	31 Dec 2011	31 Dec 2016
UK equities	9.8%	10.9%	11.1%
Overseas equities	1.4%	1.6%	1.6%
Land and buildings	2.6%	2.7%	2.7%
Approved fixed interest securities	27.2%	26.7%	26.7%
Other fixed interest securities	50.9%	50.1%	50.0%
All other assets	8.2%	8.0%	8.0%
Total assets	100.0%	100.0%	100.0%
EBR	13.7%	15.1%	15.3%

(ii) **Projection at risk free rate plus 17.5%***Assets Backing With-Profit Benefits Reserve*

Asset class	31 Dec 2006	31 Dec 2011	31 Dec 2016
UK equities	9.8%	12.7%	13.9%
Overseas equities	1.4%	1.8%	2.0%
Land and buildings	2.6%	3.1%	3.4%
Approved fixed interest securities	27.2%	26.0%	25.4%
Other fixed interest securities	50.9%	48.6%	47.6%
All other assets	8.2%	7.8%	7.6%
Total assets	100.0%	100.0%	100.0%
EBR	13.7%	17.6%	19.3%

(iii) **Projection at risk free rate minus 17.5%***Assets Backing With-Profit Benefits Reserve*

Asset class	31 Dec 2006	31 Dec 2011	31 Dec 2016
UK equities	9.8%	9.2%	8.4%
Overseas equities	1.4%	1.3%	1.2%
Land and buildings	2.6%	2.2%	1.9%
Approved fixed interest securities	27.2%	27.5%	27.9%
Other fixed interest securities	50.9%	51.5%	52.2%
All other assets	8.2%	8.3%	8.4%
Total assets	100.0%	100.0%	100.0%
EBR	13.7%	12.7%	11.5%

(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)
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.

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.

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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

An initial take-up rate of 82% has been assumed in respect of Guaranteed Annuity options attaching to pensions. The take-up rates increase by 1% every year from 2008 onwards, until an ultimate level of 95% is reached. This is a change in assumption from 31 December 2005 where a level assumption of 80% was used.

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

There are no financing costs, as the Financial Reinsurance arrangement with Swiss Re was cancelled during 2006.

8. Other long-term insurance liabilities

Product Class	Any other liabilities related to treating customers fairly	Any other long-term insurance liabilities
Total	0	66

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

£53m is held in respect of the shareholder transfers which are charged to the estate.

£3m is included for the cost of investigation and redress of mortgage endowment mis-selling complaints.

An additional liability of £10m is held as a contingency.

9. Realistic current liabilities

The realistic current liabilities include the following:

- Provisions for deferred taxation
- Provisions for inter company transfers from internal reinsurance
- Outstanding Claims
- Other creditors
- Accruals and deferred income

The realistic current liabilities at 31 December 2006 are £65m. The regulatory and realistic balance sheet current liabilities are not materially different.

Abstract of valuation report for realistic valuation – IPRU (INS) Appendix 9.4AName of insurer **Norwich Union Life & Pensions Limited – Provident Mutual Fund**

Global business

Financial year ended **31 December 2006****10. Risk Capital Margin**

Fund	RCM (£m)
PM	0

The RCM for the Fund is calculated to be zero.

(1)

(a) 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	22.7%
Property	12.5%

The rise in equity and property values is more onerous as this increases the cost of Shareholder Transfers and Guaranteed Annuity Options. This change is larger than the change in the cost of guarantees arising from the change in market values.

(b)

Asset Class	Rise in FI yields	Fall in FI yields
Nominal change in yields	+81bps	-81bps
long-term yield – level post-stress	5.43%	3.81%
long-term yield - % movement post-stress	+17.50%	-17.50%

The fall in fixed-interest yield scenario is more onerous.

(c)

Fund	Average Increase in credit spread	Change in FI asset value
PM	0.19%	-1.84%

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.

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 -7.7%.

For the persistency test a 32.5% decrease in lapse rates is tested. This increases realistic liabilities by 0.27%, as a result of an increase in GAO costs.

