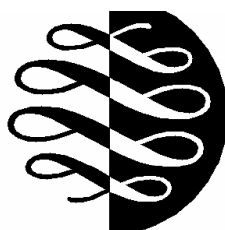


CGNU Life Assurance Limited

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

**Annual FSA Insurance Returns for the year ended
31 December 2007**



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 **CGNU Life Assurance Limited**

Global Business

Financial year ended **31st December 2007**

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Name of insurer **CGNU Life Assurance Limited**

Global Business

Financial year ended **31st December 2007**

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Statement of solvency - long-term insurance business
Form 2

 Name of insurer **CGNU Life Assurance Ltd**

Global business

 Financial year ended **31st December 2007**

Solo solvency calculation

	Company registration number	GL/ UK/ CM	day	month	year	units	
	R2	226742	GL	31	12	2007	£000
				As at end of this financial year		As at end of the previous year	
				1		2	

Capital resources

Capital resources arising within the long-term insurance fund	11	2892401	3967501
Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund	12	47268	38627
Capital resources available to cover long-term insurance business capital resources requirement (11+12)	13	2939669	4006128

Guarantee fund

Guarantee Fund requirement	21	259345	245327
Excess (deficiency) of available capital resources to cover guarantee fund requirement	22	2680324	3760801

Minimum capital requirement (MCR)

Long-term insurance capital requirement	31	778036	735981
Resilience capital requirement	32		
Base capital resources requirement	33	2231	2139
Individual minimum capital requirement	34	778036	735981
Capital requirements of regulated related undertakings	35		
Minimum capital requirement (34+35)	36	778036	735981
Excess (deficiency) of available capital resources to cover 50% of MCR	37	2550651	3638138
Excess (deficiency) of available capital resources to cover 75% of MCR	38	2356142	3454142

Enhanced capital requirement

With-profits insurance capital component	39	766003	1116588
Enhanced capital requirement	40	1544039	1852569

Capital resources requirement (CRR)

Capital resources requirement (greater of 36 and 40)	41	1544039	1852569
Excess (deficiency) of available capital resources to cover long-term insurance business CRR (13-41)	42	1395630	2153559

Contingent liabilities

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

Covering page to Form 2

Name of insurer **CGNU Life Assurance Limited**

Global business

Financial year ended **31st December 2007**

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

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

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

25 March 2008

Components of capital resources
**Form 3
(Sheet 1)**

 Name of insurer **CGNU Life Assurance Ltd**

Global business

 Financial year ended **31st December 2007**

	Company registration number	GL/ UK/ CM	day	month	year	units	
	R3	226742	GL	31	12	2007	£000
	General insurance business	Long-term insurance business	Total as at the end of this financial year	Total as at the end of the previous year			
	1	2	3	4			

Core tier one capital

Permanent share capital	11		250	250	250
Profit and loss account and other reserves	12		49869	49869	41228
Share premium account	13				
Positive valuation differences	14		1438298	1438298	1692504
Fund for future appropriations	15		1480561	1480561	2306717
Core tier one capital in related undertakings	16				
Core tier one capital (sum of 11 to 16)	19		2968978	2968978	4040699

Tier one waivers

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

Other tier one capital

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

Total tier one capital before deductions (19+24+25+26+27+28)	31		2968978	2968978	4040699
Investments in own shares	32				
Intangible assets	33				
Amounts deducted from technical provisions for discounting	34				
Other negative valuation differences	35				
Deductions in related undertakings	36				
Deductions from tier one (32 to 36)	37				
Total tier one capital after deductions (31-37)	39		2968978	2968978	4040699

Components of capital resources
**Form 3
(Sheet 2)**

 Name of insurer **CGNU Life Assurance Ltd**

Global business

 Financial year ended **31st December 2007**

	Company registration number	GL/UK/CM	day	month	year	units	
	R3	226742	GL	31	12	2007	£000
	General insurance business	Long-term insurance business	Total as at the end of this financial year	Total as at the end of the previous year			
	1	2	3	4			

Tier two capital

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

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

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

Components of capital resources
**Form 3
(Sheet 3)**

 Name of insurer **CGNU Life Assurance Ltd**

Global business

 Financial year ended **31st December 2007**

	Company registration number	GL/UK/CM	day	month	year	units	
	R3	226742	GL	31	12	2007	£000
	General insurance business	Long-term insurance business	Total as at the end of this financial year	Total as at the end of the previous year			
	1	2	3	4			

Total capital resources

Positive adjustments for regulated non-insurance related undertakings	71				
Total capital resources before deductions (39+69+71)	72		2968978	2968978	4040699
Inadmissible assets other than intangibles and own shares	73		29309	29309	34571
Assets in excess of market risk and counterparty limits	74				
Deductions for related ancillary services undertakings	75				
Deductions for regulated non-insurance related undertakings	76				
Deductions of ineligible surplus capital	77				
Total capital resources after deductions (72-73-74-75-76-77)	79		2939669	2939669	4006128

Available capital resources for GENPRU/INSRU tests

Available capital resources for guarantee fund requirement	81		2939669	2939669	4006128
Available capital resources for 50% MCR requirement	82		2939669	2939669	4006128
Available capital resources for 75% MCR requirement	83		2939669	2939669	4006128

Financial engineering adjustments

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

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

Form 11

Name of insurer **CGNU Life Assurance Ltd**

Global business

Financial year ended **31st December 2007**

Long term insurance business

		Company registration number	GL/UK/CM	day	month	year	units	
		R11	226742	GL	31	12	2007	£000
				This financial year		Previous year		
				1		2		
Gross premiums written		11					15771	
Premiums taxes and levies (included in line 11)		12						
Premiums written net of taxes and levies (11-12)		13					15771	
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					15771	
Gross premiums earned		21					15771	
Premium taxes and levies (included in line 21)		22						
Premiums earned net of taxes and levies (21-22)		23					15771	
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					15771	
Sub-total I (higher of sub-total A and sub-total H)		30					15771	
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					2839	
	Excess (if any) over 53.1M EURO x 0.02	33						
Sub-total J (32-33)		34					2839	
Claims paid in period of 3 financial years		41					709	
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					1185	
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						
Sub-total C (41+42+43-44-45)		46					1894	
Amounts recoverable from reinsurers in respect of claims included in Sub-total C		47						
Sub-total D (46-47)		48					1894	
Reinsurance ratio (Sub-total D / sub-total C or, if more, 0.50 or, if less, 1.00)		49			1.00		1.00	
Premiums amount (Sub-total J x reinsurance ratio)		50					2839	
Provisions for claims outstanding (before discounting and net of reinsurance)		51					1185	
Provisions for claims outstanding (before discounting and gross of reinsurance) if both 51.1 and 51.2 are zero, otherwise zero		52						
Brought forward amount (see instruction 4)		53					3526	
Greater of lines 50 and 53		54					3526	

Calculation of insurance capital requirement - claims amount and result

Form 12

Name of insurer **CGNU Life Assurance Ltd**

Global business

Financial year ended **31st December 2007**

Long term insurance business

		Company registration number	GL/UK/CM	day	month	year	units	
		R12	226742	GL	31	12	2007	£000
				This financial year		Previous year		
				1		2		
Reference period (No. of months) See <i>INSPRU</i> 1.1.63R		11		36		24		
Claims paid in reference period		21				709		
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				1185		
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						
Claims incurred in reference period (21+22+23-24-25)		26				1894		
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				1894		
Sub-total F - Conversion of sub-total E to annual figure (multiply by 12 and divide by number of months in reference period)		31				947		
Division of sub-total F (gross adjusted claims amount)	X 0.26	32				246		
	Excess (if any) over 37.2M EURO x 0.03	33						
Sub-total G (32 - 33)		39				246		
Claims amount Sub-total G x reinsurance ratio (11.49)		41				246		
Higher of premiums amount and brought forward amount (11.54)		42				3526		
General insurance capital requirement (higher of lines 41 and 42)		43				3526		

Analysis of admissible assets
**Form 13
(Sheet 1)**

 Name of insurer **CGNU Life Assurance Ltd**

Global business

 Financial year ended **31st December 2007**

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

	Company registration number	GL/ UK/ CM	day	month	year	units	Category of assets	
	R13	226742	GL	31	12	2007	£000	1
						As at end of this financial year	As at end of the previous year	
						1	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	
	Other	46	
Variable interest securities	Approved	47	
	Other	48	
Participation in investment pools	49		
Loans secured by mortgages	50		
Loans to public or local authorities and nationalised industries or undertakings	51		
Loans secured by policies of insurance issued by the company	52		
Other loans	53		
Bank and approved credit & financial institution deposits	One month or less withdrawal	54	
	More than one month withdrawal	55	
Other financial investments	56		

Analysis of admissible assets
**Form 13
(Sheet 2)**

 Name of insurer **CGNU Life Assurance Ltd**

Global business

 Financial year ended **31st December 2007**

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

	Company registration number	GL/UK/CM	day	month	year	units	Category of assets	
	R13	226742	GL	31	12	2007	£000	1
							As at end of this financial year	As at end of the previous year
							1	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	49	21
	Due in more than 12 months		79		

Other assets

Tangible assets		80		
Deposits not subject to time restriction on withdrawal with approved institutions		81	47503	38813
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		
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Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)		89	47552	38834
---	--	-----------	-------	-------

Analysis of admissible assets

**Form 13
(Sheet 3)**

Name of insurer **CGNU Life Assurance Ltd**

Global business

Financial year ended **31st December 2007**

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

	Company registration number	GL/UK/CM	day	month	year	units	Category of assets	
	R13	226742	GL	31	12	2007	£000	1
						As at end of this financial year	As at 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 admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	47552	38834
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93		
Capital resources requirement deduction of regulated related undertakings	94		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	95		
Inadmissible assets of regulated related insurance undertakings	96		
Book value of related ancillary services undertakings	97		
Other differences in the valuation of assets (other than for assets not valued above)	98	2851	2851
Deferred acquisition costs excluded from line 89	99		
Reinsurers' share of technical provisions excluded from line 89	100		
Other asset adjustments (may be negative)	101		
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 101)	102	50403	41685
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103		

Analysis of admissible assets
**Form 13
(Sheet 1)**

 Name of insurer **CGNU Life Assurance Ltd**

Global business

 Financial year ended **31st December 2007**

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

	Company registration number	GL/ UK/ CM	day	month	year	units	Category of assets	
	R13	226742	GL	31	12	2007	£000	10
						As at end of this financial year	As at end of the previous year	
						1	2	
Land and buildings				11		1383586		1622005

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			251351	223853
	debts and loans	26			109501	
Other group undertakings	shares	27				
	debts and loans	28			74136	25751
Participating interests	shares	29				
	debts and loans	30				

Other financial investments

Equity shares	41		5541420	7451714
Other shares and other variable yield participations	42			
Holdings in collective investment schemes	43		3040609	1444159
Rights under derivative contracts	44		116262	97139
Fixed interest securities	Approved	45	2266773	2014726
	Other	46	1910826	1764323
Variable interest securities	Approved	47	224845	190799
	Other	48	93236	71103
Participation in investment pools	49			
Loans secured by mortgages	50		91295	50462
Loans to public or local authorities and nationalised industries or undertakings	51			
Loans secured by policies of insurance issued by the company	52		9831	9701
Other loans	53		484944	231469
Bank and approved credit & financial institution deposits	One month or less withdrawal	54	139575	184574
	More than one month withdrawal	55	87528	
Other financial investments	56			

Analysis of admissible assets
**Form 13
(Sheet 2)**

 Name of insurer **CGNU Life Assurance Ltd**

Global business

 Financial year ended **31st December 2007**

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

	Company registration number	GL/UK/CM	day	month	year	units	Category of assets	
	R13	226742	GL	31	12	2007	£000	10
						As at end of this financial year	As at end of the previous year	
						1	2	
Deposits with ceding undertakings			57					
Assets held to match linked liabilities	Index linked		58					
	Property linked		59			64493		59956

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	93398	101587
	Intermediaries	72		
Salvage and subrogation recoveries	73			
Reinsurance	Accepted	74	8901	12147
	Ceded	75	14747	14833
Dependants	Due in 12 months or less	76		103208
	Due in more than 12 months	77		
Other	Due in 12 months or less	78	250710	147457
	Due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	128096	65980
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	129085	114970
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 admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	89	16515148	16001916
---	-----------	----------	----------

Analysis of admissible assets

**Form 13
(Sheet 3)**

Name of insurer **CGNU Life Assurance Ltd**

Global business

Financial year ended **31st December 2007**

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

	Company registration number	GL/UK/CM	day	month	year	units	Category of assets	
	R13	226742	GL	31	12	2007	£000	10
						As at end of this financial year	As at 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 admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	16515148	16001916
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93	29309	
Capital resources requirement deduction of regulated related undertakings	94		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	95		
Inadmissible assets of regulated related insurance undertakings	96		
Book value of related ancillary services undertakings	97		
Other differences in the valuation of assets (other than for assets not valued above)	98		
Deferred acquisition costs excluded from line 89	99		
Reinsurers' share of technical provisions excluded from line 89	100	29327133	25601332
Other asset adjustments (may be negative)	101	(6908)	35463
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 101)	102	45864682	41638711
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103		

Long-term insurance business liabilities and margins
Form 14

Name of insurer **CGNU Life Assurance Ltd**

Global business

Financial year ended **31st December 2007**

Fund **Total Long-Term Insurance Business**

Units **£000**

		As at the end of this financial year	As at the end of the previous year	
		1	2	
Mathematical reserves, after distribution of surplus		11	12119650	10864346
Cash bonuses which had not been paid to policyholders prior to end of the financial year		12		
Balance of surplus / (valuation deficit)		13		20
Long term insurance business fund carried forward (11 to 13)		14	12119650	10864366
Claims outstanding	Gross amount	15	95254	110919
	Reinsurers' share	16	1274	1274
	Net (15-16)	17	93980	109645
Provisions	Taxation	21	250509	374156
	Other risks and charges	22	9	9
Deposits received from reinsurers		23		
Creditors	Direct insurance business	31	158484	116783
	Reinsurance accepted	32		
	Reinsurance ceded	33	158470	58202
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions		36	6384	5441
Creditors	Taxation	37	73705	54768
	Other	38	746210	436069
Accruals and deferred income		39	15346	14996
Provision for "reasonably foreseeable adverse variations"		41		
Total other insurance and non-insurance liabilities (17 to 41)		49	1503097	1170069
Excess of the value of net admissible assets		51	2892401	3967481
Total liabilities and margins		59	16515148	16001916
Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance		61	475	6849
Amounts included in line 59 attributable to liabilities in respect of property linked benefits		62	64493	59956
Total liabilities (11+12+49)		71	13622747	12034415
Increase to liabilities – DAC related		72		
Reinsurers' share of technical provisions		73	29327133	25601332
Other adjustments to liabilities (may be negative)		74	1434241	1696247
Capital and reserves and fund for future appropriations		75	1480561	2306717
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	45864682	41638711

Long-term insurance business liabilities and margins
Form 14

 Name of insurer **CGNU Life Assurance Ltd**

Global business

 Financial year ended **31st December 2007**

 Fund **With Profit**

 Units **£000**

		As at the end of this financial year	As at the end of the previous year
		1	2
Mathematical reserves, after distribution of surplus	11	11743837	10482861
Cash bonuses which had not been paid to policyholders prior to end of the financial year	12		
Balance of surplus / (valuation deficit)	13		20
Long term insurance business fund carried forward (11 to 13)	14	11743837	10482881
Claims outstanding	Gross amount	15	95254
	Reinsurers' share	16	1274
	Net (15-16)	17	93980
Provisions	Taxation	21	250509
	Other risks and charges	22	9
Deposits received from reinsurers	23		
Creditors	Direct insurance business	31	158484
	Reinsurance accepted	32	
	Reinsurance ceded	33	158470
Debenture loans	Secured	34	
	Unsecured	35	
Amounts owed to credit institutions	36	6384	5441
Creditors	Taxation	37	73705
	Other	38	746210
Accruals and deferred income	39	15346	14996
Provision for "reasonably foreseeable adverse variations"	41		
Total other insurance and non-insurance liabilities (17 to 41)	49	1503097	1170069
Excess of the value of net admissible assets	51	2892401	3967481
Total liabilities and margins	59	16139335	15620431
Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61	475	6849
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62	64493	59956
Total liabilities (11+12+49)	71	13246934	11652930
Increase to liabilities – DAC related	72		
Reinsurers' share of technical provisions	73		
Other adjustments to liabilities (may be negative)	74		
Capital and reserves and fund for future appropriations	75		
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (71 to 75)	76		

Long-term insurance business liabilities and margins
Form 14

 Name of insurer **CGNU Life Assurance Ltd**

Global business

 Financial year ended **31st December 2007**

 Fund **Stakeholder**

 Units **£000**

		As at the end of this financial year	As at the end of the previous year	
		1	2	
Mathematical reserves, after distribution of surplus		11	375813	381485
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	375813	381485
Claims outstanding	Gross amount	15		
	Reinsurers' share	16		
	Net (15-16)	17		
Provisions	Taxation	21		
	Other risks and charges	22		
Deposits received from reinsurers		23		
Creditors	Direct insurance business	31		
	Reinsurance accepted	32		
	Reinsurance ceded	33		
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions		36		
Creditors	Taxation	37		
	Other	38		
Accruals and deferred income		39		
Provision for "reasonably foreseeable adverse variations"		41		
Total other insurance and non-insurance liabilities (17 to 41)		49		
Excess of the value of net admissible assets		51		
Total liabilities and margins		59	375813	381485

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	375813	381485
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)
Form 15

 Name of insurer **CGNU Life Assurance Ltd**

Global business

 Financial year ended **31st December 2007**

	Company registration number	GL/UK/CM	day	month	year	units	
	R15	226742	GL	31	12	2007	£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 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		265	
	Foreseeable dividend	48			
	Other	49		19	207
Accruals and deferred income		51			
Total (19 to 51)		59		284	207
Provision for "reasonably foreseeable adverse variations"		61			
Cumulative preference share capital		62			
Subordinated loan capital		63			
Total (59 to 63)		69		284	207

Amounts included in line 69 attributable to liabilities to related insurers, other than those under contracts of insurance or reinsurance	71			202
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Amounts deducted from technical provisions for discounting	82			
Other adjustments (may be negative)	83			
Capital and reserves	84		50119	41478
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (69-82+83+84)	85		50403	41685

Profit and loss account (non-technical account)

Form 16

Name of insurer **CGNU Life Assurance Ltd**

Global business

Financial year ended **31st December 2007**

		Company registration number	GL/ UK/ CM	day	month	year	units	
		R16	226742	GL	31	12	2007	£000
				This financial year		Previous year		
				1		2		
Transfer (to) / from the general insurance business technical account	From Form 20	11						
	Equalisation provisions	12						
Transfer from the long term insurance business revenue account		13			42628		34463	
Investment income	Income	14			882		400	
	Value re-adjustments on investments	15						
	Gains on the realisation of investments	16						
Investment charges	Investment management charges, including interest	17						
	Value re-adjustments on investments	18						
	Loss on the realisation of investments	19						
Allocated investment return transferred to the general insurance business technical account		20						
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			43510		34863	
Tax on profit or loss on ordinary activities		31			403			
Profit or loss on ordinary activities after tax (29-31)		39			43107		34863	
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			43107		34863	
Dividends (paid or foreseeable)		51			34466		24934	
Profit or loss retained for the financial year (49-51)		59			8641		9929	

Analysis of derivative contracts
Form 17

 Name of insurer **CGNU Life Assurance Ltd**

Global business

 Financial year ended **31st December 2007**

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

		Company registration number	GL/ UK/ CM	day	month	year	units	Category of assets	
		R17	226742	GL	31	12	2007	£000	10
Derivative contracts		As at the end of this financial year			As at the end of the previous year				
		Assets		Liabilities		Assets		Liabilities	
		1	2	3	4				
Futures contracts	Fixed-interest securities	11	2815	5711	5663	777			
	Equity shares	12			3370	1467			
	Land	13							
	Currencies	14	24648	57863	34582	13189			
	Other	15							
Options	Fixed-interest securities	21	52318		49017				
	Equity shares	22	2574	2437	4212				
	Land	23							
	Currencies	24							
	Other	25							
Contracts for differences	Fixed-interest securities	31							
	Equity shares	32	10245	4770					
	Land	33	37869		295	2077			
	Currencies	34	10998	10197					
	Other	35							
Adjustments for variation margin		41	(25205)	49					
Total (11 to 41)		49	116262	81027	97139	17510			

With-profits insurance capital component for the fund
Form 18

 Name of insurer **CGNU Life Assurance Ltd**

Global business

 Financial year ended **31st December 2007**

 With-profits fund **CGNU Life Fund**

 Units **£000**

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

Regulatory excess capital

Regulatory value of assets	Long-term admissible assets of the fund	11	16515148	16001916
	Implicit items allocated to the fund	12		
	Mathematical reserves in respect of the fund's non-profit insurance contracts	13	992721	956019
	Long-term admissible assets of the fund covering the LTICR of the fund's non-profit insurance contracts	14	180114	200739
	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	15342313	14845158
Regulatory value of liabilities	Mathematical reserves (after distribution of surplus) in respect of the fund's with-profit insurance contracts	21	11126929	9908328
	Regulatory current liabilities of the fund	22	1503097	1170069
	Total (21+22)	29	12630026	11078397
Long-term insurance capital requirement in respect of the fund's with-profits insurance contracts		31	597923	535241
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	13227949	11613638
Regulatory excess capital (19-39)		49	2114364	3231520

Realistic excess capital

Realistic excess capital	51	1088131	2045010
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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	1026233	1186510
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	260230	69922
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	766003	1116588

Realistic balance sheet
**Form 19
(Sheet 1)**

 Name of insurer **CGNU Life Assurance Ltd**

Global business

 Financial year ended **31st December 2007**

 With-profits fund **CGNU Life Fund**

 Units **£000**

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

Realistic value of assets available to the fund

Regulatory value of assets	11	15342313	14845158
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	617538	663249
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	15959851	15508407
Support arrangement assets	27		
Assets available to the fund (26+27)	29	15959851	15508407

Realistic value of liabilities of fund

With-profits benefits reserve	31	11057721	11179137	
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	1062250	20516
	Planned deductions for the cost of guarantees, options and smoothing from with-profits benefits reserve	35	18385	
	Planned deductions for other costs deemed chargeable to with-profits benefits reserve	36		
	Future costs of contractual guarantees (other than financial options)	41	486123	284376
	Future costs of non-contractual commitments	42	154604	202470
	Future costs of financial options	43	15332	19781
	Future costs of smoothing (possibly negative)	44	(16823)	(37566)
	Financing costs	45		
	Any other liabilities related to regulatory duty to treat customers fairly	46		
	Other long-term insurance liabilities	47	302496	157024
Total (32+34+41+42+43+44+45+46+47-(33+35+36))	49	1985597	646601	
Realistic current liabilities of the fund	51	1488958	1132764	
Realistic value of liabilities of the fund (31+49+51)	59	14532276	12958502	

Realistic balance sheet**Form 19
(Sheet 2)**

Name of insurer **CGNU Life Assurance Ltd**

Global business

Financial year ended **31st December 2007**

With-profits fund **CGNU Life Fund**

Units **£000**

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

Realistic excess capital and additional capital available

Value of relevant assets before applying the most adverse scenario other than present value of future profits arising from business outside with-profits funds	62	14871720	13463397
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	14871720	13463397
Risk capital margin for fund (62-59)	65	339444	504895
Realistic excess capital for fund (26-(59+65))	66	1088131	2045010
Realistic excess available capital for fund (29-(59+65))	67	1088131	2045010
Working capital for for fund (29-59)	68	1427575	2549905
Working capital ratio for fund (68/29)	69	8.94	16.44

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

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

Long-term insurance business: Revenue account

Form 40

Name of insurer **CGNU Life Assurance Ltd**

Name and number of fund/Summary **Total Long-Term Insurance Business**

Financial year ended **31st December 2007**

Units **£000**

	Financial year	Previous year
	1	2

Income

Earned premiums	11	925117	654968
Investment income receivable before deduction of tax	12	593663	561970
Increase (decrease) in the value of non-linked assets brought into account	13	1369797	529481
Increase (decrease) in the value of linked assets	14	13375	5126
Other income	15		
Total income	19	2901952	1751545

Expenditure

Claims incurred	21	1333348	1678231
Expenses payable	22	99791	184775
Interest payable before deduction of tax	23	29159	6925
Taxation	24	141742	55544
Other expenditure	25		
Transfer to (from) non technical account	26	42628	34463
Total expenditure	29	1646668	1959938

Business transfers-in	31		
Business transfers-out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	1255284	(208393)
Fund brought forward	49	10864366	11072759
Fund carried forward (39+49)	59	12119650	10864366

Long-term insurance business: Revenue account

Form 40

Name of insurer **CGNU Life Assurance Ltd**

Name and number of fund/Summary **With Profit**

Financial year ended **31st December 2007**

Units **£000**

	Financial year	Previous year
	1	2

Income

Earned premiums	11	913912	606989
Investment income receivable before deduction of tax	12	580409	535094
Increase (decrease) in the value of non-linked assets brought into account	13	1353083	536936
Increase (decrease) in the value of linked assets	14	13375	5126
Other income	15		
Total income	19	2860779	1684145

Expenditure

Claims incurred	21	1286503	1642397
Expenses payable	22	99791	181031
Interest payable before deduction of tax	23	29159	6925
Taxation	24	141742	55544
Other expenditure	25		
Transfer to (from) non technical account	26	42628	34463
Total expenditure	29	1599823	1920360

Business transfers-in	31		
Business transfers-out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	1260956	(236215)
Fund brought forward	49	10482881	10719096
Fund carried forward (39+49)	59	11743837	10482881

Long-term insurance business: Revenue account

Form 40

Name of insurer **CGNU Life Assurance Ltd**

Name and number of fund/Summary **Stakeholder**

Financial year ended **31st December 2007**

Units **£000**

	Financial year	Previous year
	1	2

Income

Earned premiums	11	11205	47979
Investment income receivable before deduction of tax	12	13254	26876
Increase (decrease) in the value of non-linked assets brought into account	13	16714	(7455)
Increase (decrease) in the value of linked assets	14		
Other income	15		
Total income	19	41173	67400

Expenditure

Claims incurred	21	46845	35834
Expenses payable	22		3744
Interest payable before deduction of tax	23		
Taxation	24		
Other expenditure	25		
Transfer to (from) non technical account	26		
Total expenditure	29	46845	39578

Business transfers-in	31		
Business transfers-out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	(5672)	27822
Fund brought forward	49	381485	353663
Fund carried forward (39+49)	59	375813	381485

Long-term insurance business: Analysis of premiums

Form 41

Name of insurer **CGNU Life Assurance Ltd**
 Total business / subfund **Total Long-Term Insurance Business**
 Financial year ended **31st December 2007**
 Units **£000**

	UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
	1	2	3	4	5

Gross

Regular premiums	11	292526	1099298	22046	1413870	1264640
Single premiums	12	3530303	1619403	25185	5174891	5100446

Reinsurance - external

Regular premiums	13	50846	1994		52840	59365
Single premiums	14					

Reinsurance - intra-group

Regular premiums	15	70283	1018103	15429	1103815	929714
Single premiums	16	2904965	1583475	18549	4506989	4721039

Net of reinsurance

Regular premiums	17	171397	79201	6617	257215	275561
Single premiums	18	625338	35928	6636	667902	379407

Total

Gross	19	3822829	2718701	47231	6588761	6365086
Reinsurance	20	3026094	2603572	33978	5663644	5710118
Net	21	796735	115129	13253	925117	654968

Long-term insurance business: Analysis of premiums

Form 41

Name of insurer **CGNU Life Assurance Ltd**

Total business / subfund **With Profit**

Financial year ended **31st December 2007**

Units **£000**

	UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
	1	2	3	4	5

Gross

Regular premiums	11	292526	1036454	22046	1351026	1187055
Single premiums	12	3530303	1594784	25185	5150272	5084634

Reinsurance - external

Regular premiums	13	50846	1994		52840	59365
Single premiums	14					

Reinsurance - intra-group

Regular premiums	15	70283	985581	15429	1071293	891449
Single premiums	16	2904965	1539739	18549	4463253	4713886

Net of reinsurance

Regular premiums	17	171397	48879	6617	226893	236241
Single premiums	18	625338	55045	6636	687019	370748

Total

Gross	19	3822829	2631238	47231	6501298	6271689
Reinsurance	20	3026094	2527314	33978	5587386	5664700
Net	21	796735	103924	13253	913912	606989

Long-term insurance business: Analysis of premiums

Form 41

Name of insurer **CGNU Life Assurance Ltd**

Total business / subfund **Stakeholder**

Financial year ended **31st December 2007**

Units **£000**

	UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
	1	2	3	4	5

Gross

Regular premiums	11		62844		62844	77585
Single premiums	12		24619		24619	15812

Reinsurance - external

Regular premiums	13					
Single premiums	14					

Reinsurance - intra-group

Regular premiums	15		32522		32522	38265
Single premiums	16		43736		43736	7153

Net of reinsurance

Regular premiums	17		30322		30322	39320
Single premiums	18		(19117)		(19117)	8659

Total

Gross	19		87463		87463	93397
Reinsurance	20		76258		76258	45418
Net	21		11205		11205	47979

Long-term insurance business: Analysis of claims

Form 42

Name of insurer **CGNU Life Assurance Ltd**
 Total business / subfund **Total Long-Term Insurance Business**
 Financial year ended **31st December 2007**
 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	405124	27995	2663	435782	380998
Disability periodic payments	12	82	(209)	(51)	(178)	302
Surrender or partial surrender	13	1835236	1829181	93903	3758320	4017171
Annuity payments	14	636	44398		45034	43241
Lump sums on maturity	15	125412	257921	1423	384756	317986
Total	16	2366490	2159286	97938	4623714	4759698

Reinsurance - external

Death or disability lump sums	21	30032	2806	80	32918	39937
Disability periodic payments	22					
Surrender or partial surrender	23					
Annuity payments	24	4			4	
Lump sums on maturity	25					
Total	26	30036	2806	80	32922	39937

Reinsurance - intra-group

Death or disability lump sums	31	230043	19791	154	249988	192281
Disability periodic payments	32	27	(216)	(51)	(240)	225
Surrender or partial surrender	33	1204268	1595868	24831	2824967	2692052
Annuity payments	34					
Lump sums on maturity	35	769	180813	1147	182729	156972
Total	36	1435107	1796256	26081	3257444	3041530

Net of reinsurance

Death or disability lump sums	41	145049	5398	2429	152876	148780
Disability periodic payments	42	55	7		62	77
Surrender or partial surrender	43	630968	233313	69072	933353	1325119
Annuity payments	44	632	44398		45030	43241
Lump sums on maturity	45	124643	77108	276	202027	161014
Total	46	901347	360224	71777	1333348	1678231

Long-term insurance business: Analysis of claims

Form 42

Name of insurer **CGNU Life Assurance Ltd**
 Total business / subfund **With Profit**
 Financial year ended **31st December 2007**
 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	405124	26533	2663	434320	379144
Disability periodic payments	12	82	(209)	(51)	(178)	302
Surrender or partial surrender	13	1835236	1765139	93903	3694278	3973330
Annuity payments	14	636	44398		45034	43241
Lump sums on maturity	15	125412	229903	1423	356738	291565
Total	16	2366490	2065764	97938	4530192	4687582

Reinsurance - external

Death or disability lump sums	21	30032	2806	80	32918	39937
Disability periodic payments	22					
Surrender or partial surrender	23					
Annuity payments	24	4			4	
Lump sums on maturity	25					
Total	26	30036	2806	80	32922	39937

Reinsurance - intra-group

Death or disability lump sums	31	230043	19048	154	249245	191400
Disability periodic payments	32	27	(216)	(51)	(240)	225
Surrender or partial surrender	33	1204268	1564099	24831	2793198	2670093
Annuity payments	34					
Lump sums on maturity	35	769	166648	1147	168564	143530
Total	36	1435107	1749579	26081	3210767	3005248

Net of reinsurance

Death or disability lump sums	41	145049	4679	2429	152157	147807
Disability periodic payments	42	55	7		62	77
Surrender or partial surrender	43	630968	201040	69072	901080	1303237
Annuity payments	44	632	44398		45030	43241
Lump sums on maturity	45	124643	63255	276	188174	148035
Total	46	901347	313379	71777	1286503	1642397

Long-term insurance business: Analysis of claims

Form 42

Name of insurer **CGNU Life Assurance Ltd**
 Total business / subfund **Stakeholder**
 Financial year ended **31st December 2007**
 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	1462		1462	1854
Disability periodic payments	12				
Surrender or partial surrender	13	64042		64042	43841
Annuity payments	14				
Lump sums on maturity	15	28018		28018	26421
Total	16	93522		93522	72116

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	743		743	881
Disability periodic payments	32				
Surrender or partial surrender	33	31769		31769	21959
Annuity payments	34				
Lump sums on maturity	35	14165		14165	13442
Total	36	46677		46677	36282

Net of reinsurance

Death or disability lump sums	41	719		719	973
Disability periodic payments	42				
Surrender or partial surrender	43	32273		32273	21882
Annuity payments	44				
Lump sums on maturity	45	13853		13853	12979
Total	46	46845		46845	35834

Long-term insurance business: Analysis of expenses

Form 43

Name of insurer **CGNU Life Assurance Ltd**
 Total business / subfund **Total Long-Term Insurance Business**
 Financial year ended **31st December 2007**
 Units **£000**

	UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
	1	2	3	4	5

Gross

Commission - acquisition	11	189503	88794	2576	280873	290838
Commission - other	12	5298	8879	216	14393	24302
Management - acquisition	13	67329	50498	418	118245	141111
Management - maintenance	14	23161	22639	628	46428	37285
Management - other	15	13990	14085	37	28112	112543
Total	16	299281	184895	3875	488051	606079

Reinsurance - external

Commission - acquisition	21					
Commission - other	22	59	2		61	65
Management - acquisition	23					
Management - maintenance	24					
Management - other	25					
Total	26	59	2		61	65

Reinsurance - intra-group

Commission - acquisition	31	154115	83389	1346	238850	243566
Commission - other	32	563	7424	119	8106	8754
Management - acquisition	33	60853	44788	2	105643	116836
Management - maintenance	34	936	19960	378	21274	11153
Management - other	35	2576	11741	9	14326	40930
Total	36	219043	167302	1854	388199	421239

Net of reinsurance

Commission - acquisition	41	35388	5405	1230	42023	47272
Commission - other	42	4676	1453	97	6226	15483
Management - acquisition	43	6476	5710	416	12602	24275
Management - maintenance	44	22225	2679	250	25154	26132
Management - other	45	11414	2344	28	13786	71613
Total	46	80179	17591	2021	99791	184775

Long-term insurance business: Analysis of expenses

Form 43

Name of insurer **CGNU Life Assurance Ltd**

Total business / subfund **With Profit**

Financial year ended **31st December 2007**

Units **£000**

	UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
	1	2	3	4	5

Gross

Commission - acquisition	11	189503	88794	2576	280873	290838
Commission - other	12	5298	8879	216	14393	24302
Management - acquisition	13	67329	50498	418	118245	141111
Management - maintenance	14	23161	22639	628	46428	33541
Management - other	15	13990	14085	37	28112	112543
Total	16	299281	184895	3875	488051	602335

Reinsurance - external

Commission - acquisition	21					
Commission - other	22	59	2		61	65
Management - acquisition	23					
Management - maintenance	24					
Management - other	25					
Total	26	59	2		61	65

Reinsurance - intra-group

Commission - acquisition	31	154115	83389	1346	238850	243566
Commission - other	32	563	7424	119	8106	8754
Management - acquisition	33	60853	44788	2	105643	116836
Management - maintenance	34	936	19960	378	21274	11153
Management - other	35	2576	11741	9	14326	40930
Total	36	219043	167302	1854	388199	421239

Net of reinsurance

Commission - acquisition	41	35388	5405	1230	42023	47272
Commission - other	42	4676	1453	97	6226	15483
Management - acquisition	43	6476	5710	416	12602	24275
Management - maintenance	44	22225	2679	250	25154	22388
Management - other	45	11414	2344	28	13786	71613
Total	46	80179	17591	2021	99791	181031

Long-term insurance business: Analysis of expenses

Form 43

Name of insurer **CGNU Life Assurance Ltd**

Total business / subfund **Stakeholder**

Financial year ended **31st December 2007**

Units **£000**

	UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
	1	2	3	4	5

Gross

Commission - acquisition	11				
Commission - other	12				
Management - acquisition	13				
Management - maintenance	14				3744
Management - other	15				
Total	16				3744

Reinsurance - external

Commission - acquisition	21				
Commission - other	22				
Management - acquisition	23				
Management - maintenance	24				
Management - other	25				
Total	26				

Reinsurance - intra-group

Commission - acquisition	31				
Commission - other	32				
Management - acquisition	33				
Management - maintenance	34				
Management - other	35				
Total	36				

Net of reinsurance

Commission - acquisition	41				
Commission - other	42				
Management - acquisition	43				
Management - maintenance	44				3744
Management - other	45				
Total	46				3744

Long-term insurance business: Linked funds balance sheet

Form 44

Name of insurer **CGNU Life Assurance Ltd**

Total business

Financial year ended **31st December 2007**

Units **£000**

	Financial year	Previous year
	1	2

Internal linked funds (excluding cross investment)

Directly held assets (excluding collective investment schemes)	11		
Directly held assets in collective investment schemes of connected companies	12		
Directly held assets in other collective investment schemes	13	64493	59956
Total assets (excluding cross investment) (11+12+13)	14	64493	59956
Provision for tax on unrealised capital gains	15		
Secured and unsecured loans	16		
Other liabilities	17		
Total net assets (14-15-16-17)	18	64493	59956

Directly held linked assets

Value of directly held linked assets	21		
--------------------------------------	-----------	--	--

Total

Value of directly held linked assets and units held (18+21)	31	64493	59956
Surplus units	32		
Deficit units	33		
Net unit liability (31-32+33)	34	64493	59956

Long-term insurance business: revenue account for internal linked funds

Form 45

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Name of insurer **CGNU Life Assurance Ltd**

Total business

Financial year ended **31st December 2007**

Units **£000**

	Financial year 1	Previous year 2
--	----------------------------	---------------------------

Income

Value of total creation of units	11	10067	22829
Investment income attributable to the funds before deduction of tax	12	2	
Increase (decrease) in the value of investments in the financial year	13	8366	5126
Other income	14		33121
Total income	19	18435	61076

Expenditure

Value of total cancellation of units	21	13898	12510
Charges for management	22		
Charges in respect of tax on investment income	23		
Taxation on realised capital gains	24		
Increase (decrease) in amount set aside for tax on capital gains not yet realised	25		
Other expenditure	26		
Total expenditure	29	13898	12510

Increase (decrease) in funds in financial year (19-29)	39	4537	48566
Internal linked fund brought forward	49	59956	11390
Internal linked funds carried forward (39+49)	59	64493	59956

Long-term insurance business: Summary of new business

Form 46

Name of insurer **CGNU Life Assurance Ltd**

Total business

Financial year ended **31st December 2007**

Units **£000**

	UK Life 1	UK Pension 2	Overseas 3	Total Financial year 4	Total Previous year 5
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Number of new policyholders / scheme members for direct insurance business

Regular premium business	11	204	68911	1373	70488	70161
Single premium business	12	71249	41176	181	112606	138457
Total	13	71453	110087	1554	183094	208618

Amount of new regular premiums

Direct insurance business	21	306	356794	4313	361413	342458
External reinsurance	22					
Intra-group reinsurance	23					
Total	24	306	356794	4313	361413	342458

Amount of new single premiums

Direct insurance business	25	3425101	1663274	22258	5110633	5126211
External reinsurance	26					
Intra-group reinsurance	27	123535			123535	103235
Total	28	3548636	1663274	22258	5234168	5229446

Long-term insurance business: Analysis of new business**Form 47
(Sheet 1)**Name of insurer **CGNU Life Assurance Ltd**

Total business

Financial year ended **31st December 2007**Units **£000**

Overseas (BF - France) / Direct insurance business

Product code number 1	Product description 2	Regular premium business		Single premium business	
		Number of policyholders / scheme members 3	Amount of premiums 4	Number of policyholders / scheme members 5	Amount of premiums 6
500	Life UWP single premium				1188
700	Life property linked single premium				418

Long-term insurance business: Analysis of new business**Form 47
(Sheet 1)**Name of insurer **CGNU Life Assurance Ltd**

Total business

Financial year ended **31st December 2007**Units **£000**

Overseas (BT - Sweden) / Direct insurance business

Product code number 1	Product description 2	Regular premium business		Single premium business	
		Number of policyholders / scheme members 3	Amount of premiums 4	Number of policyholders / scheme members 5	Amount of premiums 6
500	Life UWP single premium			33	5822
700	Life property linked single premium			12	24

Long-term insurance business: Analysis of new business**Form 47
(Sheet 1)**Name of insurer **CGNU Life Assurance Ltd**

Total business

Financial year ended **31st December 2007**Units **£000**

Overseas (BC - Irish Republic) / Direct insurance business

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

Long-term insurance business: Analysis of new business

**Form 47
(Sheet 1)**

Name of insurer **CGNU Life Assurance Ltd**

Total business

Financial year ended **31st December 2007**

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
325	Level term assurance	2	2		
360	Income protection non-profit (guaranteed premiums)	1			
400	Annuity non-profit (CPA)			11	450
525	Individual pensions UWP	8	53		351
530	Individual pensions UWP - increments		214		167
571	Trustee investment plan UWP				10
575	Miscellaneous UWP				14
725	Individual pensions property linked	1359	3109	124	12391
730	Individual pensions property linked - increments		928		1033
755	Trustee investment plan				389

Long-term insurance business: Analysis of new business

**Form 47
(Sheet 1)**

Name of insurer **CGNU Life Assurance Ltd**

Total business

Financial year ended **31st December 2007**

Units **£000**

UK Life / Direct insurance business

Product code number 1	Product description 2	Regular premium business		Single premium business	
		Number of policyholders / scheme members 3	Amount of premiums 4	Number of policyholders / scheme members 5	Amount of premiums 6
100	Conventional whole life with-profits OB	8	46		
120	Conventional endowment with-profits OB savings	34	76		
325	Level term assurance	8	7		
330	Decreasing term assurance	10	4		
360	Income protection non-profit (guaranteed premiums)	141	49		
400	Annuity non-profit (CPA)			1	153
415	Collective Life		16		8589
500	Life UWP single premium			27106	951939
505	Life UWP whole life regular premium		37		
515	Life UWP endowment regular premium – target cash	2	2		
700	Life property linked single premium			44142	2464420
710	Life property linked whole life regular premium		60		
720	Life property linked endowment regular premium – target cash	1	9		

Long-term insurance business: Analysis of new business**Form 47
(Sheet 1)**Name of insurer **CGNU Life Assurance Ltd**

Total business

Financial year ended **31st December 2007**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
575	Miscellaneous UWP				123535

Long-term insurance business: Analysis of new business

**Form 47
(Sheet 1)**

Name of insurer **CGNU Life Assurance Ltd**

Total business

Financial year ended **31st December 2007**

Units **£000**

UK Pension / Direct insurance business

Product code number 1	Product description 2	Regular premium business		Single premium business	
		Number of policyholders / scheme members 3	Amount of premiums 4	Number of policyholders / scheme members 5	Amount of premiums 6
175	Group conventional deferred annuity with-profits	8	27		87
185	Group conventional pensions endowment with-profits	1	12		45
400	Annuity non-profit (CPA)			1065	30664
410	Group Life		8		
525	Individual pensions UWP	201	398	66	4932
530	Individual pensions UWP - increments		2433		13913
535	Group money purchase pensions UWP	1554	5838	740	4360
540	Group money purchase pensions UWP - increments		5819		26983
565	DWP National Insurance rebates UWP				11444
571	Trustee investment plan UWP				2853
575	Miscellaneous UWP		15		547
725	Individual pensions property linked	15179	43074	15201	449230
730	Individual pensions property linked - increments		36757		432622
735	Group money purchase pensions property linked	51968	160926	24104	149078
740	Group money purchase pensions property linked - increments		101487		403029
745	DWP National Insurance rebates property linked				49714
755	Trustee investment plan				83773

Long-term insurance business: Assets not held to match linked liabilities

Form 48

Name of insurer **CGNU Life Assurance Ltd**
 Financial year ended **31st December 2007**
 Category of assets **Total long-term insurance business assets**
 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 requirements

Land and buildings	11					
Approved fixed interest securities	12	831256	831256	35691	4.14	
Other fixed interest securities	13	277085	277085	14111	5.53	
Variable interest securities	14					
UK listed equity shares	15					
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18					
Total	19	1108341	1108341	49802	4.49	

Assets backing with-profits liabilities and with-profits capital requirements

Land and buildings	21	1383586	2865743	102383	3.57	(2.49)
Approved fixed interest securities	22	1458506	1752492	75245	4.14	3.94
Other fixed interest securities	23	1676847	2067615	105294	5.53	2.36
Variable interest securities	24	320373	376242	9896	2.46	8.68
UK listed equity shares	25	3871403	4514864	153662	3.40	5.39
Non-UK listed equity shares	26	1649771	2584032	50945	1.97	18.50
Unlisted equity shares	27	271597	249159	17	0.01	0.00
Other assets	28	4710231	932167	61315	6.58	5.67
Total	29	15342314	15342314	558757	3.68	5.56

Overall return on with-profits assets

Post investment costs but pre-tax	31					5.04
Return allocated to non taxable 'asset shares'	32					5.09
Return allocated to taxable 'asset shares'	33					4.72

Long-term insurance business: Fixed and variable interest assets

Form 49

Name of insurer **CGNU Life Assurance Ltd**
 Financial year ended **31st December 2007**
 Category of assets **Total long-term insurance business assets**
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK government approved fixed interest securities	11	2075019	9.79	4.12	4.12
Other approved fixed interest securities	21	508729	8.87	4.21	4.21
Other fixed interest securities					
AAA/Aaa	31	268086	6.96	4.51	4.42
AA/Aa	32	757983	5.99	5.28	5.00
A/A	33	875354	6.89	5.56	5.24
BBB/Baa	34	380982	6.53	5.90	5.23
BB/Ba	35	39540	5.66	10.03	8.35
B/B	36	15985	4.62	9.02	5.92
CCC/Caa	37	3979	3.48	20.94	15.99
Other (including unrated)	38	2791	7.11	3.85	3.18
Total other fixed interest securities	39	2344700	6.51	5.53	5.14
Approved variable interest securities	41	275369	15.76	1.22	1.22
Other variable interest securities	51	100873	3.67	5.84	5.50
Total (11+21+39+41+51)	61	5304690	8.45	4.63	4.46