(d) Not applicable

(2) Management Actions under the stress tests

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

Charge to payouts

Under the stress test, any deficit in fund will be covered by a charge to payouts for maturing policies of classes that have a Guaranteed Annuity Option, subject to a maximum charge of 10% of asset share.

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 2006**

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.

In addition, the cost of compensation payments in respect of Mortgage Endowment Misselling would be charged to payouts of all Endowment policies.

A total charge to payouts of £64m would be required in the stress test, whereas in the central scenario a surplus of £15m would give rise to additional payments on all policies.

Cuts in payouts

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

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

This change does not have a material impact on the cost of smoothing.

Guaranteed Annuity Options

The initial take-up rate for guaranteed annuity options is assumed to increase from 82% to 87% as a result of the fall in fixed interest yields. The take-up rate then increases by 1% every year from 2008 onwards, until an ultimate level of 95% is reached.

This increases the cost of Guaranteed Annuity Options by £29m.

- (b) 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.
 - (c) In the stress test, the charge to payouts is less than the cost of Guaranteed Annuity Options, which complies with the requirements of INSPRU 1.3.188R.
- (3)
- (a) The RCM in the fund is zero.
 - (b) 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 asset shares being predominantly invested in fixed interest securities.

(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	1.93% (2/3rds of the RPI assumption)

Abstract of valuation report for realistic valuation – IPRU (INS) Appendix 9.4AName of insurer **Norwich Union Life & Pensions Limited – Provident Mutual Fund**

Global business

Financial year ended **31 December 2006**

Average BLAGAB tax rate applying to asset shares:

PM 18.05%

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. However, the effect of this on the fund is not material.

12. Derivatives

Security	Value at 31 December 2006
	£m
Swaps	152

The exposure to swaps in the PM fund is a partial hedge of the Company's Guaranteed Annuity Option liability. It is expected that these will be unwound as liabilities fall due.

13. Analysis of working capital

	£m
Published Working capital at 31/12/2005	0
Zeroisation impact	88
Working capital at 31/12/2005	-88
Investment return on opening working capital	0
Profits on assets backing liabilities	13
Economic assumption changes	0
Non-economic assumption changes	14
Policyholder action assumption changes	-20
Other experience variances	93
Impact of new business	0
Changes in reinsurance and regulation	0
Modelling changes and opening adjustments	3
Working capital at 31/12/2006	15
Zeroisation impact	-15
Published Working capital at 31/12/2006	0

Notes:

1. The losses on assets backing liabilities includes the reduction in guarantee costs arising from returns less than the projected rates as at 31 December 2005, as well as the impact of the change in Risk Free Rate during 2006.
2. Non-economic assumption changes include annuitant mortality and bonus rates, as well as the introduction of the EBR floor and changes in miscellaneous reserves, where they could not be analysed separately.
3. Policyholder action assumption changes relate to persistency and GAO take-up assumptions
4. Experience variances include impact of premiums, claims and expenses
5. The fund is closed to new business
6. Note that the change in other liabilities from line 47 is included in the analysis above
7. The change in working capital arising purely from the change in line 51 cannot be quantified.

14. Optional Disclosure

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

Returns under the Accounts and Statements Rules

Statement on derivatives required by IPRU (INS) 9.29

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

Global business

Financial year ended **31st December 2006**

The following summarises investment policy for the use of derivatives: -

- Derivatives will only be used in accordance with FSA Guidelines for the purpose of efficient portfolio management or reduction in investment risk.
- Derivatives must not be used for speculative purposes.
- Derivatives must be fully covered by the assets of the fund and must not be used to 'gear up' a fund.
- Counterparty risk – for exchange traded contracts, the exchange must be classed as "regulated" by an investment committee. Over the counter contracts, transactions must only be transacted with approved counterparties. Counterparty limits are consistent, and monitored in line with the fund's aggregate exposure guidelines.
- Controls and Monitoring – delegated authorities exist for each member of staff using derivatives. Derivatives transactions are priced, settled and profit and losses reconciled in an area independent of the fund managers involved.