Long-term insurance business: Summary of mathematical reserves

Form 50

Name of insurer **CGNU Life Assurance Ltd**
 Total business / subfund **Total Long-Term Insurance Business**
 Financial year ended **31st December 2007**
 Units **£000**

	UK Life 1	UK Pension 2	Overseas 3	Total Financial Year 4	Total Previous Year 5
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Gross

Form 51 - with-profits	11	2760564	188543	31270	2980377	2678886
Form 51 - non-profit	12	430461	621812	17795	1070068	978558
Form 52	13	9807723	2967563	534919	13310205	11886243
Form 53 - linked	14	10019792	12842080	227489	23089361	19893898
Form 53 - non-linked	15	(215276)	140528	5576	(69172)	(61713)
Form 54 - linked	16					
Form 54 - non-linked	17					
Total	18	22803264	16760526	817049	40380839	35375872

Reinsurance - external

Form 51 - with-profits	21	1352			1352	1327
Form 51 - non-profit	22	224702	5904	2101	232707	168071
Form 52	23					
Form 53 - linked	24					
Form 53 - non-linked	25					
Form 54 - linked	26					
Form 54 - non-linked	27					
Total	28	226054	5904	2101	234059	169398

Reinsurance - intra-group

Form 51 - with-profits	31	49224		615	49839	31238
Form 51 - non-profit	32	23195	27	81	23303	23554
Form 52	33	4316908	1010176	34419	5361503	4853908
Form 53 - linked	34	10019537	12842080	163251	23024868	19833941
Form 53 - non-linked	35	(291679)	105324	3014	(183341)	(170842)
Form 54 - linked	36					
Form 54 - non-linked	37					
Total	38	14117185	13957607	201380	28276172	24571799

Net of reinsurance

Form 51 - with-profits	41	2709988	188543	30655	2929186	2646321
Form 51 - non-profit	42	182564	615881	15613	814058	786933
Form 52	43	5490815	1957387	500500	7948702	7032335
Form 53 - linked	44	255		64238	64493	59957
Form 53 - non-linked	45	76403	35204	2562	114169	109129
Form 54 - linked	46					
Form 54 - non-linked	47					
Total	48	8460025	2797015	613568	11870608	10634675

Long-term insurance business: Summary of mathematical reserves

Form 50

Name of insurer **CGNU Life Assurance Ltd**

Total business / subfund **With Profit**

Financial year ended **31st December 2007**

Units **£000**

	UK Life 1	UK Pension 2	Overseas 3	Total Financial Year 4	Total Previous Year 5
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Gross

Form 51 - with-profits	11	2760564	188543	31270	2980377	2678886
Form 51 - non-profit	12	430461	621812	17795	1070068	978558
Form 52	13	9807723	2243592	534919	12586234	11149411
Form 53 - linked	14	10019792	12842080	227489	23089361	19893898
Form 53 - non-linked	15	(215276)	140528	5576	(69172)	(61713)
Form 54 - linked	16					
Form 54 - non-linked	17					
Total	18	22803264	16036555	817049	39656868	34639040

Reinsurance - external

Form 51 - with-profits	21	1352			1352	1327
Form 51 - non-profit	22	224702	5904	2101	232707	168071
Form 52	23					
Form 53 - linked	24					
Form 53 - non-linked	25					
Form 54 - linked	26					
Form 54 - non-linked	27					
Total	28	226054	5904	2101	234059	169398

Reinsurance - intra-group

Form 51 - with-profits	31	49224		615	49839	31238
Form 51 - non-profit	32	23195	27	81	23303	23554
Form 52	33	4316908	647638	34419	4998965	4484313
Form 53 - linked	34	10019537	12842080	163251	23024868	19833941
Form 53 - non-linked	35	(291679)	105324	3014	(183341)	(170842)
Form 54 - linked	36					
Form 54 - non-linked	37					
Total	38	14117185	13595069	201380	27913634	24202204

Net of reinsurance

Form 51 - with-profits	41	2709988	188543	30655	2929186	2646321
Form 51 - non-profit	42	182564	615881	15613	814058	786933
Form 52	43	5490815	1595954	500500	7587269	6665098
Form 53 - linked	44	255		64238	64493	59957
Form 53 - non-linked	45	76403	35204	2562	114169	109129
Form 54 - linked	46					
Form 54 - non-linked	47					
Total	48	8460025	2435582	613568	11509175	10267438

Long-term insurance business: Summary of mathematical reserves

Form 50

Name of insurer **CGNU Life Assurance Ltd**
 Total business / subfund **Stakeholder**
 Financial year ended **31st December 2007**
 Units **£000**

	UK Life 1	UK Pension 2	Overseas 3	Total Financial Year 4	Total Previous Year 5
--	------------------------	---------------------------	----------------------	-------------------------------------	------------------------------------

Gross

Form 51 - with-profits	11				
Form 51 - non-profit	12				
Form 52	13		723971	723971	736832
Form 53 - linked	14				
Form 53 - non-linked	15				
Form 54 - linked	16				
Form 54 - non-linked	17				
Total	18		723971	723971	736832

Reinsurance - external

Form 51 - with-profits	21				
Form 51 - non-profit	22				
Form 52	23				
Form 53 - linked	24				
Form 53 - non-linked	25				
Form 54 - linked	26				
Form 54 - non-linked	27				
Total	28				

Reinsurance - intra-group

Form 51 - with-profits	31				
Form 51 - non-profit	32				
Form 52	33		362538	362538	369595
Form 53 - linked	34				
Form 53 - non-linked	35				
Form 54 - linked	36				
Form 54 - non-linked	37				
Total	38		362538	362538	369595

Net of reinsurance

Form 51 - with-profits	41				
Form 51 - non-profit	42				
Form 52	43		361433	361433	367237
Form 53 - linked	44				
Form 53 - non-linked	45				
Form 54 - linked	46				
Form 54 - non-linked	47				
Total	48		361433	361433	367237

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

**Form 51
(Sheet 1)**

Name of insurer **CGNU Life Assurance Ltd**

Total business / subfund **With Profit**

Financial year ended **31st December 2007**

Units **£000**

UK Life / Gross

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
100	Conventional whole life with-profits OB	35534	869772	25891	n/a	n/a	n/a	324677
120	Conventional endowment with-profits OB savings	16576	191595	9559	n/a	n/a	n/a	113113
125	Conventional endowment with-profits OB target cash	159834	2831416	100192	n/a	n/a	n/a	1670868
175	Group conventional deferred annuity with-profits	32	13		n/a	n/a	n/a	213
205	Miscellaneous conventional with-profits	24	1707	27	n/a	n/a	n/a	258609
210	Additional reserves with-profits OB			582	n/a	n/a	n/a	393084
300	Regular premium non-profit WL/EA OB	15212	86589	1622	n/a	n/a	n/a	50435
325	Level term assurance	76924	7593709	23880	n/a	n/a	n/a	65400
330	Decreasing term assurance	54384	4670191	27789	n/a	n/a	n/a	206169
340	Accelerated critical illness (guaranteed premiums)	32511	2611575	13266	n/a	n/a	n/a	67079
360	Income protection non-profit (guaranteed premiums)	7586	382212	1624	n/a	n/a	n/a	30
390	Deferred annuity non-profit	11671	207		n/a	n/a	n/a	2661
395	Annuity non-profit (PLA)	176	353		n/a	n/a	n/a	3307
400	Annuity non-profit (CPA)	1876	447		n/a	n/a	n/a	3530
410	Group Life	222	80		n/a	n/a	n/a	13
415	Collective Life		1525404	170	n/a	n/a	n/a	9788
435	Miscellaneous non-profit	1725	439472	1542	n/a	n/a	n/a	12252
440	Additional reserves non-profit OB			631	n/a	n/a	n/a	9797

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

**Form 51
(Sheet 2)**

Name of insurer **CGNU Life Assurance Ltd**

Total business / subfund **With Profit**

Financial year ended **31st December 2007**

Units **£000**

UK Life / Reinsurance ceded external

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
100	Conventional whole life with-profits OB		1648	6	n/a	n/a	n/a	1352
300	Regular premium non-profit WL/EA OB		2635	124	n/a	n/a	n/a	993
325	Level term assurance		6751557	21312	n/a	n/a	n/a	50248
330	Decreasing term assurance		2803756	19358	n/a	n/a	n/a	129691
340	Accelerated critical illness (guaranteed premiums)		1897097	9510	n/a	n/a	n/a	42198
360	Income protection non-profit (guaranteed premiums)		5684	15	n/a	n/a	n/a	
395	Annuity non-profit (PLA)		3		n/a	n/a	n/a	12
400	Annuity non-profit (CPA)		5		n/a	n/a	n/a	12
410	Group Life		310	1	n/a	n/a	n/a	5
435	Miscellaneous non-profit		131760	848	n/a	n/a	n/a	919
440	Additional reserves non-profit OB			624	n/a	n/a	n/a	624

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

**Form 51
(Sheet 3)**

Name of insurer **CGNU Life Assurance Ltd**

Total business / subfund **With Profit**

Financial year ended **31st December 2007**

Units **£000**

UK Life / Reinsurance ceded intra-group

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
120	Conventional endowment with-profits OB savings		31413	2455	n/a	n/a	n/a	15059
125	Conventional endowment with-profits OB target cash		122827	6673	n/a	n/a	n/a	24389
205	Miscellaneous conventional with-profits				n/a	n/a	n/a	9672
210	Additional reserves with-profits OB			104	n/a	n/a	n/a	104
325	Level term assurance		113647	47	n/a	n/a	n/a	2561
330	Decreasing term assurance		95474	481	n/a	n/a	n/a	2543
340	Accelerated critical illness (guaranteed premiums)		231122	1246	n/a	n/a	n/a	8375
360	Income protection non-profit (guaranteed premiums)		174177	517	n/a	n/a	n/a	8
415	Collective Life		1476906		n/a	n/a	n/a	9612
435	Miscellaneous non-profit		1946	16	n/a	n/a	n/a	66
440	Additional reserves non-profit OB			30	n/a	n/a	n/a	30

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

**Form 51
(Sheet 4)**

Name of insurer **CGNU Life Assurance Ltd**

Total business / subfund **With Profit**

Financial year ended **31st December 2007**

Units **£000**

UK Pension / Gross

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
175	Group conventional deferred annuity with-profits	3319	6036	157	n/a	n/a	n/a	73200
185	Group conventional pensions endowment with-profits	1538	60551	531	n/a	n/a	n/a	70682
200	Annuity with-profits (CPA)	817	2855		n/a	n/a	n/a	25689
205	Miscellaneous conventional with-profits	71	566		n/a	n/a	n/a	12375
210	Additional reserves with-profits OB				n/a	n/a	n/a	6597
325	Level term assurance	6325	504703	2206	n/a	n/a	n/a	5926
330	Decreasing term assurance	220	5911	47	n/a	n/a	n/a	44
360	Income protection non-profit (guaranteed premiums)	164	4737	30	n/a	n/a	n/a	5
390	Deferred annuity non-profit	11893	8468		n/a	n/a	n/a	76478
400	Annuity non-profit (CPA)	28380	49496	6	n/a	n/a	n/a	534752
410	Group Life	3474	87276	476	n/a	n/a	n/a	2137
435	Miscellaneous non-profit	1763	30520	40	n/a	n/a	n/a	2445
440	Additional reserves non-profit OB			25	n/a	n/a	n/a	25

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

**Form 51
(Sheet 5)**

Name of insurer **CGNU Life Assurance Ltd**

Total business / subfund **With Profit**

Financial year ended **31st December 2007**

Units **£000**

UK Pension / Reinsurance ceded external

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
325	Level term assurance		486303	2113	n/a	n/a	n/a	5389
330	Decreasing term assurance		32		n/a	n/a	n/a	
360	Income protection non-profit (guaranteed premiums)		1		n/a	n/a	n/a	
400	Annuity non-profit (CPA)		92	3	n/a	n/a	n/a	51
410	Group Life		22479	146	n/a	n/a	n/a	440
435	Miscellaneous non-profit		375		n/a	n/a	n/a	2
440	Additional reserves non-profit OB			22	n/a	n/a	n/a	22

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

**Form 51
(Sheet 6)**

Name of insurer **CGNU Life Assurance Ltd**

Total business / subfund **With Profit**

Financial year ended **31st December 2007**

Units **£000**

UK Pension / Reinsurance ceded intra-group

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
325	Level term assurance		1999	12	n/a	n/a	n/a	27

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

**Form 51
(Sheet 7)**

Name of insurer **CGNU Life Assurance Ltd**

Total business / subfund **With Profit**

Financial year ended **31st December 2007**

Units **£000**

Overseas / Gross

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
100	Conventional whole life with-profits OB	151	3703	161	n/a	n/a	n/a	866
120	Conventional endowment with-profits OB savings	216	4043	176	n/a	n/a	n/a	2272
125	Conventional endowment with-profits OB target cash	923	27820	1092	n/a	n/a	n/a	14741
175	Group conventional deferred annuity with-profits	131	958	263	n/a	n/a	n/a	9591
205	Miscellaneous conventional with-profits	46	420	4	n/a	n/a	n/a	3780
210	Additional reserves with-profits OB			20	n/a	n/a	n/a	20
300	Regular premium non-profit WL/EA OB	86	1333	19	n/a	n/a	n/a	801
325	Level term assurance	909	130189	479	n/a	n/a	n/a	1202
330	Decreasing term assurance	1081	110604	399	n/a	n/a	n/a	981
340	Accelerated critical illness (guaranteed premiums)	597	64566	321	n/a	n/a	n/a	1083
360	Income protection non-profit (guaranteed premiums)	37	2150	12	n/a	n/a	n/a	
390	Deferred annuity non-profit	11	6		n/a	n/a	n/a	40
395	Annuity non-profit (PLA)	4	3		n/a	n/a	n/a	37
400	Annuity non-profit (CPA)	249	1108		n/a	n/a	n/a	13388
410	Group Life	62	1657	8	n/a	n/a	n/a	17
435	Miscellaneous non-profit	16	8329	21	n/a	n/a	n/a	226
440	Additional reserves non-profit OB			20	n/a	n/a	n/a	20

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

**Form 51
(Sheet 8)**

Name of insurer **CGNU Life Assurance Ltd**

Total business / subfund **With Profit**

Financial year ended **31st December 2007**

Units **£000**

Overseas / Reinsurance ceded external

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
325	Level term assurance		98572	307	n/a	n/a	n/a	915
330	Decreasing term assurance		86359	296	n/a	n/a	n/a	381
340	Accelerated critical illness (guaranteed premiums)		52383	239	n/a	n/a	n/a	760
360	Income protection non-profit (guaranteed premiums)		36	1	n/a	n/a	n/a	
435	Miscellaneous non-profit		3312	24	n/a	n/a	n/a	24
440	Additional reserves non-profit OB			21	n/a	n/a	n/a	21

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

**Form 51
(Sheet 9)**

Name of insurer **CGNU Life Assurance Ltd**

Total business / subfund **With Profit**

Financial year ended **31st December 2007**

Units **£000**

Overseas / Reinsurance ceded intra-group

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
120	Conventional endowment with-profits OB savings		684	44	n/a	n/a	n/a	318
125	Conventional endowment with-profits OB target cash		1180	64	n/a	n/a	n/a	187
205	Miscellaneous conventional with-profits				n/a	n/a	n/a	108
210	Additional reserves with-profits OB			2	n/a	n/a	n/a	2
325	Level term assurance		1606	4	n/a	n/a	n/a	16
330	Decreasing term assurance		2871	20	n/a	n/a	n/a	(3)
340	Accelerated critical illness (guaranteed premiums)		3888	38	n/a	n/a	n/a	67
360	Income protection non-profit (guaranteed premiums)		1451	8	n/a	n/a	n/a	
440	Additional reserves non-profit OB			1	n/a	n/a	n/a	1

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

**Form 52
(Sheet 1)**

Name of insurer **CGNU Life Assurance Ltd**

Total business / subfund **With Profit**

Financial year ended **31st December 2007**

Units **£000**

UK Life / Gross

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
500	Life UWP single premium	243772	8679184		8361226	8303893	11000	8314893
505	Life UWP whole life regular premium	3506	321995	2757	9328	9761		9761
510	Life UWP endowment regular premium - savings	1	46	2	46	46		46
515	Life UWP endowment regular premium – target cash	7463	304628	8275	59674	60502		60502
575	Miscellaneous UWP		436374		432053	411582	1010934	1422516
605	Miscellaneous protection rider		4636	121			5	5
605	Miscellaneous protection rider		5271					

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

**Form 52
(Sheet 2)**

Name of insurer **CGNU Life Assurance Ltd**

Total business / subfund **With Profit**

Financial year ended **31st December 2007**

Units **£000**

UK Life / Reinsurance ceded intra-group

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
500	Life UWP single premium		3877591		3864236	3840574		3840574
505	Life UWP whole life regular premium		312667					
515	Life UWP endowment regular premium – target cash		287754	5858	42801	43354		43354
575	Miscellaneous UWP						432975	432975
605	Miscellaneous protection rider		4636	121			5	5
605	Miscellaneous protection rider		5271					

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

**Form 52
(Sheet 3)**

Name of insurer **CGNU Life Assurance Ltd**

Total business / subfund **With Profit**

Financial year ended **31st December 2007**

Units **£000**

UK Pension / Gross

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
525	Individual pensions UWP	39139	1155103	23384	1148294	1154264		1154264
535	Group money purchase pensions UWP	24172	362561	37431	362053	363227		363227
571	Trustee investment plan UWP				86000	86105		86105
575	Miscellaneous UWP	14400	193596	3085		411234	227537	638772
605	Miscellaneous protection rider		7041	297			12	12
610	Additional reserves UWP						1212	1212

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

**Form 52
(Sheet 4)**

Name of insurer **CGNU Life Assurance Ltd**

Total business / subfund **With Profit**

Financial year ended **31st December 2007**

Units **£000**

UK Pension / Reinsurance ceded intra-group

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
525	Individual pensions UWP		402889	9778	396081	396713		396713
535	Group money purchase pensions UWP		154249	17698	153741	154110		154110
571	Trustee investment plan UWP				27929	27929		27929
575	Miscellaneous UWP						68874	68874
605	Miscellaneous protection rider		7041	297			12	12

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

**Form 52
(Sheet 5)**

Name of insurer **CGNU Life Assurance Ltd**

Total business / subfund **With Profit**

Financial year ended **31st December 2007**

Units **£000**

Overseas / Gross

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
525	Individual pensions UWP	3320	147802	4698	146758	147028		147028
571	Trustee investment plan UWP				1703	1712		1712
575	Miscellaneous UWP	88	3928	146		9054	19444	28498
605	Miscellaneous protection rider		808	18			1	1

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

**Form 52
(Sheet 6)**

Name of insurer **CGNU Life Assurance Ltd**

Total business / subfund **With Profit**

Financial year ended **31st December 2007**

Units **£000**

Overseas (BC - Irish Republic) / Gross

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
500	Life UWP single premium	2145	86532		86532	86532		86532
525	Individual pensions UWP	307	9383	648	9383	9399		9399
575	Miscellaneous UWP						8723	8723
605	Miscellaneous protection rider		21					

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

**Form 52
(Sheet 7)**

Name of insurer **CGNU Life Assurance Ltd**

Total business / subfund **With Profit**

Financial year ended **31st December 2007**

Units **£000**

Overseas (BF - France) / Gross

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
500	Life UWP single premium	2124	120562		119341	119341		119341
505	Life UWP whole life regular premium	112	1304	111	1291	1291		1291
575	Miscellaneous UWP						12549	12549

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

**Form 52
(Sheet 8)**

Name of insurer **CGNU Life Assurance Ltd**

Total business / subfund **With Profit**

Financial year ended **31st December 2007**

Units **£000**

Overseas (BK - Germany) / Gross

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
510	Life UWP endowment regular premium - savings	183	4485	508	4307	4307		4307
525	Individual pensions UWP	70	1395	61	660	660		660
575	Miscellaneous UWP						515	515

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

**Form 52
(Sheet 9)**

Name of insurer **CGNU Life Assurance Ltd**

Total business / subfund **With Profit**

Financial year ended **31st December 2007**

Units **£000**

Overseas (BT - Sweden) / Gross

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
500	Life UWP single premium	2131	100182		99182	99182		99182
510	Life UWP endowment regular premium - savings	317	3286	279	3260	3260		3260
575	Miscellaneous UWP						11921	11921
605	Miscellaneous protection rider		2					

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

**Form 52
(Sheet 10)**

Name of insurer **CGNU Life Assurance Ltd**

Total business / subfund **With Profit**

Financial year ended **31st December 2007**

Units **£000**

Overseas / Reinsurance ceded intra-group

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
525	Individual pensions UWP		30687	1670	30522	30550		30550
571	Trustee investment plan UWP				93	93		93
575	Miscellaneous UWP						3775	3775
605	Miscellaneous protection rider		808	18			1	1

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

**Form 52
(Sheet 11)**

Name of insurer **CGNU Life Assurance Ltd**

Total business / subfund **With Profit**

Financial year ended **31st December 2007**

Units **£000**

Overseas (BC - Irish Republic) / Reinsurance ceded intra-group

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
605	Miscellaneous protection rider		21					

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

**Form 52
(Sheet 12)**

Name of insurer **CGNU Life Assurance Ltd**

Total business / subfund **With Profit**

Financial year ended **31st December 2007**

Units **£000**

Overseas (BT - Sweden) / Reinsurance ceded intra-group

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
605	Miscellaneous protection rider		2					

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

**Form 52
(Sheet 13)**

Name of insurer **CGNU Life Assurance Ltd**

Total business / subfund **Stakeholder**

Financial year ended **31st December 2007**

Units **£000**

UK Pension / Gross

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
525	Individual pensions UWP	50806	588928	41002	588928	591185	5631	596816
535	Group money purchase pensions UWP	12069	125690	18393	125690	125936	1219	127155

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

**Form 52
(Sheet 14)**

Name of insurer **CGNU Life Assurance Ltd**

Total business / subfund **Stakeholder**

Financial year ended **31st December 2007**

Units **£000**

UK Pension / Reinsurance ceded intra-group

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
525	Individual pensions UWP		290742	20116	290742	291854	5631	297485
535	Group money purchase pensions UWP		63715	9109	63715	63834	1219	65053

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

**Form 53
(Sheet 1)**

Name of insurer **CGNU Life Assurance Ltd**

Total business / subfund **With Profit**

Financial year ended **31st December 2007**

Units **£000**

UK Life / Gross

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
700	Life property linked single premium	278295	10339691		9959758	9959758	(273783)	9685975
710	Life property linked whole life regular premium	9671	932532	5181	17140	17140	413	17553
715	Life property linked endowment regular premium - savings	16	4633	13	496	496	8	505
720	Life property linked endowment regular premium – target cash	4031	314050	4217	42398	42398	263	42661
790	Miscellaneous protection rider		12299	90			4	4
790	Miscellaneous protection rider		3220					
795	Miscellaneous property linked		102204	408			17	17
800	Additional reserves property linked						57802	57802

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

**Form 53
(Sheet 2)**

Name of insurer **CGNU Life Assurance Ltd**

Total business / subfund **With Profit**

Financial year ended **31st December 2007**

Units **£000**

UK Life / Reinsurance ceded intra-group

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
700	Life property linked single premium		10013160		9959758	9959758	(292263)	9667495
710	Life property linked whole life regular premium		856870	4766	17140	17140	392	17532
715	Life property linked endowment regular premium - savings		241	12	241	241	1	242
720	Life property linked endowment regular premium – target cash		207680	3986	42398	42398	187	42585
790	Miscellaneous protection rider		12299	90			4	4
790	Miscellaneous protection rider		3220					

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

**Form 53
(Sheet 3)**

Name of insurer **CGNU Life Assurance Ltd**

Total business / subfund **With Profit**

Financial year ended **31st December 2007**

Units **£000**

UK Pension / Gross

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
725	Individual pensions property linked	375836	8862012	365761	8695201	8695201	58682	8753882
735	Group money purchase pensions property linked	344925	3793933	458235	3785371	3785371	82011	3867382
755	Trustee investment plan				361508	361508	(215)	361292
790	Miscellaneous protection rider		28353	1212			50	50
795	Miscellaneous property linked		305	1				

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

**Form 53
(Sheet 4)**

Name of insurer **CGNU Life Assurance Ltd**

Total business / subfund **With Profit**

Financial year ended **31st December 2007**

Units **£000**

UK Pension / Reinsurance ceded intra-group

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
725	Individual pensions property linked		8742040	363192	8695201	8695201	47728	8742928
735	Group money purchase pensions property linked		3787214	457930	3785371	3785371	58069	3843440
755	Trustee investment plan				361508	361508	(523)	360984
790	Miscellaneous protection rider		28353	1212			50	50

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

**Form 53
(Sheet 5)**

Name of insurer **CGNU Life Assurance Ltd**

Total business / subfund **With Profit**

Financial year ended **31st December 2007**

Units **£000**

Overseas (BC - Irish Republic) / Gross

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
700	Life property linked single premium	594	9733		9733	9733	406	10138
725	Individual pensions property linked	789	14368	700	14368	14368	600	14968
790	Miscellaneous protection rider		27	1				

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

**Form 53
(Sheet 6)**

Name of insurer **CGNU Life Assurance Ltd**

Total business / subfund **With Profit**

Financial year ended **31st December 2007**

Units **£000**

Overseas (BF - France) / Gross

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
700	Life property linked single premium	1448	64282		63646	63646		63646
710	Life property linked whole life regular premium	93	598	60	592	592		592

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

**Form 53
(Sheet 7)**

Name of insurer **CGNU Life Assurance Ltd**

Total business / subfund **With Profit**

Financial year ended **31st December 2007**

Units **£000**

Overseas (BK - Germany) / Gross

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
715	Life property linked endowment regular premium - savings	291	4125	252	1369	1369	2368	3737
725	Individual pensions property linked	27	571	24	154	154	333	487

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

**Form 53
(Sheet 8)**

Name of insurer **CGNU Life Assurance Ltd**

Total business / subfund **With Profit**

Financial year ended **31st December 2007**

Units **£000**

Overseas (BT - Sweden) / Gross

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
700	Life property linked single premium	230	2975		2924	2924	12	2936
715	Life property linked endowment regular premium - savings	272	2647	162	2614	2614		2614
790	Miscellaneous protection rider		18					

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

**Form 53
(Sheet 9)**

Name of insurer **CGNU Life Assurance Ltd**

Total business / subfund **With Profit**

Financial year ended **31st December 2007**

Units **£000**

Overseas / Gross

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
725	Individual pensions property linked	9128	132216	14483	130912	130912	1864	132776
755	Trustee investment plan				1177	1177	(9)	1168
790	Miscellaneous protection rider		2010	38			2	2

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

**Form 53
(Sheet 10)**

Name of insurer **CGNU Life Assurance Ltd**

Total business / subfund **With Profit**

Financial year ended **31st December 2007**

Units **£000**

Overseas (BC - Irish Republic) / Reinsurance ceded intra-group

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
700	Life property linked single premium		9733		9733	9733		9733
725	Individual pensions property linked		14368	665	14368	14368	562	14929
790	Miscellaneous protection rider		27	1				

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

**Form 53
(Sheet 11)**

Name of insurer **CGNU Life Assurance Ltd**

Total business / subfund **With Profit**

Financial year ended **31st December 2007**

Units **£000**

Overseas (BK - Germany) / Reinsurance ceded intra-group

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
715	Life property linked endowment regular premium - savings		4125	244	1369	1369	562	1931
725	Individual pensions property linked		571	23	154	154	63	217

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

**Form 53
(Sheet 12)**

Name of insurer **CGNU Life Assurance Ltd**

Total business / subfund **With Profit**

Financial year ended **31st December 2007**

Units **£000**

Overseas (BT - Sweden) / Reinsurance ceded intra-group

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
700	Life property linked single premium		2924		2924	2924		2924
715	Life property linked endowment regular premium - savings		2614	149	2614	2614		2614
790	Miscellaneous protection rider		18					

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

**Form 53
(Sheet 13)**

Name of insurer **CGNU Life Assurance Ltd**

Total business / subfund **With Profit**

Financial year ended **31st December 2007**

Units **£000**

Overseas / Reinsurance ceded intra-group

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
725	Individual pensions property linked		132178	14355	130912	130912	1834	132746
755	Trustee investment plan				1177	1177	(9)	1168
790	Miscellaneous protection rider		2010	38			2	2

Long-term insurance business - analysis of valuation interest rate

**Form 57
(Sheet 1)**

Name of insurer **CGNU Life Assurance Ltd**

Total business / subfund **With Profit**

Financial year ended **31st December 2007**

Units **£000**

Product Group 1	Net mathematical reserves 2	Net valuation interest rate 3	Gross valuation interest rate 4	Risk adjusted yield on matching assets 5
UK L&GA WP Form 51	2710325	2.90	3.32	4.24
UK L&GA NP Form 51	175240	2.90	3.63	4.82
UK Pens WP Form 51	172816		3.70	4.24
UK Pens WP Form 51 Immediate Annuities	26171		2.00	4.24
UK Pens NP Form 51 Deferred Annuities	84235		3.60	4.82
UK Pens NP Form 51 Annuity in Payment	554583		4.20	4.82
UK L&GA WP Form 52	5175214	3.55	4.07	4.24
UK L&GA WP Form 52 NUIL	479507		4.00	4.24
UK Pens WP Form 52	1179116		4.00	4.24
UK Pens WP Form 52 SEDA	456891		3.70	4.24
OS WP Form 52	503076		4.00	4.24
UK L&GA NP Form 53	78627	3.40	4.25	4.82
UK Pens NP Form 53	35543		4.20	4.82
Misc	112493			
TOTAL	11743837	n/a	n/a	n/a

Long-term insurance business - analysis of valuation interest rate**Form 57
(Sheet 1)**Name of insurer **CGNU Life Assurance Ltd**Total business / subfund **Stakeholder**Financial year ended **31st December 2007**Units **£000**

Product Group 1	Net mathematical reserves 2	Net valuation interest rate 3	Gross valuation interest rate 4	Risk adjusted yield on matching assets 5
UK Pens WP Form 52	375813		4.00	4.24
TOTAL	375813	n/a	n/a	n/a

Long-term insurance business: distribution of surplus

Form 58

Name of insurer **CGNU Life Assurance Ltd**
 Total business / subfund **Total Long-Term Insurance Business**
 Financial year ended **31st December 2007**
 Units **£000**

	Financial year 1	Previous year 2
--	----------------------------	---------------------------

Valuation result

Fund carried forward	11	12119650	10864366
Bonus payments in anticipation of a surplus	12	166037	102145
Transfer to non-technical account	13	42628	34463
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	12328315	11000974
Mathematical reserves	21	11870608	10634675
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	457707	366299

Composition of surplus

Balance brought forward	31	20	20
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	457687	366279
Total	39	457707	366299

Distribution of surplus

Bonus paid in anticipation of a surplus	41	166037	102145
Cash bonuses	42		
Reversionary bonuses	43	249042	229671
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	415079	331816
Net transfer out of fund / part of fund	47	42628	34463
Total distributed surplus (46+47)	48	457707	366279
Surplus carried forward	49		20
Total (48+49)	59	457707	366299

Percentage of distributed surplus allocated to policyholders

Current year	61		
Current year - 1	62		
Current year - 2	63		
Current year - 3	64		

Long-term insurance business: distribution of surplus

Form 58

Name of insurer **CGNU Life Assurance Ltd**
 Total business / subfund **With Profit**
 Financial year ended **31st December 2007**
 Units **£000**

	Financial year 1	Previous year 2
--	----------------------------	---------------------------

Valuation result

Fund carried forward	11	11743837	10482881
Bonus payments in anticipation of a surplus	12	151537	97178
Transfer to non-technical account	13	42628	34463
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	11938002	10614522
Mathematical reserves	21	11509175	10267438
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	428827	347084

Composition of surplus

Balance brought forward	31	20	20
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	428807	347064
Total	39	428827	347084

Distribution of surplus

Bonus paid in anticipation of a surplus	41	151537	97178
Cash bonuses	42		
Reversionary bonuses	43	234662	215423
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	386199	312601
Net transfer out of fund / part of fund	47	42628	34463
Total distributed surplus (46+47)	48	428827	347064
Surplus carried forward	49		20
Total (48+49)	59	428827	347084

Percentage of distributed surplus allocated to policyholders

Current year	61	90.06	90.07
Current year - 1	62	90.07	90.09
Current year - 2	63	90.09	90.09
Current year - 3	64	90.09	90.10

Long-term insurance business: distribution of surplus

Form 58

Name of insurer **CGNU Life Assurance Ltd**
 Total business / subfund **Stakeholder**
 Financial year ended **31st December 2007**
 Units **£000**

	Financial year 1	Previous year 2
--	----------------------------	---------------------------

Valuation result

Fund carried forward	11	375813	381485
Bonus payments in anticipation of a surplus	12	14500	4967
Transfer to non-technical account	13		
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	390313	386452
Mathematical reserves	21	361433	367237
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	28880	19215

Composition of surplus

Balance brought forward	31		
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	28880	19215
Total	39	28880	19215

Distribution of surplus

Bonus paid in anticipation of a surplus	41	14500	4967
Cash bonuses	42		
Reversionary bonuses	43	14380	14248
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	28880	19215
Net transfer out of fund / part of fund	47		
Total distributed surplus (46+47)	48	28880	19215
Surplus carried forward	49		
Total (48+49)	59	28880	19215

Percentage of distributed surplus allocated to policyholders

Current year	61	100.00	100.00
Current year - 1	62	100.00	100.00
Current year - 2	63	100.00	100.00
Current year - 3	64	100.00	100.00

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

Form 59A

Name of insurer **CGNU Life Assurance Ltd**

Original insurer **CGNU Life Assurance Limited**

Date of maturity value/open market option **01 Mar 2008**

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	7512	1522		CWP	N	7512
Endowment assurance	15	14307	2898		CWP	N	14307
Endowment assurance	20	24670	3956		CWP	N	24670
Endowment assurance	25	48281	14015		CWP	N	48281
Regular premium pension	5	16384	3333		UWP	N	16384
Regular premium pension	10	32304	4968		UWP	N	32304
Regular premium pension	15	61302	11211		UWP	N	61302
Regular premium pension	20	145237	26850		CWP	N	145237
Single premium pension	5	17361	5639		UWP	N	17361
Single premium pension	10	18065	2064		UWP	N	18065
Single premium pension	15	33789	8498		UWP	N	33789
Single premium pension	20	68873	13465		CWP	N	68873

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

Form 59B

Name of insurer **CGNU Life Assurance Ltd**
 Original insurer **CGNU Life Assurance Limited**
 Date of surrender value **01 Mar 2008**

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	1417			CWP	N	13342
Endowment assurance	10	5035			CWP	N	15923
Endowment assurance	15	14441			CWP	N	24328
Endowment assurance	20	24425			CWP	N	31120
With-profits bond	2	11220	1060		UWP	Y	11991
With-profits bond	3	12975	2243		UWP	Y	13480
With-profits bond	5	16004	4646		UWP	Y	16164
With-profits bond	10	16294	1318		UWP	Y	16457
Single premium pension	2	11989	1275		UWP	Y	11989
Single premium pension	3	13852	2806		UWP	Y	13852
Single premium pension	5	17361	5639		UWP	Y	17361
Single premium pension	10	18065	2064		UWP	Y	18065

Long-term insurance capital requirement

Form 60

Name of insurer **CGNU Life Assurance Ltd**

Global business

Financial year ended **31st December 2007**

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%	227727	227727		
Classes I (other), II and IX	12	0.1%	31104	11858	0.50	16
Classes I (other), II and IX	13	0.15%				
Classes I (other), II and IX	14	0.3%	19006745	4716784		28510
Classes III, VII and VIII	15	0.3%	3046267	1058474	0.50	4569
Total	16		22311843	6014843		33095
						38189

Insurance health risk and life protection reinsurance capital component

Class IV, supplementary classes 1 and 2 and life protection reinsurance	21					3526
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Insurance expense risk capital component

Life protection and permanent health reinsurance	31	0%				
Classes I (other), II and IX	32	1%	5533974	5226036	0.94	52260
Classes III, VII and VIII (investment risk)	33	1%	14430048	6774498	0.85	122655
Classes III, VII and VIII (expenses fixed 5 yrs +)	34	1%	5305830	1052	0.85	45100
Classes III, VII and VIII (other)	35	25%				51
Class IV (other)	36	1%				308
Class V	37	1%				
Class VI	38	1%	3190	3190	1.00	32
Total	39					220098
						218677

Insurance market risk capital component

Life protection and permanent health reinsurance	41	0%	1115	1115		
Classes I (other), II and IX	42	3%	5533974	5226036	0.94	156781
Classes III, VII and VIII (investment risk)	43	3%	14430048	6774498	0.85	367966
Classes III, VII and VIII (expenses fixed 5 yrs +)	44	0%	5305830	1052		
Classes III, VII and VIII (other)	45	0%	15517617	113759		
Class IV (other)	46	3%				925
Class V	47	0%				
Class VI	48	3%	3190	3190	1.00	96
Total	49		40791774	12119650		524843
						475589

Long term insurance capital requirement	51					778036
						735981

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

Global business

Financial year ended **31st December 2007****Code****0301 Reconciliation of net admissible assets to total capital resources after deductions**2007
£000

i)	Net admissible assets	
	Form 13 Line 89 (Long term business)	16,515,148
	Form 13 Line 89 (Other than long term business)	47,552
	Form 14 Lines 11, 12 and 49	(13,622,747)
	Form 15 Line 69	(284)
		<u>2,939,669</u>
ii)	Components of Capital resources that are treated as a liability	-
iii)	Components of capital resources not included in ii) that arise as a result of a waiver and are not represented by admissible assets included in Form 13	-
iv)	Any other items – Capital resources requirement of regulated related insurance undertakings	-
	Total i) to iv) above	
	Form 3, line 79	<u>2,939,669</u>

0310 Calculation of valuation differences as required by instruction 9 to Form 32007
£000

i)	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	-
ii)	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	1,441,149
iii)	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	(2,851)
iv)	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 /(35)	<u>1,438,298</u>

The amounts included at line ii) represent the differences in respect of technical provisions
The amounts included at line iii) represent prior year transfers from the PHI fund.

0313 Reconciliation of profit and loss account and other reserves2007
£000

	Profit and loss account and other reserves at the end of the previous financial year (Form 3 Line 12 Column 4)	41,228
	Profit/(loss) retained for the financial year (Form 16 Line 59)	8,641
	Profit/(loss) arising in long-term insurance funds that has not been Transferred to the shareholder fund	-
	Other adjustments	-
	Profit and loss account and other reserves at the end of this financial year (Form 3 Line 12 Column 3)	<u>49,869</u>

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

The company held hybrid securities of £372.4m in the Long Term Insurance Fund.

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

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

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

Global business

Financial year ended **31st December 2007****Code****1305 Counterparty limits during the year****1319 Counterparty limits during the year**

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

Deposits

The maximum permitted exposure to counterparties is set out in the Investment Management Agreement with Morley Fund Management Limited and approved by the Norwich Union Life Investment Committee.

Each Fund cannot hold more than 2% of funds under management (but subject to a minimum of £20m and a maximum of £100m) with individual 'Tier 1' counterparties, 1.5% of funds under management (but subject to a minimum of £15m and a maximum of £75m) with individual 'Tier 2' counterparties and 0.5% of funds under management (but subject to a minimum of £10m and a maximum of £50m) with individual 'Tier 3' counterparties. Tier 1 represents AAA rated institutions, Tier 2 represents institutions rated AA- or better whilst Tier 3 represents institutions rated A- or better.

Equities

The maximum of a company's equity held by all funds is limited to 10%. Unquoted holdings represent 2.4% 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. Private placements are limited to 2% of the active asset share portfolio.

Derivatives

Exposure to derivatives is considered in the management of the funds within the overall risk limits. Where appropriate, constraints are in place over the nature of derivative instruments and the duration.

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

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

1301 Aggregate value of unlisted investments, etc. – other than long term insurance business**1308 Aggregate value of unlisted investments, etc. - long term insurance business**

The long-term fund held £177m in unlisted securities, £18m in unlisted equity and £1,227.5m of units in unregulated collective investment schemes. There were no holdings in listed companies, which are not readily realisable, or reversionary interests or remainders in property.

1318 Other asset adjustments

	£'000
Gross up of Derivatives	(49)
Late adjustments/reclass	(715)
Roundings	(478)
Initial margin gross up	(5,666)
Other asset adjustments included in Form 13 line 101	22,401

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

Global business

Financial year ended **31st December 2007****Code****1311 Restatement of Comparatives****1411 Restatement of Comparatives****1811 Restatement of Comparatives****1911 Restatement of Comparatives**

The Company enters into stock lending transactions and receives collateral to reduce the Company's exposure to counter party credit risk. This collateral may take the form of cash or non-cash collateral. Upon review of these transactions it was identified that under International Financial Reporting Standards certain cash collateral transactions should have been recognised on the balance sheet with a corresponding obligation to return this collateral. The cash collateral received was subsequently lent out with this loan being fully collateralised by non-cash collateral.

As a result, to allow an appropriate comparison to be made the following adjustment has been recognised in the 2006 comparative figures of these financial statements:

- Form 13 Line 53 Other loans has increased by £168.3 million.
- Form 14 Line 38 Creditors – other has increased by £168.3 million.
- Form 18 Line 11 Long-term admissible assets of the fund has increased by £168.3m.
- Form 18 Line 22 Regulatory current liabilities of the fund has increased by £168.3m.
- Form 19 Line 51 Realistic current liabilities of the fund has increased by £168.3m.

Where the £168.3m is fund dependent and the same as the increase to other loans in F13.

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

No provision for reasonably foreseeable adverse variations is required as no assets are held which would give rise to a future liability, which would not be covered by appropriate assets.

1402 Contingent liabilities, etc.

There are no charges over any assets of the Company.

Included in deferred tax liabilities at line 21 of form 14 is an amount of £251m comprising a full provision for potential tax on unrealised gains and run-off of tax acquisition expenses.

There are no contingent liabilities included on the form.

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

1404 Implicit provision for derivative contracts

Included in line 38 is £81m relating to provision required by INSPRU 3.2.17R(3)

1405 Other adjustments to liabilities

	£'000
Gross up of Derivatives	(49)
Technical provisions adjustment	1,441,149
Late adjustments/reclass	(715)
Roundings	(478)
Initial margin gross up	(5,666)
Other adjustments to liabilities included in Form 14 line 74	1,434,241

Supplementary notes

Name of insurer **CGNU Life Assurance Limited**

Global business

Financial year ended **31st December 2007**

Code

1502 Contingent liabilities, etc.

There are no charges over any assets of the Company.

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

There are no contingent liabilities included on the form.

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

1601 Basis of conversion of foreign currency

Assets and liabilities in currencies other than sterling have been translated into sterling at rates of exchange ruling at 31 December 2007. Revenue items in currencies other than sterling have been translated into sterling at an average rate of exchange for the year.

1700 Form omitted

This form has been omitted for the Total Other than Long Term Insurance Business Assets as all entries (including comparatives) would be blank.

1701 Variation margin

The aggregate amount of negative variation margin which has been received by the Company is £25m. The variation margin is allocated to form 13 as follows:

	£'000
Form 13 line 44	25,205

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

4006 Apportionment of items between different long term business funds

Investment Income

Invested assets are individually designated to a particular fund. Consequently all investment income is allocated by reference to the designation of the asset.

Increase or decrease in the value of assets brought into account

The value of assets brought into account is determined by reference to the liabilities of the relevant fund. The assets available are individually designated to the relevant fund.

Expenses

All expenses are examined to identify those directly attributable to a particular fund. Those not directly attributable are apportioned pro rata to the work carried out for the fund.

Taxation

The taxation of each fund is computed in accordance with the taxation regulations applicable to that class of business.

4008 Provision of management services

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

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

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

Global business

Financial year ended **31st December 2007****Code****4009 Related party transactions**

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

Connected Party	Norwich Union Life & Pensions Limited
Nature of relationship	Fellow group undertaking
Nature of transactions during the period	Reinsurance ceded
Value of transactions during the period	Premiums £5,062m
	Claims £2,443m
	Commission £222m
	Expenses £140m
Nature of transactions during the period	Reinsurance accepted
Value of transactions during the period	Premiums £13m
	Claims £48m
	Expenses £23m
Amounts unpaid at the end of the period	£49m owed to Norwich Union Life & Pensions Limited
Amounts written off in the period	£nil

4401 Basis of valuation in internal linked funds

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

4701 No record of benefits

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

Code	Number of schemes
415	0
571	38
755	695

4803 Redemption of securities

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

4804 Yields for other assets

The yield shown in column 4 for the following assets is significantly different from the weighted average of the yields for each asset of that type determined in accordance with INSPRU 3.1.34R(2) before any allowance for tax required by INSPRU 3.1.29R.

	Yield
Interest bearing debtors	5.30%
Non-interest bearing debtors	5.66%
Loans secured by mortgages	5.86%
Loans to group undertakings	5.66%, 6.46% and 7.04%
Loans secured by insurance policies	8.50%

4806 Returns on assets backing with-profits liabilities

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

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

Global business

Financial year ended **31st December 2007****Code****4901 Rating agency**

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

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

5101 No record of benefits**5201 No record of benefits****5301 No record of benefits**

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

Note	Code	Number of schemes
5101	415	51
5201	571	709
5301	755	2,348

5103 Miscellaneous product codes

Since 1% of gross mathematical reserves = £408m, then any miscellaneous product codes that exceed £10m are mentioned below.