There are no specific guidelines for the use of contracts that were not reasonably likely to be exercised at the start of the contract. The speculative use of derivative contracts is prohibited.

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

The amounts recorded in Form 13 would not have significantly changed if contracts held had been exercised at the end of the financial year or at any point during the financial year.

The maximum loss in the event of failure by any one counterparty to fulfil its obligations at the end of the financial year would have been £34.3m. 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 INSPRU 3.2.17R, and where appropriate, all contracts held fell within the definition of a permitted derivative contract.

During the financial year, the company's use of derivatives included the granting of rights under derivative contracts for a fixed consideration. This was in the activity of Stock Underwriting. The fee income over the financial year was less than £0.1m.

Returns under the Accounts and Statements Rules

Statement on controllers required by IPRU (INS) 9.30

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

Global business

Financial year ended **31st December 2006**

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 Aviva Group Holdings Limited.

100% of the issued Share Capital of Aviva Group Holdings Limited is held by the Ultimate Parent Undertaking, Aviva plc.

During 2006, Norwich Union Holdings Limited changed its name to Aviva Group Holdings Limited. There have been no other changes to the above position during the year.

All shares are voting shares.

Returns under the Accounts and Statements Rules

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

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

Global business

Financial year ended **31st December 2006**

In accordance with rule 9.36 of the Interim Prudential Sourcebook for Insurers A R Walton was requested to furnish and has provided the following information:

- (a) (1) An interest in 345 ordinary shares at 31 December 2006 in Aviva plc (2005: nil).
- (2) 8,536 ordinary shares were held in the Aviva Long Term Incentive Plan at 31 December 2006 (2005: nil) and 1,707 ordinary shares were held in the Aviva Annual Bonus Plan (which has replaced the Aviva Deferred Bonus Plan) at 31 December 2006 (2005: nil).
- (b) The actuary held general insurance policies with subsidiaries of Aviva plc for which total premiums of £1,007 were paid in the year to 31 December 2006 (period from 22 July 2005 to 31 December 2005: £745.00).
- (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 to 31 December 2006 was £272,465. Under the contract he was:

With-profits actuary of:-

Commercial Union Life Assurance Company Limited

CGNU Life Assurance Limited

Norwich Union Life (RBS) Limited

Norwich Union Life & Pensions Limited

- (d) Pensions and life assurance benefits as provided to all employees under the terms and conditions of the Aviva Companies' UK Pensions Schemes. Sickness and accident benefits as provided to all employees under the terms and conditions of these schemes.

Certificate by the directors required by IPRU (INS) 9.34(1) and IPRU (INS) Appendix 9.6

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

Global business

Financial year ended **31st December 2006**

We certify that:

- 1 (a) the return has been properly prepared in accordance with the requirements in IPRU(INS), GENPRU and INSPRU; 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), GENPRU and INSPRU; 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 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 funds have 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 from every actuary appointed by the insurer to perform the actuarial function in accordance with SUP 4.3.13R; and
 - (ii) advice from every actuary appointed by the insurer to perform the with-profits actuary function in accordance with SUP 4.3.16AR.

..... **M S HODGES**
Chief Executive

..... **N A NICANDROU**
Director

..... **J R LISTER**
Director

Returns under the Accounts and Statements Rules

Independent auditor's 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 2006**

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, the General Prudential Sourcebook and the Prudential Sourcebook for Insurers ("the Rules") made by the Financial Services Authority under section 138 of the Financial Services and Markets Act 2000 ("the Act").

- Forms 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(1).

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 insurer 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 directions issued under section 148 of the Act, referred to in supplementary notes 0204 and 0312. 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 INSPRU 1.2 and 1.3.

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 (revised)" 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 29 March 2007. It also included an assessment of the significant estimates and judgements made by the insurer in the preparation of the Forms, the statement and the valuation reports.

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

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

Returns under the Accounts and Statements Rules

Independent auditor's 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 2006**

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 INSPRU 1.2 and 1.3.

Ernst & Young LLP
Registered Auditor
London
30 March 2007