Product 205 Miscellaneous conventional with-profits**UK Life Gross**

Special Distribution	£257.1m
Staff Life Bonus	£1.1m
Miscellaneous Assurance	£0.4m
Total	£258.6m

UK Pensions Gross

Special Distribution	£12.4m
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Product 435 Miscellaneous non-profit**UK Life Gross**

Decreasing Term Assurance	£9.3m
Increasing Term Assurance	£1.2m
Miscellaneous Assurance	£1.8m
Total	£12.3m

5203 Miscellaneous product codes**Product 575 Miscellaneous UWP****UK Life Gross**

NUIL With Profit Bond and Core Funds Bond	£411.6m
Special Distribution	£1,010.9m
Total	£1,422.5m

UK Life RC

Special Distribution	£433.0m
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UK Pension Gross

Retirement Annuity	£411.2m
Special Distribution	£227.5m
Total	£638.8m

Supplementary notes

Name of insurer **CGNU Life Assurance Limited**

Global business

Financial year ended **31st December 2007**

Code

UK Pension RC

Special Distribution £68.9m

Other Overseas Gross

Retirement Annuity £9.1m

Special Distribution £19.4m

Total £28.5m

France Gross

Special Distribution £12.5m

Sweden Gross

Special Distribution £11.9m

5104 Approximations

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

Valuation report – IPRU (INS) Appendix 9.4

Name of insurer **CGNU Life Assurance Limited**
 Global business
 Financial year ended **31 December 2007**

1. Introduction

- (1) The **valuation date** is 31 December 2007.
- (2) The previous valuation was completed with an effective date of 31 December 2006.
- (3) An interim valuation was carried out with an effective date of 30 June 2007 for the purposes of rule 9.3A.

2. Product Range

A new charge for the inflation-protected guarantee for with-profit fund investments made in the Portfolio investment bond was introduced on new bonds from 12 February 2007. The charge for the guarantee is an additional annual management charge of 0.7% per year, applicable for the first 10 years.

From 12 February 2007, new with-profit fund investments are no longer entitled to the free inflation-protected guarantee. From this date, other with-profit fund investments made in the Portfolio investment bond are entitled to a money-back guarantee on the 10th anniversary.

For Norwich Union International Limited (NUIL) with-profit bonds that are reinsured into the Company, similar changes have been made from 12 March 2007. The additional charge for the inflation-protected guarantee is 0.5% per year.

During the financial year, the fund closed to new pensions business from the Channel Islands. After the closure to new business, increments and new members to existing schemes are still accepted.

This 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 2007. 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 2007. Units purchased in a year that is not shown were not subject to an MVR during 2007.

Product	UWP Life (explicitly-charged business)	UWP Life (implicitly charged business excl Bond 2000)	UWP Life (Bond 2000)	UWP Pensions (explicitly charged business excl Stakeholder)	UWP Pensions (implicitly-charged business)	UWP Pensions (Stakeholder)	UWP Life business - reinsured from NUIL
1997	(N/A)	(N/A)	(N/A)	(N/A)	(N/A)	(N/A)	(N/A)
1998	(N/A)	(N/A)	(N/A)	(N/A)	(N/A)	(N/A)	(N/A)
1999	(N/A)	01/01/2007 - 30/06/07	(N/A)	(N/A)	01/01/2007 - 30/06/07	(N/A)	(N/A)
2000	(N/A)	01/01/2007 - 30/06/07	01/01/2007 - 30/06/07	(N/A)	01/01/2007 - 30/06/07	(N/A)	(N/A)
2001	(N/A)	(N/A)	(N/A)	(N/A)	(N/A)	(N/A)	(N/A)

Irish business:

No MVRs have been applied throughout 2007.

French business:

MVRs are calculated on a case-by-case basis and apply to a minority of cases, mainly centring on investments made in 2000.

German business:

MVRs are calculated on a case-by-case basis. No MVRs have been applied throughout 2007.

Swedish business:

MVRs used are the same as for implicitly charged pensions.

Norwich Union Life (RBS) Limited (NUL (RBS)) business:

Valuation report – IPRU (INS) Appendix 9.4

Name of insurer **CGNU Life Assurance Limited**
Global business
Financial year ended **31 December 2007**

No MVRs have been applied during 2007.

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

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

The monthly administration charge increased by 3.4%, except for Irish products where the charge increased by 2.9%.

Ex-GA products

The monthly administration charge increased by 5.2% on Life and Pensions products.

- (5) There have been no changes to benefit charges on linked policies.
- (6) There have been no changes to notional charges on accumulating with-profit policies. There were no changes to unit management charges.
- (7) One pool of assets is operated for each internal linked fund. Asset units are created and cancelled at either the asset offer price or the asset bid price depending upon the prevailing basis of the fund and using the most recently available price. The pricing basis is set depending upon the short and medium term expectation of whether the associated internal linked fund will be in a net inflow or outflow position. This includes sales and purchases by Managed funds.

Where an instruction, payment or all our requirements are received for a transaction before 8:00am on a business day, then units are allocated at the unit price based upon market movements up to 11:00pm on the previous business day. Where the instruction, payment or all our requirements are received after 8:00am then units are allocated at the next available unit price. The Company reserves the right to defer any transaction to a subsequent valuation point.

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

This applies in respect of tax on notional realisations under the Taxes Acts as well as tax on realised capital gains. The tax rates used in calculating these deductions are as specified in section 3(9) below.

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

For funds with an excess of realised/unrealised gains over losses the percentage used for gains and losses varied by fund in the range 15% to 20% during the year to 31 December 2007.

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 20% during the year to 31 December 2007.

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

4. Valuation basis (other than for special reserves)

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

- (1) **Valuation methodology**

Valuation report – IPRU (INS) Appendix 9.4

Name of insurer **CGNU Life Assurance Limited**
Global business
Financial year ended **31 December 2007**

£10m is less than 1% of gross mathematical reserves = £408m. Therefore £10m has been used as the materiality limit for this section.

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

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

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

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

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

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

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

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

Provision is made for future expenses on the basis of the charges made to the Company under the Management Services Agreement with Norwich Union Life Services assuming future inflation at 4.0% per annum.

Principles adopted in the valuation of particular contracts were:

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

This result is then compared with a prospective valuation and the higher result taken.

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

An allowance is made for future non-guaranteed surrenders. At a date (or dates in the case of regular withdrawals) where the company guarantees not to apply a Market Value Reduction on surrender, an exit rate of 100% is assumed. This is because the company now allows a 'roll-forward' of the no-MVR amount after the first no-MVR date. This approach is prudent.

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

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

Global business

Financial year ended **31 December 2007**

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

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

Debts that have been imposed on assurances have been ignored.

- (g) Amounts in overseas currencies were converted to sterling using rates of exchange current at the valuation date.
- (h) The reserve for the Irish and German term assurance contracts was taken as one year's premium.
- (i) The reserve for waiver of premium benefits attaching to endowment assurance, term assurance and decreasing term assurance contracts has been taken as one year's premium.

(2) Valuation interest rates:

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

Product Group	31 December 2007	31 December 2006
Life Assurances		
All Conventional With-Profit business	2.9%	2.9%
All Conventional Non-Profit business	2.9%	2.9%
All Unitised With Profit business	3.55%	3.55%
Pensions and General Annuities		
Immediate Annuities (currently in payment)	4.2%	4.2%
With-Profit Deferred Annuity		
In payment	3.7%	3.7%
In deferment	3.7%	3.7%
Non-Profit Deferred Annuity		
In payment	3.6%	3.6%
In deferment	3.6%	3.6%
Pure Endowment WP	3.7%	3.7%
In-payment rate for valuing Guaranteed Annuity Options	3.7%	3.7%
Other Non-Profit Conventional business	3.6%	3.6%
All Unitised With-Profit business	4.0%	4.0%
With Profit Annuity	2.0%	2.0%

(3) Adjustment to yield for credit risk**Equity/Property assets**

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

In the case of equity, the cap is the Long Term Gilt Yield + 2%. The cap reduces the average yield on equities by approximately 0.11%. In the case of property, the cap is also the Long Term Gilt Yield + 2%. The cap reduces the average yield on property by approximately 0.02%.

This is because the yields on the Company's property are currently low (average 4.3%) compared to gilt yields, with 73% of the business having a yield below 6%. This implies that much of the credit risk has already been taken into account in the calculation of the base running yields.

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%	0.67%

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Global business

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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 September 2007 plus an additional margin.

The deduction used was 0.39%. 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 2007	Mortality basis 31 December 2006
CGNU Life Assurances		
Whole life and Endowments; Decreasing Term Assurance on Low Cost Endowment and Whole Life; Group & IPA Term Assurance; Contingent Assurances	132% AM92 / 132% AF92 Sel 2	80% AM92/85% AF92 (Non-Smoker) 210% AM92/250% AF92 (Smoker)
Unitised With Profits	120% AM92/AF92	120% AM92/AF92
Term assurance (Non-Profit)	75% TM92/75% TF92 (NS) 160% TM92/220% TF92 (S)	75% TM92/75% TF92 (NS) 160% TM92/220% TF92 (S)
Mortgage Protection (Non-Profit)	85% TM92/90% TF92 (NS) 165% TM92/210% TF92 (S)	85% TM92/90% TF92 (NS) 165% TM92/210% TF92 (S)
Other term	1x premium	1x premium
Lifecover plus	Lifecover plus 93	Lifecover plus 93
CGNU General Annuities		
Immediate Annuities – Individual	74% IML00/77% IFL00	74% IML00/77% IFL00
Immediate Annuities – Group; GAOs in payment	90.5% PCMA00/85% PCFA00 (assume all business pre 1/1/03)	90.5% PCMA00/85% PCFA00 (assume all business pre 1/1/03)
Individual deferred annuity In deferment Post vesting	50% AM92/50% AF92 74% IML00/77% IFL00	50% AM92/50% AF92 74% IML00/77% IFL00
Group deferred annuity In deferment Post vesting	50% AM92/50% AF92 90.5% PCMA00/85% PCFA00	50% AM92/50% AF92 90.5% PCMA00/85% PCFA00
CGNU Pensions Business		
Immediate Annuities; With profit Annuity	90.5% PCMA00/85% PCFA00	90.5% PCMA00/85% PCFA00
GAOs in payment	90.5% PCMA00/85% PCFA00	90.5% PCMA00/85% PCFA00
Pure Endowment	50% AM92/50% AF92	50% AM92/50% AF92
Whole Life & Endowment Insurance Group Term Assurance	132% AM92 / 132% AF92 Sel 2	AM92/AF92
Unitised With Profits	50% AM92/AF92	50% AM92/AF92
Term assurance	75% TM92/75% TF92 (NS) 160% TM92/220% TF92 (S)	75% TM92/75% TF92 (NS) 160% TM92/220% TF92 (S)
Deferred Annuity Reversionary Annuity In deferment Post vesting	50% AM92/50% AF92 90.5% PCMA00/85% PCFA00	50% AM92/50% AF92 90.5% PCMA00/85% PCFA00
Widows Death in Service In deferment Post vesting	AM92/AF92 90.5% PCMA00/85% PCFA00	AM92/AF92 90.5% PCMA00/85% PCFA00
Current Cost Term Insurance	1 periodic premium	1 periodic premium

Notes on tables:

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

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Global business

Financial year ended **31 December 2007**

	31 December 2007	31 December 2006
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 2007	Expectation of Life for annuitant aged 75 in 2007	Expectation of Life from age 65 for annuitant aged 45 in 2007	Expectation of Life from age 65 for annuitant aged 55 in 2007
90.5% of PCMA00 plus 100% CMI_Medium_Cohort, min 2%, applied from 2005	23.29	14.13	27.73	25.48
85% of PCFA00 plus 75% CMI_Medium_Cohort, min 1.5%, applied from 2005	25.38	16.02	28.41	26.89
74% IML00 plus 100% CMI_Medium_Cohort, min 2%, applied from 2005	25.41	15.71	29.69	27.53
77% IFL00 plus 75% CMI_Medium_Cohort, min 1.5%, applied from 2005	27.08	17.04	29.95	28.51

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:

Margins in the published mortality basis are sufficient to cover current estimates of the cost of future additional claims from AIDS, other than those arising out of the exercise of options, at a level corresponding to one third of the AIDS Working Party's Projection 6A with allowance for the continuance of mortality rates at peak rates. The additional AIDS reserve for options is £3.2m.

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

(5) Morbidity assumptions

- Combined disability and mortality rates were used for Critical Illness attached to Level Term Assurance. The table used is expressed as an annual rate per mille:

Age	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

- Combined disability and mortality rates were used for Critical Illness attached to Mortgage Protection. The table used is expressed as an annual rate per mille:

Age	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

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

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Global business

Financial year ended **31 December 2007**

Age	Male Non-Smoker	Male Smoker	Female Non-Smoker	Female Smoker
25	0.953	1.067	0.955	0.973
35	1.218	1.675	1.423	2.105
45	3.390	6.252	2.779	5.667
55	8.330	19.286	7.065	15.834

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

(6) Expense assumptions:

Expense assumptions (except for unit-linked business) are taken as 130% (130% for 2006) of the amounts detailed in the Management Services Agreement (MSA) plus an aggregate provision of £16.9m. 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. Unit-linked expenses for 2007 are based on attributable expenses from a revised MSA.

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

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

The table below shows the per-policy expenses assumptions in 2006 and 2007 (excluding allowance for project costs). These figures form the base position for the valuation expense assumptions.

Product	Product code	Renewal admin (£ per policy)	
		2007	2006
CWP savings endowment	120	17.47	16.97
CWP target cash endowment	125	17.47	16.97
Term assurance	325/330	17.47	16.97
Critical illness	340/345/350/355	17.47	16.97
Income protection	360/365	17.47	16.97
Annuity	400	17.00	16.52
UWP bond	500	19.75	19.2
UWP savings endowment	510	15.49	15.05
UWP target cash endowment	515	15.49	15.05
UWP regular premium pension	525/545	21.55	19.04
UWP single premium pension	525/545	21.55	19.04
UWP group regular premium pension	535	21.55	19.04
UWP group single premium pension	535	21.55	19.04
UL bond	700	16.40	14.49
UL savings endowment	715	21.21	20.41
UL target cash endowment	720	4.28	4.16
UL regular premium pension	725	21.55	19.04
UL single premium pension	725	21.55	19.04
UL group regular premium pension	735	20.38	19.78
UL group single premium pension	735	20.38	19.78

For Joint Venture With-Profit Bond expenses see NUL (RBS) FSA Returns.

Assumed future expense inflation:

4.00% per annum (NAE – 1%, as set by the MSA agreement)

Zillmer adjustments:

No Zillmer adjustments were made to net premium reserves.

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:

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Global business

Financial year ended **31 December 2007**

Asset Class	Reduction in asset yield
Equity	0.250%
Property	0.182%
Gilts	0.040%
Other Fixed Interest	0.077%
Cash	0.059%

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

Tax relief

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

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

	31 December 2007		31 December 2006	
	Life	Pensions	Life	Pensions
Assumed Fund Growth (before annual management charge)	4.60%	5.60%	4.70%	5.60%
Discount rate	3.40%	4.20%	3.40%	4.20%
Policy fee inflation	2.00%	2.00%	2.00%	2.00%

4.00% per annum (NAE – 1%, as set out by the MSA agreement).

(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 bonus or final bonus.

Guaranteed regular bonus by product:

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

(9) Persistency assumptions:

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

For Unitised business, we have allowed for surrender rates consistent with the table below.

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

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The persistency rates used are as follows. They apply to amounts remaining after policyholders with guaranteed benefits have taken their money (either in regular withdrawals or through a full surrender guarantee).

Product		Average lapse/surrender/paid-up rate for the policy years			
		1-5	6-10	11-15	16-20
Level term	Lapse	0%	0%	0%	0%
Decreasing term	Lapse	0%	0%	0%	0%
Accelerated critical illness	Lapse	0%	0%	0%	0%
Income protection	Lapse	0%	0%	0%	0%
CWP savings endowment	Surrender	0%	0%	0%	0%
CWP target cash endowment	Surrender	0%	0%	0%	0%
UWP savings endowment	Surrender	0%	0%	0%	0%
UWP target cash endowment	Surrender	0%	0%	0%	0%
UL savings endowment	Surrender	0%	0%	0%	0%
UL target cash endowment	Surrender	0%	0%	0%	0%
UWP bond	Surrender	0%	0%	0%	0%
UWP bond	Automatic withdrawals	100% of current	100% of current	100% of current	100% of current
UL bond*	Surrender	1.8%	7.4%	7.8%	7.8%
UL bond	Automatic withdrawals	100% of current	100% of current	100% of current	100% of current
CWP pension regular premium	PUP	0%	0%	0%	0%
CWP pension regular premium	Surrender	0%	0%	0%	0%
CWP pension single premium	Surrender	0%	0%	0%	0%
UWP indiv pension regular premium	PUP	Peak 1 valuation assumes no future premiums on UWP business			
UWP indiv pension regular premium	Surrender	0%	0%	0%	0%
UWP indiv pension single premium	Surrender	0%	0%	0%	0%
UL indiv pension regular premium	PUP	0%	0%	0%	0%
UL indiv pension regular premium	Surrender	0%	0%	0%	0%
UL group pension regular premium	PUP	0%	0%	0%	0%
UL group pension regular premium	Surrender	0%	0%	0%	0%
UL group pension single premium	Surrender	0%	0%	0%	0%

* 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**Guaranteed Annuity Rate Options:

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

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

Guaranteed Minimum Pensions on Section 32 policies:

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

Taxation

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

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

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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 IFRS regulations. This reserve forms part of the Company's Accounting Liabilities as shown on Form 14.

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

- (11) No account was taken in the valuation of the long-term liabilities of any derivative assets held on the valuation date.
- (12) The effect on mathematical reserves of specified changes in the valuation methodology arising from changes in INSPRU valuation rules during the reporting period are shown in the table below:

Allowance for lapses on valuation of protection business	£0m
Allowance for negative reserves on valuation of protection business	£0m
Allowance for lapses on valuation of unit-linked business	£0m
Allowance for attributable expenses on valuation of unit-linked business	£0m

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 (set equal to 3% of the value of the guaranteed annuity).

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

- Regulatory-peak annuitant mortality assumptions are used (as given in 4(4))
- Regulatory-peak option take-up 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 2007 is zero.

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(b)

(i) Product name	Group conventional pensions endowment with profits	Group conventional pensions endowment with profits	Group conventional pensions endowment with profits	Group conventional pensions endowment with profits
Category description	Policies written pre 1977	Policies written from 1/1/1977 to 30/4/1994	Policies written 1/5/1994 to 30/6/1999	Policies written from 1/7/1999
(ii) Basic Reserve (£m)	0.3	34.9	4.0	1.5
(iii) Spread of o/s durations:				
% with o/s dur'n of 1 year	0.0%	11.9%	15.4%	7.6%
% with o/s dur'n of 2 to 5 years	82.3%	37.2%	30.3%	30.6%
% with o/s dur'n of 6 to 10 years	16.8%	23.7%	27.0%	21.0%
% with o/s dur'n of 11 to 20 years	0.9%	22.0%	17.2%	16.1%
% with o/s dur'n of over 20 years	0.0%	5.2%	10.2%	24.7%
(iv) guarantee reserve (£m)	0.1	21.5	0.6	0.0
(v) guaranteed annuity rate	10.31%	11.11%	7.51%	4.98%
(vi) increments allowed?	See note below	See note below	See note below	See note below
(vii) form of annuity	Payable monthly in advance, single life, no guarantee period, no escalation in payment	Payable monthly in advance, single life, no guarantee period, no escalation in payment	Payable monthly in advance, single life, no guarantee period, no escalation in payment	Payable monthly in advance, single life, no guarantee period, no escalation in payment
(viii) retirement ages	62 to 75	52 to 75	57 to 75	57 to 75

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

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

The only such policies with a guaranteed surrender value are certain Unitised with-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 rate. Retirement under such policies can happen on more than one date without incurring an MVR. Retirement is a contractual exit (not a surrender of the policy) and is explicitly valued.

There are three types of guaranteed surrender value:

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

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(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:

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

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

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

Returns under the Accounts and Statements Rules

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(i) Product name	(ii) basic reserve (£)	(iii) spread of outstanding term	(iv) guarantee reserve (£)	(v) guaranteed amount (£)	vi) MVR-free conditions				(vii) in force regular premiums	(viii) increments allowed to policy?
					1) no-MVR guarantee on full surrender	2) money-back guarantee (full surrender)	3) inflation protection guarantee (full surrender)	4) regular withdrawal guarantee		
Investment Bond	461,544,810	N/A; policy has no contractual exit date	0	461,449,157	None	None	None	No MVR on regular withdrawals up to 5% if taken from inception.	0	No (RW gtee)
Portfolio Bond (16/3/1993 to 30/9/1998)	569,310,860	N/A; policy has no contractual exit date	0	569,289,893	None	None	None	No MVR on regular withdrawals up to 7.5% if taken from inception.	0	No (RW gtee)
Portfolio Bond (1/10/1998 to 1/10/2000)	1,571,583,510	4% with duration 1 year; 39% with duration 2 years; 57% with duration 3 years	0	1,571,582,384	No MVR on surrender on 10th anniversary / any subsequent 5 yearly anniversaires	None	None	No MVR on regular withdrawals up to 7.5%. MVR applies to units cancelled from With Profit Income Fund if amount withdrawn is greater than the units allocated by way of bonus.	0	Switches-in allowed; treated as new premium
NU Portfolio Bond / NU Bond 2000 / NU Flexibond; all contracts issued 2/10/2000 to 24/6/2001 inclusive	1,598,220,876	36% with duration 3 years; 64% with duration 4 years	0	1,598,218,770	No MVR on surrender on 10th anniversary / any subsequent 5 yearly anniversaires	None	None	No MVR on regular withdrawals up to 7.5% of initial investment in With Profits Fund. MVR applies to units cancelled from With Profit Income Fund if amount withdrawn is greater than the units allocated by way of bonus.	0	Switches-in allowed; treated as new premium
NU Portfolio Bond / NU Bond 2000 / NU Flexibond; all contracts issued 25/6/2001 to 15/1/2002 inclusive	561,324,867	Duration 4 years	0	561,324,450	No MVR on surrender on 10th anniversary	None	None	No MVR on regular withdrawals up to 7.5% of initial investment in With Profits Fund. MVR applies to units cancelled from With Profit Income Fund if amount withdrawn is greater than the units allocated by way of bonus.	0	Switches-in allowed; treated as new premium

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(i) Product name	(ii) basic reserve (£)	(iii) spread of outstanding term	(iv) guarantee reserve (£)	(v) guaranteed amount (£)	vi) MVR-free conditions				(vii) in force regular premiums	(viii) increments allowed to policy?
					1) no-MVR guarantee on full surrender	2) money-back guarantee (full surrender)	3) inflation protection guarantee (full surrender)	4) regular withdrawal guarantee		
NU Portfolio Bond / NU Bond 2000 / NU Flexibond; all contracts issued 16/1/2002 to 6/7/2003 inclusive	1,083,532,644	87% with duration 5 years; 13% with duration 6 years	0	1,084,760,672	None	The amount paid on the 10th anniversary will be at least the amount used to buy the units cashed, less the amount of any regular withdrawals or charges for life cover.	None	No MVR on regular withdrawals up to 7.5% of initial investment in With Profits Fund. MVR applies to units cancelled from With Profit Income Fund if amount withdrawn is greater than the units allocated by way of bonus.	0	No
Portfolio Bond (contracts issued 7/7/2003 to 8/2/2004)	94,012,776	Duration 6 years	0	94,845,648	None	The amount paid on the 10th anniversary will be at least the amount used to buy the units cashed, less the amount of any regular withdrawals or charges for life cover.	None	No MVR on regular withdrawals up to 5% of initial investment in With Profits Fund. MVR applies to units cancelled from With Profit Income Fund if amount withdrawn is greater than the units allocated by way of bonus.	0	No
Portfolio Bond (contracts issued 9/2/2004 to 29/1/2006)	557,300,392	47% with duration 2 years; 46% with duration 3 years; 7% with duration 4 years	0	577,576,937	None	The amount paid on the 5th or 10th anniversary will be at least the amount used to buy the units cashed, less the amount of any regular withdrawals or charges for life cover.	None	No MVR on regular withdrawals up to 5% of initial investment in With Profits Fund. MVR applies to units cancelled from With Profit Income Fund if amount withdrawn is greater than the units allocated by way of bonus.	0	No
Portfolio Bond (contracts issued from 30/01/2006)	1,606,427,842	41% with duration 4 years; 59% with duration 5 years	0	1,636,678,588	None	None	The amount paid after the 5th anniversary will be at least the amount used to buy units cashed, increased in line with the rise in the Retail Price Index (RPI). The amount will be reduced in proportion to number of units already encashed/switched.	No MVR on regular withdrawals up to 5% of initial investment in With Profits Fund. MVR applies to units cancelled from With Profit Income Fund if amount withdrawn is greater than the units allocated by way of bonus.	0	No

Figures for Irish bonds are as follows:

(i) Product name	(ii) basic reserve	(iii) spread of outstanding term	(iv) guarantee reserve (£m)	(v) guaranteed amount	vi) no-MVR guarantee on full surrender	(vii) in force regular premiums	(viii) increments allowed to policy?
Irish Bonds	89,500,573	18% with duration of 1 years; 48% with duration 2 years; 34% with duration 3 years.	0	89,500,573	No-MVR guarantee applies at 10th anniversary and every 5 years thereafter.	0	No (RW gtee)

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100% Figures for NU International Bond are as follows.

(i) Product name	(ii) basic reserve (£)	(iii) spread of outstanding term	(iv) guarantee reserve (£)	(v) guaranteed amount (£)	vi) MVR-free conditions				(vii) in force regular premiums	(viii) increments allowed to policy?
					1) no-MVR guarantee on full surrender	2) money-back guarantee (full surrender)	3) inflation protection guarantee (full surrender)	4) regular withdrawal guarantee		
NUIL Bond (pre February 2004)	90,955,530	9% with duration 5 years; 72% with duration 6 years; 19% with duration 7 years	0	95,136,131	None	The amount paid on the 10th anniversary will be at least the amount used to buy the units cashed, less the amount of any regular withdrawals or charges for life cover.	None	No MVR on regular withdrawals up to 5% of initial investment in With Profits Fund.	0	No
NUIL Bond (from February 2004)	393,266,167	22% with duration 2 years, 44% with duration 3 years; 4% with duration 4 years; 30% with duration 5 years	0	418,204,256	None	The amount paid on the 5th or 10th anniversary will be at least the amount used to buy the units cashed, less the amount of any regular withdrawals or charges for life cover.	None	No MVR on regular withdrawals up to 5% of initial investment in With Profits Fund.	0	No
NUIL Bond (from 30/01/2006)	295,674,002	62% with duration 4 years, 38% with duration 5 years	0	303,775,161	None	None	The amount paid after the 5th anniversary will be at least the amount used to buy units cashed, increased in line with the rise in the Retail Price Index (RPI). The amount will be reduced in proportion to number of units already encashed/switched.	No MVR on regular withdrawals up to 5% of initial investment in With Profits Fund.	0	No

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

French UWP business does not have a guarantee on surrender.

German UWP business: the reserve for the business has been taken as the face value of units. Although there is a guaranteed bonus of 3% (see section 10(1) for details), this is less than the valuation interest rate for the business (ensuring that using the face value of units is prudent). The guarantee reserve is therefore zero.

Figures for the business reinsured from NUL (RBS) are shown in section 5(2) of that Company's Appendix 9.4 report.

Unit-linked:Guaranteed Fund shortfall reserve:

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

(a) Methodology:

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

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

(b)

- (i) Product names: 'Life property linked single premium' (code 700) and 'Trustee investment plan' (code 755).

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- (ii) The base reserve for these products is £1,876m (although note that this is entirely reinsured out to the NUL&P NP fund)
- (iii) Spread of outstanding durations:

Year	Proportion with Guarantee
2008	13.5%
2009	14.1%
2010	28.3%
2011	27.9%
2012	16.2%

- (iv) Guarantee reserve £47.1m
- (v) Guaranteed amount £1,615m
- (vi) MVA free conditions: N/A
- (vii) The business is single premium only so there are no in-force premiums expected.
- (viii) Increments – the guarantee does not apply to switches into the fund.

(3) Guaranteed Insurability Options

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

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

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

(4) Other guarantees and options

- (a) **Guaranteed Minimum Pension:**

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

A reserve has been calculated on an individual level for a subset of affected policies. For each policy, the value of the Guaranteed Minimum Pension at retirement (calculated using the end-2007 valuation basis) was compared with the projected value of the policy's benefits. The difference, if positive, was noted as a percentage of the policy's benefits. These percentages were weighted and applied to the total benefit in force to estimate the reserve required on the business as a whole. An additional 10% margin was added to cover the risk arising from data quality.

The amount of business invested in products that may incorporate a Guaranteed Minimum Pension guarantee is £145.5m. The reserve for the guarantee is £32.5m. Both figures are quoted before reinsurance.

- (b) A Death Benefit Guarantee Reserve was included in respect of Portfolio Bonds issued since August 1994, NU Bonds, NU Bond 2000 and NU Flexibond where premiums are linked to the internal linked funds of NUL&P.

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

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

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- (1) The table below shows the aggregate amount of expense loadings for 2008 (£49,393,000) and implicit allowances that can be used to offset non-attributable expenses. This excludes expenses allowance for products 100% reinsured out to NUL&P.

Homogeneous risk group	Implicit allowances	Explicit allowances (investment)	Explicit allowances (other)	Non-attributable expenses	Total
	£'000	£'000	£'000	£'000	£'000
Unit-Linked business (not 100% reinsured out)	10,483	3,128	1,579	1,601	16,791
All expenses attributable	0	19,547	23,538	n/a	43,085
Total	10,483	22,675	25,117	1,601	59,876

- (2) The implicit allowance has been calculated as the surplus expected to emerge in 2008 on the valuation basis. This emerges due to the constraint that sterling reserves can not be negative.
- (3) The figure for maintenance expenses in line 14 of Form 43 is £46,428,000. The differences between this figure and the allowance for maintenance expenses in 6(1) above are primarily due to this number including expenses and charges on reinsured acceptances from Provident Mutual, unit deductions and expenses on business 100% reinsured to NUL&P, and due to margins in the basis.
- (4) No reserve is deemed necessary to cover the costs of transacting new business in the year following the valuation date.
- (5) No explicit reserve for maintenance expense overrun has been made because existing provisions for expenses exceed their current levels.

INSPRU 1.2.50R(2) requires us to make prudent provision for expenses allowing for:

- tax
- expenses in the last twelve months and expected future expenses
- impact of expense inflation
- 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):

- All expenses provisions allow for taxation.
- Our expense provision exceeds expenses incurred over the last twelve months and expected future expenses levels.
- Expense inflation has been allowed for in the valuation at the rates dictated by the Management Services Agreement. The parameter used for RPI inflation (3.0%) 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).
- An assessment was made of the cost of closure of the Company to new business at the end of 2008 using the following method and basis of calculation:
 - All sales, marketing and new business administration operations were assumed to cease immediately.
 - Allowance was made for redundancy costs.
 - An allowance was made for redundancies in departments servicing the new business areas.
 - Allowance was made for costs arising from the delay in re-letting properties occupied by the new business areas.
 - Allowance was made for other costs incurred on closure to new business such as write-offs on fixed assets.
 - The aggregate costs were discounted to the valuation date.

Allowance was made for the proportion of closure expenses that would be borne by NUL&P, Commercial Union Life Assurance Company Limited (CULAC) and Norwich Union Annuity Limited.

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

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

- (6) No reserve is necessary to meet the non-attributable expenses as the valuation surplus expected to emerge in 2008 exceeds this amount by £8,882,000.

7. Mismatching Reserves

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

Life and Annuity Fund				
Assets	Mathematical Reserves and matching assets (£000)			
	Sterling	Euros	US Dollars	Other
Sterling	11,546,052	-	-	-
Euro	-	410,512	-	-
Dollar	-	-	98,400	-
Other	-	-	-	193

- (2) The liabilities shown in 'Other' represent several different currencies. 100% of these liabilities are matched by assets in the same currency.

- (3) The fund does not hold a reserve for currency mismatching.

The fund is exposed to the risk that assets held in different currencies to the liabilities are subjected to adverse currency movements. The table in 7(1) above shows that effectively all our liabilities – both UK and overseas - are covered by assets held in the same currency.

- (4) The firm is a realistic-basis firm and a resilience reserve is no longer required.

- (5) The firm is a realistic-basis firm and a resilience reserve is no longer required.

- (6) The firm is a realistic-basis firm and a resilience reserve 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

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passed onto the remaining policyholders through the unit price. On With-Profits business, high levels of surrender may lead to higher MVR rates being applied.

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

An estimate of the Company's claims amounts for 2008 is £1,300m. Expected income, in 2008, from assets currently held in the fund is £600m and £350m is held in deposit-style assets. Premium income for 2007 was around £925m and there is no reason to expect it to fall significantly. Therefore we expect to be able to pay the company's claims from incoming premiums / cash without having to sell any of our other liquid assets. Accordingly there is no need to hold an additional reserve.

8. Other Special Reserves

(1) Mortgage Endowment Promise

The Company has announced its intention that payments on with profit mortgage endowment policies may, if necessary, be topped up at maturity (subject to certain conditions) where there is a shortfall between the claim value and the mortgage originally targeted. Top-up payments can be met from future investment earnings on the free reserves within the with-profit 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-profits fund.

The reserve will be calculated by considering the full liability for payments advised to policyholders in Promise mailings.

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 2007 for the affordability condition is zero.

The amount of provision is £291.2m.

(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 £48.0m.

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.

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The key basis items are:

Average cost per claim: £3,034

Percentage of complaints leading to a claim: 81%

Claims processing expense: £330 per complaint.

(3) Product Governance Provision

A reserve has been made to provide for estimated future rectification costs arising from known product governance issues.

The amount of the provision is £37m.

(4) Deferred Claims Reserve

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

The amount of the provision is £13.5m.

(5) Staff Pension Scheme Reserve

The Company's with-profit fund has agreed to meet a share of the costs of funding the Aviva plc 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.

The total reserve held was £17m.

(6) Special Distribution

The Company has announced its intention to make an enhancement to policyholder benefits from the free reserves of the fund (known as the Special Distribution). The Special Distribution is to be in the form of a special bonus awarded to eligible policies in three tranches over 2008, 2009 and 2010.

A reserve has been set up equal to the estimated value at 31 December 2007 of the three future instalments of special bonus (around 10% of asset shares in total).

The amount of the reserve is £1,049.1m.

(7) Other

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

- Pensions Review reserve
- Reinsurance credit default reserve

9. Reinsurance

- (1) No premiums were payable during the report period for business ceded on a facultative basis to reinsurers who are not permitted to carry on business in the United Kingdom.
- (2) The section below responds for those treaties that satisfy 9.2(a), (b) or (c).
 - (a) This item covers a group of similar treaties.
 - (d) NUL&P
 - (e) The treaty provides cover for 100% of UK and Channel Islands unit linked benefits, together with all death or critical illness benefits, waiver of premium benefits, permanent health benefit, permanent total disability benefit and any risks under options for unitised contracts on an original terms basis. Cover is also provided on original terms for Group term assurances in respect of Credit Life business.
 - (f) The premium payable by the Company during 2007 was £4,224,205,000.

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Name of insurer **CGNU Life Assurance Limited**

Global business

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- (g) There are no deposit-back arrangements.
 - (h) The group of treaties is open to new business.
 - (i) There are no significant undischarged obligations to the reinsurers as at 31 December 2007.
 - (j) The mathematical reserves ceded under the treaties total £18,113,822,000.
 - (k) The Company does not retain any liability for new policies being reinsured.
 - (l) The reinsurer is authorised to carry on insurance business in the United Kingdom.
 - (m) The Company is connected with the reinsurer.
 - (n) The treaties are not subject to any material contingencies.
 - (o) No provision was made for refund of reinsurance commission in the event of lapse or surrender of the contracts.
 - (p) The treaties are not financing arrangements.
- (b) This item covers a group of similar treaties.
- (d) Munich Reinsurance Company
 - (e) The treaties provide cover for level term assurance, mortgage protection, decreasing term assurance attached to low cost whole life assurance and pensions term assurance for business issued on or before (and still in force as at) 30 September 2001 (on original terms). This applies only to the portion that is not otherwise reinsured. Cover is also provided for whole life and endowment assurances (where not covered by other specified treaties) on a risk premium basis and term assurances on original terms up to £3,500,000 (£5,000,000 for business written on or after 28 May 1999) above the Company's retention limit.
 - (f) The premium payable by the Company during 2007 was £27,163,000.
 - (g) There are no deposit-back arrangements.
 - (h) The group of treaties is closed to new business.
 - (i) There are no significant undischarged obligations to the reinsurers as at 31 December 2007.
 - (j) The mathematical reserves ceded under the treaties total £137,341,000.
 - (k) N/A, see (h).
 - (l) The reinsurer is authorised to carry on insurance business in the United Kingdom.
 - (m) The Company is not connected with the reinsurer.
 - (n) The treaties are not subject to any material contingencies.
 - (o) No provision was made for refund of reinsurance commission in the event of lapse or surrender of the contracts.
 - (p) The treaties are not financing arrangements.
- (c) This item covers a group of similar treaties.
- (d) Swiss Re Life & Health Limited
 - (e) The treaty provides cover for term assurances on original terms for up to £1,500,000 above the Company's retention limit and for term assurances with accelerated critical illness benefit on a risk premium basis up to £3,000,000 in excess of the Company's retention limit. From 2 October 2000 the treaty provides cover for term assurances with accelerated critical illness benefit on a risk premium basis for 50% in excess of the Company's retention limit up to £1,700,000.
 - (f) The premium payable by the Company during 2007 was £8,437,000.
 - (g) There are no deposit-back arrangements.
 - (h) The treaty is closed to new business.
 - (i) There are no significant undischarged obligations to the reinsurers as at 31 December 2007.
 - (j) The mathematical reserves ceded under the treaty total £44,792,000.
 - (k) N/A, see (h).
 - (l) The reinsurer is authorised to carry on insurance business in the United Kingdom.
 - (m) The Company is not connected with the reinsurer.
 - (n) The treaty is not subject to any material contingencies.
 - (o) No provision was made for refund of reinsurance commission in the event of lapse or surrender of the contracts.
 - (p) The treaty is not a financing arrangement.

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Name of insurer **CGNU Life Assurance Limited**
Global business
Financial year ended **31 December 2007**

- (d) This item covers a group of similar treaties.
- (d) CULAC
 - (e) The treaties provide cover for Unitised with-profit, Low Cost Endowment, Economy Low Cost Endowments and Endowment Assurances on a 50% quota share basis for business written between 1 October 1998 and 31 December 1999 and a 75% quota share basis for business written between 1 January 1999 and 1 October 2000. Cover is provided for Unitised with-profit benefits on a 60% quota share basis for business written between 2 October 2000 and 31 December 2001. Unitised With Profit benefits written on or after 1 January 2002 are reassured on a 45% quota share basis.
 - (f) The premium payable by the Company during 2007 was £485,198,000.
 - (g) There are no deposit-back arrangements.
 - (h) The group of treaties is open to new business.
 - (i) There are no significant undischarged obligations to the reinsurers as at 31 December 2007.
 - (j) The mathematical reserves ceded under the treaty total £5,202,329,000.
 - (k) The Company retains 55% of new policies being reinsured.
 - (l) The reinsurer is authorised to carry on insurance business in the United Kingdom.
 - (m) The Company is connected with the reinsurer.
 - (n) The treaties are not subject to any material contingencies.
 - (o) No provision was made for refund of reinsurance commission in the event of lapse or surrender of the contracts.
 - (p) The treaties are not financing arrangements.
- (e)
- (d) CULAC and NUL&P.
 - (e) NUL&P provides cover for unit linked stakeholder personal pension benefits and the total expense and persistency risk for business written from 6 April 2001. Also covered are Unitised With Profit (UWP) stakeholder personal pension benefits on a 60% quota share basis to CULAC on original terms for business written between 6 April 2001 and 31 December 2001. UWP business written from 1 January 2002 is reassured on a 45% quota share basis to CULAC.
 - (f) The premium payable by the Company during 2007 was £844,141,000.
 - (g) There are no deposit-back arrangements.
 - (h) The group of treaties is open to new business.
 - (i) There are no significant undischarged obligations to the reinsurers as at 31 December 2007.
 - (j) The mathematical reserves ceded under the treaty total £5,114,657,000.
 - (k) The Company retains 55% of new Unitised with-profit policies being reinsured. The Company retains 0% of new Unit Linked policies being reinsured.
 - (l) The reinsurer is authorised to carry on insurance business in the United Kingdom.
 - (m) The Company is connected with the reinsurer.
 - (n) The treaty is not subject to any material contingencies.
 - (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.
- (f) This item covers a group of similar treaties.
- (d) Swiss Re Life & Health Limited
 - (e) The treaty provides cover for whole life, endowment and term assurances on a risk premium basis and original terms up to £1.5m above the Company's retention limit.
 - (f) The premium payable by the Company during 2007 was £5,934,000.
 - (g) There are no deposit-back arrangements.
 - (h) The treaty is closed to new business.
 - (i) There are no significant undischarged obligations to the reinsurers as at 31 December 2007.
 - (j) The mathematical reserves ceded under the treaty total £27,600,000.
 - (k) N/A, see (h).

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Name of insurer **CGNU Life Assurance Limited**

Global business

Financial year ended **31 December 2007**

- (l) The reinsurer is authorised to carry on insurance business in the United Kingdom.
 - (m) The Company is not connected with the reinsurer.
 - (n) The treaty is not subject to any material contingencies.
 - (o) No provision was made for refund of reinsurance commission in the event of lapse or surrender of the contracts.
 - (p) The treaty is not a financing arrangement.
- (g)
- (d) SCOR Global Life Reinsurance Ireland Limited
 - (e) The treaty provides cover for term assurance and term assurance with accelerated critical illness benefit on original terms written from 28 May 1999 up to £5m in excess of the Company's retention limit. Cover is also provided for mortgage protection and mortgage protection with accelerated critical illness benefit on original terms written from 2 October 2000 up to £2.75m in excess of the Company's retention limit.
 - (f) The premium payable by the Company during 2007 was £3,695,000.
 - (g) There are no deposit-back arrangements.
 - (h) The treaty is closed to new business.
 - (i) There are no significant undischarged obligations to the reinsurers as at 31 December 2007.
 - (j) The mathematical reserves ceded under the treaty total £10,003,000.
 - (k) N/A, see (h).
 - (l) The reinsurer is authorised to carry on insurance business in the United Kingdom.
 - (m) The Company is not connected with the reinsurer.
 - (n) The treaty is not subject to any material contingencies.
 - (o) No provision was made for refund of reinsurance commission in the event of lapse or surrender of the contracts.
 - (p) The treaty is not a financing arrangement.

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

Global business

Financial year ended **31 December 2007****10. Reversionary (annual, regular) bonus**

(1)

Product	Amount of mathematical reserve (£m)	Regular bonus (2006)	Regular bonus (2007)	Guaranteed bonus (2007)
Conventional Life				
Series 6 (super-compound)	1,899.4	0.5% SA / 2% RB	0.5% SA / 2% RB	0.00%
Series 5 (simple)	60.2	3.5% simple	3.5% simple	0.00%
Series 3	5.0	3.35 simple (whole life) / 3.10 simple (other)	3.35 simple (whole life) / 3.10 simple (other)	0.00%
Series 4	5.4	2.70 compound (whole life) / 2.45 compound (other)	2.70 compound (whole life) / 2.45 compound (other)	0.00%
Conventional Pensions				
Retirement Annuities	420.3	0% SA / 0% RB	0% SA / 0% RB	0.00%
Group Pensions, Individual Pension Arrangements, Money Purchase Schemes (1974)	153.3	0% SA / 0% RB	0% SA / 0% RB	0.00%
With Profits Annuity	26.1	2.00%	2.00%	0.00%
Unitised Life - direct written (UK)				
<u>Implicitly-charged business:</u>				
Units bought pre 1/2/1994 excluding Loyalty Fund units	8.3	3.25%	3.25%	3.00%
Loyalty fund units	269.8	3.75%	3.75%	0.50%
Units bought post 31/1/1994 on policies written pre 1/10/1998	762.6	3.25%	3.25%	0.00%
Units bought on policies written post 1/10/1998	4,345.5	2.63%	3.25%	0.00%
Distribution Bonds	534.8	2.00%	2.00%	0.00%
<u>Explicitly-charged business:</u>				
All units (excluding distribution bonds)	2,106.6	4.25%	4.25%	0.00%
Distribution Bonds	151.2	4.00%	4.00%	0.00%
Unitised Life – reinsurance accepted by CGNU and CULAC				
<u>NUL(RBS) products:</u>				
Life excluding Distribution Bonds (Implicit charge)	529.6	3.25%	3.25%	0.00%
Life excluding Distribution Bonds (Explicit charge)	179.9	4.25%	4.25%	0.00%
Distribution Bonds (Implicit charge)	132.5	2.75%	2.75%	0.00%
Distribution Bonds (Explicit charge)	4.1	4.00%	4.00%	0.00%
<u>NUIL products:</u>				
Sterling Bond	273.5	5.00%	5.00%	0.00%
Dollar Bond	178.9	4.75%	4.75%	0.00%
Euro Bond	327.5	4.75%	4.75%	0.00%
Unitised Pensions - direct written (UK)				
<u>Implicitly-charged business:</u>				
Units bought prior to 22/1/1996 (13/5/1996 for regular premiums on existing business)	210.8	4.00%	4.00%	4.00%
Units bought on or after 22/1/1996 (13/5/1996) for policies sold before 1/10/1998	488.8	3.50%	3.50%	0.00%
Units bought on policies sold after 1/10/1998	720.8	3.00%	3.00%	0.00%
<u>Explicitly-charged business (excl Stakeholder)</u>				
All units purchased	388.2	4.50%	4.50%	0.00%
<u>Stakeholder Pensions</u>				
All units purchased	753.3	4.00%	4.00%	0.00%
Overseas business				
France Valeur Plus*	123.4	2.00%	2.00%	0.00%
Germany	5.1	2.00%	2.00%	0.00%
Ireland - Life policies	89.5	0.50%	3.25%	0.00%
Ireland - Pensions policies	9.7	2.50%	3.50%	0.00%
Swedish Personal Investment Plans	105.6	3.00%	3.00%	0.00%

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Name of insurer **CGNU Life Assurance Limited**

Global business

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

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

The Company accepted reserves of £182.7m for Conventional Life from the NUL&P Provident Mutual (PM) fund in 2007. The bonus awarded for this business is shown in the Appendix 9.4 report of NUL&P for the PM sub-fund.

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

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

We have not used averaging in the table above.

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

Name of insurer **CGNU Life Assurance Company Limited**

Global business

Financial year ended **31 December 2007**

1. Introduction

- (1) The **valuation date** is 31 December 2007.
- (2) The date of the previous valuation was 31 December 2006.
- (3) An interim valuation was carried out with an effective date of 30 June 2007 for the purposes of rule 9.3A.

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 central-estimate assumption.

	31 December 2007	31 December 2006
Gross Earned Rate	4.71%	4.75%
Net Earned Rate	3.77%	3.80%
Discount Rate	5.21%	5.25%
Expense Inflation	4.00%	3.90%

The LTICR in respect of non-profit business within the fund is valued at face value.

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

3. With-Profits Benefits Reserve Liabilities

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

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

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

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

- Conventional paid up policies (PUP).
- Conventional Whole Life policies (where the asset share is not a reliable guide to future bonuses).
- Unitised With-Profit French branch business.

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

Global business

Financial year ended **31 December 2007**

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

At 31 December 2007

Product class	With-profit benefits reserve £m	Future policy related liabilities £m	Total £m
Conventional Life		528	3,233
Asset Share (ind)	2,368		
BRV	330		
Regulatory Reserve	7		
Conventional Pensions		170	664
Asset Share (ind)	404		
BRV	51		
Regulatory Reserve	39		
UWP Life (inc. Overseas)		1058	6,560
Asset Share (ind)	5,362		
BRV	139		
Regulatory Reserve	1		
UWP Pensions (inc. Overseas)		163	2,055
Asset Share (ind)	1,875		
Regulatory Reserve	17		
UWP Stakeholder		83	546
Asset Share (ind)	441		
Regulatory Reserve	22		
Miscellaneous Other		-16	-16
Total	11,058	1,986	13,043

The BRV figure of £330m for conventional life relates mainly to the WPBR for the whole life policies, which are now entirely BRV. The remaining £6m of this figure relates to the BRV used for endowment PUP policies.

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

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

Conventional life endowment policies have guaranteed amounts at maturity equal to the basic sum assured plus any regular bonus accrued to date. Conventional whole life contracts provide a guaranteed payout on death of basic sum assured plus regular bonus accrued to date. Low cost whole life policies also provide a minimum death benefit over a pre-specified term. The whole-life with-profits benefit reserve is £325m. Conventional endowments were partially reassured on an original terms basis with CULAC from 1998 to 2002. Conventional endowment new business is not now actively sold, however there is a small amount of conventional whole life being sold. Reinsurance of endowment business from PM has increased the asset share of Conventional Life by £253m.

Conventional pensions provide a guaranteed basic sum assured at maturity plus accrued regular bonuses, plus any final bonus due. Conventional pensions consist of individual and group pensions that provide either for cash or for annuity at retirement. Cash schemes usually have a guaranteed minimum annuity payable at retirement. Annuity schemes usually have a guaranteed minimum cash value at retirement. Conventional pensions are not now actively sold.

Conventional pensions also includes £30m of single premium with-profit annuity business which provides a level of income equal to a basic amount, plus accrued regular bonus, plus a discretionary top-up bonus. Customers can also select a future anticipated level of regular bonus. This increases the

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

Global business

Financial year ended **31 December 2007**

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. With-profit annuity new business is now written by Norwich Union Life & Pensions Limited With-Profits fund (NUL&P WP).

UWP Life mainly consists of unitised bonds with £19m of unitised endowments. UWP units increase in value at the declared regular bonus rates and cannot reduce at the contractual maturity dates or at contract-specific no-MVR dates. Any final bonus due is added at policy exit. The value on exit can be subject to an MVR if exit is not at one of the contractual no-MVR dates. UWP units purchased prior to 1 February 1994 have a guaranteed minimum regular bonus rate of 3% p.a. Bond and unitised mortgage endowment new business has been reassured in various proportions with CULAC since 1998.

On Portfolio Bonds purchased since 30 January 2006 a guarantee on premiums exists amounting to the premiums invested plus RPI growth to the encashment date, if encashment is at least five years after purchase.

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

UWP Life Bonds	Date Sold	No-MVR Anniversary
GA investment Bond	1990-93	None
GA Portfolio Bond	16/3/93-1/10/98	None
CGU Portfolio Bond	1/10/98-2/10/2000	No MVR on 10 th 15 th 20 th etc
NU Portfolio Bond, Flexibond, Bond 2000	2/10/2000-24/6/01	No MVR on 10 th 15 th 20 th etc
NU Portfolio Bond, Flexibond, Bond 2000	25/6/01-16/1/02	No MVR on 10 th
NU Portfolio Bond, Flexibond, Bond 2000	16/1/02- 2/7/03	Money back on 10 th
NU Portfolio	3/7/03 – 8/2/04	Money back on 10 th
NU Portfolio	9/2/04 onwards	Money back on 5 th
Candid Bond (with RPI Guarantee)	30/1/2006 onwards	RPI any point on or after 5 th
JV RPI Bond	30/1/2006 onwards	RPI any point on or after 5 th
NUIL RPI Bond	30/1/2006 onwards	RPI any point on or after 5 th

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

UWP Pensions consists mainly of individual and Group personal pensions and pension single premium bonds. As for UWP Life, UWP units increase in value at the declared regular bonus rates and cannot reduce on death, at the selected retirement date and at age 75. Any final bonus due is added at policy exit. The value on exit can be subject to an MVR if not at the selected retirement date. UWP units purchased prior to 22 January 1996 have a guaranteed minimum regular bonus rate of 4%. UWP Pensions new business has been reassured in various proportions to CULAC since 1998.

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

UWP Overseas business consists of single premium bonds and regular and single premium pensions business sold in Ireland, Sweden, Germany and France. The WPBR for French branch business (£139m) is BRV whilst German and Irish pensions have a regulatory reserve.

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

'Miscellaneous other' consists of reserves held to cover other liabilities of the fund that cannot be assigned to certain product types such as Pension transfer review reserves and reserves for future development and audit fees. This category also includes charges that will accrue to the estate from charge-based contracts. These charges exceed the sum of other liabilities included in this category by £16m.

(2) Not applicable

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Global business

Financial year ended **31 December 2007****4. With-profits benefits reserve – Retrospective method****(1) Table of methods**

Method	With-profit benefits reserve (%)
Asset Share (individual)	95
Asset Share (grouped)	0
BRV	4
Regulatory Reserve	1
Miscellaneous Other	0
Total	100

All asset shares have been calculated on an individual basis.

(2) Changes in valuation method

(a) The following changes were made in respect of the With-Profit Benefit reserve, in 2007:

Whole of Life policies now entirely use a bonus reserve valuation rather than a historic asset share calculation.

French branch business was based on a regulatory reserve. We now use a bonus reserve valuation..

For CGNU CWP staff AVCs and section 32 transfer plans there has been a move from individual asset share to a regulatory reserve.

Liabilities for paid-up conventional pensions now use 100% of the bonus reserve valuation.

Optimiser pensions have changed from a regulatory reserve to asset share approach.

(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. Broadly, some policies are charged sales and administration expenses incurred by the fund, some follow this approach but have the overall charge capped, and a third group has defined charges.

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

	2007			
	Charged to WPBR £m	Not-Charged to WPBR £m	Non-Profit expenses £m	Total £m
Estimated initial expenses and commission	7	48	4	59
Renewal expenses and commission	60	10	3	73
Shareholder Transfers	13	30	0	43

The above tables approximately splits out the expenses incurred over 2007.

Non-profit expenses are expenses relating to non-profit business within the fund. For Unitised asset shares calculated on a charge basis, the expenses charged to asset shares are the relevant charges on policies. This will include additional allocation percentages as applicable, so that, for

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Name of insurer **CGNU Life Assurance Company Limited**

Global business

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example, any excess allocation percentage above 100% of premium will give rise to negative expenses charged to the asset share in the table above.

Expenses charged to the with-profit funds

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

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

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

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

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

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

Expenses charged to the with-profits benefit reserves

The total expenses charged to with-profits benefit reserves over 2007 are approximately £67m with an additional £13m of shareholder transfers charged. The majority of this relates to renewal expenses, most new business is UWP business sold on a charges basis with the majority of the charges being the annual management charge which is charged to asset shares over the life time of the policy.

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

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

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

Actual expenses apply to the following product groups:

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

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

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

Policy charges are applied to the following product groups:

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

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Name of insurer **CGNU Life Assurance Company Limited**
 Global business
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Expenses not charged to the with-profits benefits reserve

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

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

Additional tax on shareholder transfers for the Company's business is charged to the estate.

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

(4) Guarantee Charges

Inflation protection bonds introduced in 2007 have a guarantee charge of 0.7% p.a. for a 10 year period. The total charge made in 2007 was £1.3m.

(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

Product Type	2005	2006	2007
Conventional Life	95%	98%	92%
UWP Life	102%	100%	98%
UWP Pensions	100%	96%	95%
UWP Stakeholder	95%	94%	97%

The figures above for 2005, 2006 and 2007 are estimates based on actual maturity and surrender payouts.

The figures for Conventional business for 2007 are not directly comparable with 2006 because of enhancements in our analysis.

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 2007

CGNU Life written business 5.09%

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

A return of 5.09% was also used in respect of business reinsured from the PM fund of NUL&P into CGNU Life.

5. With-profits benefits reserve – Prospective method

(1) Prospective assumptions

Bonus reserve valuation (BRV) is used for 4% of the with-profit benefits reserve. Most of the with-profit benefit reserve is in respect of conventional whole life policies (3%). French branch UWP policies cover 1% of the with-profit benefit reserve. These policies are modelled by a regulatory reserve with a final bonus margin. Methodology for the calculation of regulatory reserves is described in Appendix 9.4.

The prospective assumptions for whole of life policies are as follows:

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(a) Economic Assumptions

Future earned rate:	5.84%
Discount rate (benefits)	5.84%
Discount rate (premium, expenses):	4.71%
Expense Inflation:	4.00%

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

(b) Investment returns and risk adjustments

The assumed returns (before risk adjustment) by asset class were as follows:

UK Equities	7.6%
Overseas Equities	7.6%
Properties	6.6%
Gilts	4.6%
Other Fixed Interest	5.9%
Cash	4.1%

A risk adjustment of 0.2% was deducted from the assumed return on other fixed interest.

(c) Expense inflation

Per-policy expenses inflate each calendar year at NAEI – 1%.

(d) Future Assumed Regular Bonus Rates

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

(e) Future Expense Assumptions

Product Class	Renewal Expenses 2007 £m
Conventional Whole Life	£14.78

(f) Future Assumed Lapse Rates

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

(g) Future mortality assumptions

Conventional whole life:

Percentages of standard tables 120%AM92/AF92 Sel2.

(2) **Regulatory Reserves**

Regulatory Reserves cover 1% of the with-profit benefits reserve. The classes of business covered by this include CWP pensions, UWP German and Irish Pensions business, and other miscellaneous business. The methodology for the calculation of these reserves is described in Appendix 9.4.

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6. Costs of guarantees, options and smoothing

(1) Not applicable

(2)

- (a) The calculation of the cost of guarantees, options and smoothing and the cost of the mortgage promise has been performed using a stochastic model with a few exceptions.

The cost of guaranteed annuity options and section 32 guaranteed minimum pensions have been valued using a market value replication technique – this is described in section 6(4)(b).

The cost of the Pensions 1% promise is valued using a deterministic projection at policy level of future charges and expenses using the risk free rate. A description of the stochastic model is given below.

(b) **Grouping Basis**

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

For conventional business:

- Product class (e.g. life endowment, conventional pensions)
- Life Endowment contracts are grouped by original term, outstanding term and also by eligibility to endowment promise.
- Conventional Pensions are grouped by premium type, original term, premium term and outstanding term.

For unitised with-profit business:

- Product class (e.g. life bonds, individual pensions, stakeholder pensions, trustee investment plans)
- Life Bonds are split by bonus series, age band, entry year and quarter, joint life status, and lapse class. Individual Pensions are grouped by age band, original term, outstanding term, bonus series and by paid up status. Five year age bands are used from age 45 to 95, and females are allowed for by making a 4 year age deduction.
- Stakeholder Pensions are grouped by original term, outstanding term, premium escalation rate, paid up status and by split of surplus between policyholders and shareholders (e.g. 90/10 versus 100/0)
- Trustee investment plans are grouped by entry year, bonus series and frequency of regular withdrawals.

For CGNU and CULAC combined, we have grouped approximately 1.4 million individual model points into 3000 grouped model points.

Validations

The total grouped policy benefit data is reconciled back to the individual policy benefit data. The aggregate asset shares are reconciled to the totals in Form 19. We also undertake a comparison of the grouped model points run on a deterministic basis within the stochastic model to the ungrouped data run through the embedded value model. These comparisons show that both the grouping process and the assumptions adopted within the stochastic model do not distort the underlying attributes of the base (individual) data.

- (c) The stochastic model directly models over 85% of with profit business (as measured by asset share). Residual business, together with any associated guarantees, are modelled by scaling similar directly modelled business.

(3) The principal changes to the valuation method for valuing the costs of guarantees, options or smoothing since the previous valuation have included switching to a new stochastic model, resulting in the following changes:

- Management decisions relating to regular bonuses are dynamically allowed for within the model.
- Enhanced dynamic management decision rules for equity backing ratios
- Use of proprietary economic scenario generator (ESG) to create investment scenarios

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- Dynamic surrenders for UWP bonds at no MVR dates (if policy is in the money)
- The mortgage endowment promise calculation has been refined.

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

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

Product Class	Planned Enhancements to WPBR	Planned Deductions to WPBR for Guarantee costs	Contractual Guarantee costs	Non-Contractual Commitments	Smoothing costs
Conventional life direct written	257	0	71	155	-14
Conventional Pensions	47	0	92	0	-4
UWP life (incl. Overseas)	585	18	263	0	-5
UWP Pensions	130	0	35	0	-4
UWP Stakeholder	44	0	11	0	-2
Reinsured - Conventional life	0	0	2	0	0
Misc	0	0	0	0	12

Planned Enhancements to WPBR

The Company has announced its intention to make an enhancement to policyholder benefits from the free reserves of the fund (known as the Special Distribution). The Special Distribution is to be in the form of a special bonus awarded to eligible policies in three tranches over 2008, 2009 and 2010. The estimated cost of the future distribution is included in planned enhancements, and is approximately 10% of WPBR

For UWP Life, the cost of an additional 0.5% p.a. regular bonus on Loyalty Fund units is also included.

Planned Deductions to WPBR for Guarantee costs

This amount represents expected charges for guarantees on new RPI-linked UWP life contracts sold during 2007.

Contractual Guarantee Costs

In addition to the figures in the table there is £14m of contractual Guarantee Costs relating 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.

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

Stochastic Reserve	=	£71m
Central-estimate	=	£1m
Option value	=	99%

The option value is the proportion of the total stochastic cost that exceeds the central-estimate cost. Conventional Life guarantees are out of the money.

Conventional Pensions

This represents the cost of the basic sum assured plus any accrued bonuses to date exceeding 100% asset share under the stochastic projection. The costs of providing for any guaranteed annuity options is covered in section 6(4)(b) under the cost of financial options, although the cost of providing deferred annuities is included here.

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Stochastic Reserve	=	£92m
Central-estimate	=	£49m
Option value	=	46%

Conventional pension guarantees are reasonably in the money.

UWP life

This represents the cost of payouts in excess of 100% of Asset Share due to no-MVR, money back and RPI guarantees under the stochastic projection.

The no-MVR guarantee is only currently in the money, by a margin of less than 10% in respect of units purchased during 1999, 2000 and 2007. The total BVU of business sold during those years (including that reinsured to CULAC) is £2,386m.

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 during 1998, 2001 and 2006, and in excess of 10% in respect of all other years of unit purchase.

The money back guarantee is significantly out of the money at all durations.

The RPI guarantee is slightly out of the money at present. This all relates to business sold since 2006.

UWP pensions

This represents the cost of payouts in excess of 100% of Asset Share due to the no-MVR guarantees under the stochastic projection. It also allows for the effect of any guaranteed bonus rates. This also includes the cost of the stakeholder promise where we have promised to deduct no more than the equivalent of 1% p.a. annual management charge to cover expenses, on all unitised pensions policies, with effect from 1 April 2001.

The no-MVR guarantee is only currently in the money, by a margin of less than 10% in respect of units purchased during 1999, 2000 and 2007. The total BVU of business sold during those years (including that reinsured to CULAC) is £389m.

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 during 1998 and 2006, and in excess of 10% in respect of all other years of unit purchase.

UWP Stakeholder pensions

This represents the cost of payouts in excess of 100% of Asset Share due to the no-MVR guarantees under the stochastic projection.

The no-MVR guarantee is only currently in the money, by a margin of less than 10% in respect of units purchased during 2007. The total BVU of business sold during 2007 is £71m. 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 during 2006, and in excess of 10% in respect of all other years of unit purchase.

UWP Overseas

This represents the cost of payouts in excess of 100% of Asset Share due to the no-MVR guarantees under the stochastic projection.

The cost is not material for CGNU.

The no-MVR guarantees are generally out of the money.

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Financial year ended **31 December 2007****Non-Contractual Commitments**Conventional Life

This represents the cost of the mortgage endowment promise from conventional endowments. The amount reserved for is the difference between the mortgage amount and policy payout if returns on the fund after tax are 6% or more, from the end of 1999 to the maturity date of the policy, or the amount as communicated to policyholders in other circumstances.

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. For the purposes of the valuation we have assumed that payments would be made with no reduction where the cost of payment exceeds investment earnings on the estate.

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

Smoothing Costs

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

This is offset by the 'smoothing retention', relative to 100% of asset share. This is designed to give broadly neutral smoothing costs allowing for the costs incurred to the valuation date, consistent with statements in the PPFM for CGNU. The £12m miscellaneous smoothing cost reflects an adjustment to the smoothing retention required to achieve neutral smoothing costs.

(ii) Description of the asset model

The distribution was calculated using the following assumptions:

Risk-free rate:

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

Outstanding term	Risk free annualised spot rate (%) – 2007
1	4.55%
2	4.50%
3	4.54%
4	4.59%
5	4.63%
6	4.65%
7	4.67%
8	4.68%
9	4.69%
10	4.69%
12	4.68%
15	4.65%
20	4.57%
25	4.47%
30	4.38%

- The discount rate was set equal to the risk-free rate as above.
- All assets were expected to grow at the risk-free rate (i.e. risk neutral pricing was used).

Derivation of risk-free rate curve:

Typically market instruments can be used to demonstrate that gilt yields are lower than would be expected for a risk free instrument, and that this is down to extra return that can be earned from gilts from repo activity (or for other reasons).

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Therefore the risk free rate is based on government bonds + 10bp, consistent with the approach used at 31 December 2006.

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

Risk free rate used: 4.71%

Annuity interest rate used: 4.41% (equal to the 8 into 15-year forward rate based on the full curve).

Interest Rate Model

A monthly Libor Market Model (LMM) is used.

The LMM has good analytical approximations to swaption prices and bond prices. The LMM provides a better fit across the swaption volatility surface than other models and also offers superior martingale performance.

The LMM is a two factor log-normal model. It offers a rich universe of future yield curve shapes and it guarantees non negative interest rates.

Equity Model

Equity volatility is calibrated to equity implied volatility. The approach to calibration is to capture the volatility of the longest available option term

Exchange traded options generally only trade up to two year terms. However, this is not a very good proxy for the long term guarantees embedded in insurance contracts. Longer terms are available OTC from investment banks - the longest term available is usually 10 years. This data is collected from a panel of investment banks.

The equity model is for the excess return process. That is, the element of return in excess of cash.

A Time Varying Deterministic Volatility (TV DV) model is used. The TV DV model allows the volatility to vary by time according to a monotonic deterministic function. This allows the term structure of implied volatilities to be captured. However, implied volatilities are still invariant by strike. The following sample UK equity volatilities have been produced from the ESG model.

Term	1	2	5	7	10	15	20	25	30
UK Equity volatility	20.8%	21.8%	23.7%	24.5%	25.2%	25.8%	26.1%	26.3%	26.4%

Property Model

Property is modelled as an equity type asset using the constant volatility model.

The model is calibrated using our best estimate assumptions as there are no meaningful option prices. The best estimate is 15%

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Correlations

Correlations are controlled in two ways. For equity markets, correlations are defined by the exposures to common elements of the factor model. For other assets, correlations can be defined between the stochastic shocks to the returns. Shock correlations are not equivalent to return correlations. However, shock correlations can be used to target a particular return correlation.

Correlations between asset returns are targeted to best estimate assumptions. These targets have been derived by considering historical behaviour.

The target correlations used within the ESG are displayed below:

Equity Return Vs	Target
Property Returns	20%
Bond Returns	30%
Index-linked bond returns	30%
Overseas Equity Returns	50%
Short rate changes	-20%

Correlations between asset classes are not constant within the model and will differ from the above, but the above targets represent the level of correlation which the parameters of the model are chosen to reproduce in the long term

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Financial year ended **31 December 2007****(iii) Option prices from asset model**

		0.75				1				1.5			
<i>n</i>	<i>K</i>	5	15	25	35	5	15	25	35	5	15	25	35
<i>r</i>	Annualised compound equivalent of the risk free rate assumed for the period (<i>r</i>)	4.63%	4.66%	4.47%	4.30%	4.63%	4.66%	4.47%	4.30%	4.63%	4.66%	4.47%	4.30%
1	Risk-Free Zero Coupon Bond	797,559	505,306	334,734	229,175	x	x	x	x	x	x	x	x
2	FTSE All Share Index (<i>p</i> =1)	83,527	218,940	306,307	374,856	209,037	378,153	483,443	562,702	580,872	759,743	880,087	972,246
3	FTSE All Share Index (<i>p</i> =0.8)	71,339	166,560	213,962	244,369	183,484	294,892	344,461	373,746	526,365	609,070	644,677	659,626
4	Property (<i>p</i> =1)	33,075	104,368	163,435	220,409	136,276	236,072	310,850	381,113	521,527	606,008	683,938	762,072
5	Property (<i>p</i> =0.8)	25,423	68,127	95,831	119,802	112,966	164,364	193,540	219,509	462,840	454,941	457,601	468,468
6	15yr Risk-Free ZCBs (<i>p</i> =1)	3,152	6,409	6,772	10,863	56,317	59,229	68,636	109,516	500,141	500,900	504,797	525,573
7	15yr Risk-Free ZCBs (<i>p</i> =0.8)	1,885	2,515	1,650	1,147	38,189	21,087	11,536	10,631	434,957	312,981	227,045	195,380
8	15yr Corporate Bonds (<i>p</i> =1)	8,432	19,180	27,207	38,022	72,061	91,953	106,555	136,521	496,199	497,194	503,019	527,192
9	15yr Corporate Bonds (<i>p</i> =0.8)	5,809	8,776	9,052	9,755	53,095	45,064	38,557	37,664	431,204	314,378	241,942	214,657
10	Portfolio 1 (<i>p</i> =1)	42,099	132,702	199,904	258,693	150,730	273,898	355,933	427,532	535,210	647,929	735,247	816,248
11	Portfolio 1 (<i>p</i> =0.8)	33,399	91,294	125,580	149,996	126,617	197,857	232,427	257,733	477,510	496,672	506,195	517,485
12	Portfolio 2 (<i>p</i> =1)	35,698	116,601	176,545	230,820	141,898	253,917	327,493	393,401	528,826	627,361	704,654	776,600
13	Portfolio 2 (<i>p</i> =0.8)	27,724	77,761	106,126	128,506	117,881	179,560	207,586	229,903	470,445	475,590	476,584	481,789
14	Portfolio 3 (<i>p</i> =1)	14,563	58,030	98,131	137,968	100,899	174,979	227,821	280,878	507,397	553,590	599,386	655,260
15	Portfolio 3 (<i>p</i> =0.8)	10,143	31,771	46,658	61,271	78,428	108,140	123,191	137,223	445,691	395,649	369,719	364,072
16	Sterling Receiver Swaptions	6.76%	7.44%	6.44%	5.01%	8.61%	9.28%	7.95%	6.15%	10.30%	10.85%	9.21%	7.10%
		Swap Duration = 15 years				Swap Duration = 20 years				Swap Duration = 25 years			

Notes on the table above:

Row 1 shows the value of cash payments of £1,000,000 due *n* years after the valuation date.Rows 2 to 15 inclusive were 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 $K \cdot \text{£}1,000,000 \cdot (1+r \cdot p)^n$.

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 shows 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 are expressed as a percentage of nominal.

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

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

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

Tax should be ignored in all calculations.

All options should be assumed to be European-style.

Commentary on the results:

This is a combined table for 6(4)(a)(iii) and 6(4)(b)(iii).

Our maturity value and no-MVR guarantees that are priced through this process have a discounted mean term of around 7 years. Results produced for guarantees longer than 20 years are of less relevance.

For Guaranteed Annuity Options 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

For UK, the initial equity yield is 3.69% and the initial property rental yield is 4.3%.

(v) UK risk free rates are applied throughout.

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Financial year ended **31 December 2007****(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.

Duration of guarantees

	Duration (yrs)	%																	
		2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024+	
Conventional Life																			
Base guarantee	9.4	0	0	1	2	6	13	12	12	9	9	6	6	5	8	5	3	1	100
Mortgage promise	10.7	0	0	1	2	3	4	6	9	11	13	12	11	6	8	7	5	2	100
Conventional Pensions																			
Base guarantee	12.4	4	2	2	3	4	5	5	5	5	5	6	5	5	5	6	5	27	100
GAR option	6.5	20.5	9.1	8.8	7.3	8.4	4.9	3.9	4.2	3.2	4.6	3.6	3.6	2.1	2.4	1.7	2.0	9.6	100
Conventional Life: Reinsured																			
Base guarantee	6.5	20	9	9	7	8	5	4	4	3	5	4	4	2	2	2	2	10	100
Unitised Life: Retained																			
RPI	14.7	-	-	-	2	6	6	5	5	5	5	5	5	5	5	4	4	40	100
Partial Surr	8.9	11	11	9	6	5	5	5	5	4	4	4	3	3	3	3	2	17	100
Surrender	3.7	4	22	40	23	0	1	1	3	2	2	0	0	1	0	0	0	1	100
Unitised Pensions excl Stk: Retained																			
Base guarantee	16.5	0	0	1	2	2	3	4	4	3	4	4	4	5	5	4	6	49	100
Stakeholder: Retained																			
Base guarantee	15.4	0	1	1	2	4	3	6	2	5	5	3	5	6	4	5	5	43	100

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

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Financial year ended **31 December 2007****(vii) Nature of validations of asset model**

The table below shows the discounted value of £1 invested on the valuation date and projected forward t years (t=5, 10, 15, 20) invested in equities and property. For a risk-neutral model, the expected result would be 100%.

t (years from valuation date)		5	10	15	20
Equities	5000 simulation result	100%	101%	101.10%	101.70%
	standard error	0.40%	0.90%	1.40%	2.10%
Property	5000 simulation result	100%	100.10%	99.90%	100.10%
	standard error	0.20%	0.30%	0.50%	0.60%

The above results show that there is good convergence of the asset simulations. To ensure convergence of the liabilities, separate calculations were carried out on different numbers of simulations and the results were satisfactory.

The validation includes comparing volatilities produced by the model to market implied volatilities at 31 December 2007. As shown in the following table, the model produces results that compare well to available market data.

Fit of asset model equity volatilities to market implied UK equity volatilities

Term (yrs)	0.25	0.5	0.75	1	2	3	4	5	7	10
Market (%)	20.5	20.7	20.9	21	21.7	22.5	23.1	23.6	24.5	25.5
Model (%)	20	20.3	20.5	20.8	21.8	22.6	23.2	23.7	24.5	25.2
Difference (%)	0.5	0.4	0.4	0.2	-0.1	-0.1	-0.1	-0.1	0	0.3

(viii) 5,000 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.

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

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

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Name of insurer **CGNU Life Assurance Company Limited**
 Global business
 Financial year ended **31 December 2007**

Cost of annuity rate guarantees	£m
Base GAO cost	14
Uplift (5%)	1
Expense reserve	1
Total	15
Base cost of GMP gtee on S32	12
Uplift (15%)	2
Total	14

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 (EBR)

It is assumed that management will intervene and carry out switches (over and above any market movements) of assets backing asset shares. The aim of this approach is to maximise policyholder returns, whilst managing solvency within acceptable risk levels.

If equity/property performance was poor, solvency would reduce, leading to management action to reduce the exposure to these assets. The model contains limits on the maximum change that can be made per month and has upper and lower EBR bounds.

The EBR dynamic rule within the stochastic model takes into account the projected value of the future guarantees and asset shares. It then adopts a dynamic hedging approach to determine the EBR for the assets backing the asset share.

If projected asset shares are close to the projected value of the guarantees, then we are less able to rely on equity/property assets, which leads to a lower EBR. However, if the projected assets shares are significantly in excess of the projected guarantees, then there is more scope to invest in equity/property and EBR can increase accordingly.

Regular Bonus Assumptions

The RB rate is set to ensure that a sufficient level of final bonus can be built up whilst also ensuring the RB rate has reasonable long term sustainability.

The stochastic model utilises a dynamic RB algorithm that depends on the projected asset share to projected guaranteed benefit relationship, along with the desired final bonus buffer and investment return assumption. This calculation also allows for a maximum per annum movement in the RB rate.

The RB algorithm has been compared with actual bonus declarations with satisfactory results.

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

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.

Guarantee Charges on asset shares

The model uses a 0.7% guarantee charge for UWP life business written with the inflation-protection guarantee.

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

Name of insurer **CGNU Life Assurance Company Limited**

Global business

Financial year ended **31 December 2007**

Allocation of non-profit profits to asset share

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

Shareholder Transfers and tax

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

It is assumed that only the tax on Shareholder transfers will be charged to the estate for CGNU Life and CULAC written business. The shareholder transfers themselves will be charged to asset share. For shareholder transfer payments arising from Mortgage Endowment Promise and from the special distribution referred to in 6.4.(a)(i), both shareholder transfer and tax will be charged to the estate.

Mortality costs

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

Surrender costs

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

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

- The projection allows for future EBR and bonus rate management action as discussed earlier in this document. The results reflect an average of the simulated positions.

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

Global business

Financial year ended **31 December 2007****(i) Projection at risk free rate**UWP Bonus Rates

Product	31-Dec-07	31-Dec-12	31-Dec-17
UWP Life (implicitly charged) : Units purchased on policies written pre 01/10/98	3.25%	3.93%	3.60%
UWP Life (implicitly charged) : Units purchased on policies written post 30/09/98	3.25%	2.99%	2.78%
UWP Life (Explicitly Charged)	4.25%	4.01%	4.10%
UWP Pensions (implicitly charged) : Units purchased on policies written pre 01/10/98	3.50%	3.78%	3.74%
UWP Pensions (implicitly charged) : Units purchased on policies written post 30/09/98	3.00%	3.58%	3.63%
UWP Pensions (Explicitly charged)	4.50%	3.80%	3.78%
UWP Pensions (Stakeholder)	4.00%	4.00%	4.03%

Further notes on bonus rates:

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

Assets Backing With-Profit Benefits Reserve

The projections below are based on the actual asset share mix as at 31 December 2007:

Asset Class	31/12/2007	31/12/2012	31/12/2017
Equities	52.8%	54.0%	54.7%
Property	18.0%	18.4%	18.6%
Fixed Interest	28.0%	26.5%	25.6%
Cash	1.2%	1.1%	1.1%
Total Assets	100.0%	100.0%	100.0%
EBR	70.8%	72.4%	73.3%

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

Global business

Financial year ended **31 December 2007****(ii) Projection at risk free rate plus 17.5%**

UWP Bonus Rates

Product	31-Dec-07	31-Dec-12	31-Dec-17
UWP Life (implicitly charged) : Units purchased on policies written pre 01/10/98	3.25%	4.47%	4.18%
UWP Life (implicitly charged) : Units purchased on policies written post 30/09/98	3.25%	3.51%	3.35%
UWP Life (Explicitly Charged)	4.25%	4.55%	4.68%
UWP Pensions (implicitly charged) : Units purchased on policies written pre 01/10/98	3.50%	4.32%	4.38%
UWP Pensions (implicitly charged) : Units purchased on policies written post 30/09/98	3.00%	4.13%	4.28%
UWP Pensions (Explicitly charged)	4.50%	4.33%	4.40%
UWP Pensions (Stakeholder)	4.00%	4.53%	4.65%

Assets Backing With-Profit Benefits Reserve

Asset Class	31/12/2007	31/12/2012	31/12/2017
Equity	52.8%	54.7%	55.1%
Property	18.0%	18.6%	18.8%
Fixed Interest	28.0%	25.6%	25.0%
Cash	1.2%	1.1%	1.1%
Total Assets	100.0%	100.0%	100.0%
EBR	70.8%	73.3%	73.9%

(iii) Projection at risk free rate minus 17.5%

UWP Bonus Rates

Product	31-Dec-07	31-Dec-12	31-Dec-17
UWP Life (implicitly charged) : Units purchased on policies written pre 01/10/98	3.25%	3.40%	3.04%
UWP Life (implicitly charged) : Units purchased on policies written post 30/09/98	3.25%	2.47%	2.24%
UWP Life (Explicitly Charged)	4.25%	3.48%	3.54%
UWP Pensions (implicitly charged) : Units purchased on policies written pre 01/10/98	3.50%	3.24%	3.14%
UWP Pensions (implicitly charged) : Units purchased on policies written post 30/09/98	3.00%	3.04%	3.02%
UWP Pensions (Explicitly charged)	4.50%	3.26%	3.17%
UWP Pensions (Stakeholder)	4.00%	3.47%	3.42%

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

Global business

Financial year ended **31 December 2007**

Assets Backing With-Profit Benefits Reserve

Asset Class	31/12/2007	31/12/2012	31/12/2017
Equity	52.8%	53.9%	54.6%
Property	18.0%	18.5%	18.7%
Fixed Interest	28.0%	26.5%	25.6%
Cash	1.2%	1.1%	1.1%
Total Assets	100.0%	100.0%	100.0%
EBR	70.8%	72.4%	73.3%

(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. The following table shows the static assumptions, the model incorporates a dynamic overlay to these rates.

CGNU		Average surrender / paid-up rate for the policy years			
		1-5	6-10	11-15	16-20
CWP savings endowment	surrender	4%	10%	6%	3%
CWP target cash endowment	surrender	4%	10%	6%	3%
UWP savings endowment	surrender	n/a	n/a	n/a	n/a
UWP target cash endowment	surrender	n/a	n/a	n/a	n/a
UWP bond	surrender	3%	15%	10%	10%
UWP bond	automatic withdrawals	3%	3%	3%	3%
CWP pension regular premium	PUP	0%	0%	0%	0%
CWP pension regular premium	surrender	0%	0%	0%	0%
CWP pension single premium	surrender	0%	0%	0%	0%
UWP indiv pension regular premium	PUP	n/a	n/a	n/a	n/a
UWP indiv pension regular premium	surrender	2%	2%	2%	2%
UWP indiv pension single premium	surrender	2%	2%	2%	2%

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

UWP endowment business is not modelled as the amount of business is not material.

At no-MVR date:

At the no-MVR date the Life DFA model assumes that life UWP bond holders will exercise their option if their policy is in the money.

Mortality Assumptions

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

Annuitant Mortality

For all immediate annuities and deferred annuities in payment we use the following annuitant mortality basis;

	31 December 2007
Males	90.5% PCMA with 100% medium cohort improvement factors, minimum 1.5% pa, applicable from 2005
Females	90.5% PCMA with 100% medium cohort improvement factors, minimum 1.0% pa, applicable from 2005

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

Name of insurer **CGNU Life Assurance Company Limited**

Global business

Financial year ended **31 December 2007**

Guaranteed Annuity Option take-up rate

An initial take-up rate of 80% has been assumed in respect of Guaranteed Annuity options attaching to pensions. The take-up rates increase by 1% every year from 2009 onwards, until an ultimate level of 95% is reached.

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

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

(7) Policyholder Actions

Policyholder actions are covered by the static persistency and GAO take-up rates in the previous section, together with a dynamic overlay for certain classes of business. There is dynamic linking of policyholder behaviour in respect of no-MVR and 'money-back' guarantees for certain classes of business.

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	59
Conventional Pensions	0	6
UWP Life (incl. Overseas)	0	215
UWP Pensions	0	20
UWP Stakeholder	0	30
Miscellaneous	0	-28
Total	0	302

Any other liabilities related to treating customers fairly

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

Any other long-term insurance liabilities

The product split gives a breakdown of the £331m held in respect of the future tax due on shareholder transfers and future shareholder transfers in respect of the special distribution.

The following liabilities are held under the miscellaneous category.

£1m is held in respect of future pension transfer review costs.

£15m is held in respect of the funding for the Aviva staff pension scheme deficit.

£35m is included for the cost of investigation and redress of mortgage endowment mis-selling complaints.

£37m is held to cover compensation costs other than those identified above.

£25m is held to cover the cost of future expenses not charged to asset shares

£10m is included for Mortgage Endowment Promise data provisions,

A credit of £176m is held in respect of the difference between the present value of charges to be deducted from UWP asset shares on a charges basis compared to the future renewal expenses. This credit implicitly includes an allowance for recovery of initial expenses already incurred on this business.

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

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

Global business

Financial year ended **31 December 2007****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 2007 are £1,489m.

The realistic current liabilities include a reduction of £14m in respect of discounting of the Unrealised Capital Gains Tax provisions, which is not allowed for in the regulatory current liabilities. The figures are otherwise the same.

10. Risk Capital Margin

(1)

Fund	RCM (£m)
CGNU	339

(a)

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

Asset Class	Fall in market values
UK Equities	19.6%
OS Equities	22.5%
Property	12.5%

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

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

(ii)

Asset Class	Rise in FI yields	Fall in FI yields
Nominal change in yields	+80bps	-80bps
long-term yield – level post-stress	5.35%	3.75%
long-term yield - % movement post-stress	+17.5%	-17.5%

For CGNU Life, the fall in fixed-interest yield scenario is more onerous.

(iii)

Fund	Average Increase in credit spread	Change in FI asset value
CGNU	0.4%	-2.3%

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

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

In addition, an allowance for reinsurance default risk was increased from £3m to £5m in the stress scenario.

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

Global business

Financial year ended **31 December 2007**

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

% increase in realistic liabilities = 1.14%

- (v) Not applicable

(b) Management Actions under the stress tests

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

Cuts in payouts

It is assumed that management would make additional cuts in payout where the payouts implied from the movements in asset shares under the stress tests exceeded the 15% maximum cut assumed in the central basis. Any cuts in excess of the 15% are assumed to be made in the annual bonus declaration one year following the valuation date.

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.

Guaranteed Annuity Options

The initial take-up rate for guaranteed annuity options is assumed to increase from 80% to 85% as a result of the fall in fixed interest yields. The take-up rate then increases by 1% every year from 2009 onwards, until an ultimate level of 95% is reached.

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

	Effect of action (£m)
Cuts in payouts	-3
GAO take-up	-1
Total	-4

- (iii) The same investment management rules governing any change in asset mix of the fund have been used for the projection of assets in the stress tests as in the central scenario.
- (iv) Under the stress tests the guarantee charges are assumed to be unchanged.
- (v) The assets hypothecated to back the risk capital margin are set out in the following table

Assets backing RCM	£m	%
UK equities	155.5	45.80%
Overseas equities	87.0	25.63%
Land and buildings	47.0	13.85%
Approved fixed interest securities	50.0	14.72%
Other fixed interest securities	0.0	0.00%
All other assets	0.0	0.00%
Total	339.4	100.00%

All assets backing the RCM are within the WP funds.

- (vi) Not applicable

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

Global business

Financial year ended **31 December 2007****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.

	2007
	%
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	28%
Income Tax	20%
Franked Income Tax	0%
Withholding Tax	15%

Turnover Rates (for CGT calculation)

We have used an average turnover rate of 41%, basing on experience over the years 2004 to 2006.

CGT indexation 2.00% (2/3rds of the RPI assumption)

We have used an average BLAGAB tax rate applying to asset shares of 12.42%.

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

(3) Tax treatment in the realistic current liabilities

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

12. Derivatives

Security	Value (£m) at 31.12.07
Futures on Bonds - short term trading derivatives	101
Futures on Equities - short term trading derivatives	516
Mortgage Dollar Rolls - with US banks	52
Property swaps	34
Fixed interest and cashflow swaps	1

The exposure to futures is part of the company's portfolio management strategy, and all the futures expire no later than 31 March 2009.

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

Global business

Financial year ended **31 December 2007****13. Analysis of working capital**

	£m
Working capital at 31/12/2006	2,550
Investment return on opening working capital	68
Profits on assets backing liabilities	20
Economic assumption changes	-145
Non-economic assumption changes	-85
Policyholder action assumption changes	-3
Other experience variances	-4
Impact of new business	-31
Changes in reinsurance and regulation	0
Modelling changes and opening adjustments	235
Move to DFA model	0
Special distribution	-1,176
Working capital at 31/12/2007	1,428

Notes:

1. The profits on assets backing liabilities includes the release of time value in guarantees, partially offset by increase in guarantee costs arising from returns being less than the risk free rate assumed as at 31 December 2006 and unwinding of discounting of guarantee costs.
2. The economic assumption impact is mainly driven by a significant increase in equity volatility.
3. Non-economic assumption changes include assurance mortality and bonus rates, as well as changes in assumptions underlying miscellaneous reserves, where they could not be analysed separately.
4. Policyholder action assumption changes relate to persistency assumptions
5. Experience variances include impact of premiums, claims, expenses
6. The impact of new business mainly relates to the potential cost of guarantees on the RPI-linked bond
7. Modelling changes mainly relate to a change in methodology for calculating the with-profit benefit reserve for whole life policies to a bonus reserve valuation. Opening adjustments include corrections to non-profit future profits, allowing for eligibility on mortgage endowment promise and including new products in calculating future expected charges to asset shares.
8. The special distribution has been described under planned enhancement to with-profits benefit reserves in 6.4.(a).(i). The figure above includes an allowance for tax associated with the special distribution.
9. Note that the change in other liabilities from Form 19 line 47 is included in the analysis above
10. The change in working capital arising purely from the change in Form 19 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 **CGNU Life Assurance Limited**

Global business

Financial year ended **31st December 2007**

The following summarises investment policy for the use of derivatives: -

- Derivatives will only be used in accordance with FSA Guidelines for the purpose of efficient portfolio management or reduction in investment risk.
- Derivatives must not be used for speculative purposes.
- Derivatives must be fully covered by the assets of the fund and must not be used to 'gear up' a fund.
- Counterparty risk – for exchange traded contracts, the exchange must be classed as "regulated" by an investment committee. Over the counter contracts, transactions must only be transacted with approved counterparties. Counterparty limits are consistent, and monitored in line with the fund's aggregate exposure guidelines.
- Controls and Monitoring – delegated authorities exist for each member of staff using derivatives. Derivatives transactions are priced, settled and profit and losses reconciled in an area independent of the fund managers involved.

There are no specific guidelines for the use of contracts that were not reasonably likely to be exercised at the start of the contract. The speculative use of derivative contracts is prohibited.

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

The amounts recorded in Form 13 would 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 £33.1m. This would not have been materially greater at any one time during the year or under other foreseeable market conditions.

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

During the financial period, the company's use of derivatives included the granting of rights under derivative contracts for a fixed consideration. This was in the activity of Stock Underwriting. The fee income over the financial period was £0.1m.

Returns under the Accounts and Statements Rules

Statement on controllers required by IPRU (INS) 9.30

Name of insurer **CGNU Life Assurance Limited**

Global business

Financial year ended **31st December 2007**

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.

There have been no changes to the above position during the year.

All shares are voting shares.

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

Name of insurer **CGNU Life Assurance Limited**

Global business

Financial year ended **31st December 2007**

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 738 ordinary shares at 31 December 2007 in Aviva plc (2006: 345).
- (2) 8,536 ordinary shares were held in the Aviva Long Term Incentive Plan at 31 December 2007 (2006: 8,536) and 6,788 ordinary shares were held in the Aviva Annual Bonus Plan at 31 December 2007 (2006: 1,707).
- (b) The actuary held general insurance policies with subsidiaries of Aviva plc for which total premiums of £1,082 were paid in the year to 31 December 2007 (2006: £1,007).
- (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 2007 was £248,720 (2006: 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 **CGNU Life Assurance Limited**

Global business

Financial year ended **31st December 2007**

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.
 - (c) the directors note that the FSA issued a decision notice on 10th December 2007 in respect of breaches of Principle 3 of the FSA's Principles for Businesses which occurred between 1 March 2005 and 30 November 2006 and have paid due regard to this
-
- 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 fund has been managed in accordance with the Principles and Practices of Financial Management, as established, maintained and recorded under COBS 20.3; 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

25 March 2008

Independent auditor's report to the directors pursuant to rule 9.35 of the Interim Prudential Sourcebook for Insurers

Name of insurer **CGNU Life Assurance Limited**
Global Business
Financial year ended **31st December 2007**

We have examined the following documents prepared by the insurer pursuant to the Accounts and Statements Rules set out in Chapter 9 of IPRU(IN) the Interim Prudential Sourcebook for Insurers, GENPRU the General Prudential Sourcebook and INSPRU 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, 58 and 60 (including the supplementary notes) ("the Forms");
- the statement required by rule 9.29 ("the statement"); and
- the reports required by rule 9.31 ("the valuation reports").

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

- a) Forms 46, 47, 50 to 53, 57, 59A and 59B (including the supplementary notes);
- b) the statements required by rules 9.30 and 9.36; and
- c) the certificate signed in accordance with rule 9.34(1).

This report is made solely to the insurer's directors, in accordance with rule 9.35. 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 a 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. 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 27 March 2008. 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 Interim Prudential Sourcebook for

Insurers

Name of insurer **CGNU Life Assurance Limited**

Global Business

Financial year ended **31st December 2007**

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 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
27 March 2008