

# **CGNU Life Assurance Limited**

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

**Annual FSA Insurance Returns for the year ended  
31 December 2008**



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 2008**

.....

**M S HODGES**  
Chief Executive

.....

**T E STRAUSS**  
Director

.....

**J R LISTER**  
Director

27 March 2009

**Statement of solvency - long-term insurance business**
**Form 2**

 Name of insurer **CGNU Life Assurance Ltd**

Global business

 Financial year ended **31st December 2008**

Solo solvency calculation

	Company registration number	GL/ UK/ CM	day	month	year	units	
	R2	226742	GL	31	12	2008	£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	<b>11</b>	1520548	2892401
Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund	<b>12</b>	98161	47268
Capital resources available to cover long-term insurance business capital resources requirement (11+12)	<b>13</b>	1618709	2939669

**Guarantee fund**

Guarantee Fund requirement	<b>21</b>	247616	259345
Excess (deficiency) of available capital resources to cover guarantee fund requirement	<b>22</b>	1371093	2680324

**Minimum capital requirement (MCR)**

Long-term insurance capital requirement	<b>31</b>	742849	778036
Resilience capital requirement	<b>32</b>		
Base capital resources requirement	<b>33</b>	2518	2231
Individual minimum capital requirement	<b>34</b>	742849	778036
Capital requirements of regulated related undertakings	<b>35</b>		
Minimum capital requirement (34+35)	<b>36</b>	742849	778036
Excess (deficiency) of available capital resources to cover 50% of MCR	<b>37</b>	1247284	2550651
Excess (deficiency) of available capital resources to cover 75% of MCR	<b>38</b>	1061572	2356142

**Enhanced capital requirement**

With-profits insurance capital component	<b>39</b>	252101	766003
Enhanced capital requirement	<b>40</b>	994950	1544039

**Capital resources requirement (CRR)**

Capital resources requirement (greater of 36 and 40)	<b>41</b>	994950	1544039
Excess (deficiency) of available capital resources to cover long-term insurance business CRR (13-41)	<b>42</b>	623759	1395630

**Contingent liabilities**

Quantifiable contingent liabilities in respect of long-term insurance business as shown in a supplementary note to Form 14	<b>51</b>		
--	-----------	--	--

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

 Name of insurer **CGNU Life Assurance Ltd**

Global business

 Financial year ended **31st December 2008**

	Company registration number	GL/ UK/ CM	day	month	year	units
R3	226742	GL	31	12	2008	£000
	General insurance business 1	Long-term insurance business 2	Total as at the end of this financial year 3		Total as at the end of the previous year 4	

**Core tier one capital**

Permanent share capital	11	250	250	250
Profit and loss account and other reserves	12	100762	100762	49869
Share premium account	13			
Positive valuation differences	14	911534	911534	1438298
Fund for future appropriations	15	703518	703518	1480561
Core tier one capital in related undertakings	16			
Core tier one capital (sum of 11 to 16)	19	1716064	1716064	2968978

**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			

<b>Total tier one capital before deductions</b> (19+24+25+26+27+28)	31	1716064	1716064	2968978
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			
<b>Total tier one capital after deductions</b> (31-37)	39	1716064	1716064	2968978

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

Name of insurer **CGNU Life Assurance Ltd**

Global business

Financial year ended **31st December 2008**

	Company registration number	GL/ UK/ CM	day	month	year	units
<b>R3</b>	<b>226742</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2008</b>	<b>£000</b>
	General insurance business <b>1</b>	Long-term insurance business <b>2</b>	Total as at the end of this financial year <b>3</b>		Total as at the end of the previous year <b>4</b>	

**Tier two capital**

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

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

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

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

 Name of insurer **CGNU Life Assurance Ltd**

Global business

 Financial year ended **31st December 2008**

	Company registration number	GL/ UK/ CM	day	month	year	units
R3	226742	GL	31	12	2008	£000
	General insurance business 1	Long-term insurance business 2	Total as at the end of this financial year 3		Total as at the end of the previous year 4	

**Total capital resources**

Positive adjustments for regulated non-insurance related undertakings	71				
<b>Total capital resources before deductions (39+69+71)</b>	<b>72</b>		1716064	1716064	2968978
Inadmissible assets other than intangibles and own shares	73		97355	97355	29309
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				
<b>Total capital resources after deductions (72-73-74-75-76-77)</b>	<b>79</b>		1618709	1618709	2939669

**Available capital resources for GENPRU/INSPRU tests**

Available capital resources for guarantee fund requirement	81		1618709	1618709	2939669
Available capital resources for 50% MCR requirement	82		1618709	1618709	2939669
Available capital resources for 75% MCR requirement	83		1618709	1618709	2939669

**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				
<b>Sum of financial engineering adjustments (91+92-93+94+95)</b>	<b>96</b>				

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

 Name of insurer **CGNU Life Assurance Ltd**

Global business

 Financial year ended **31st December 2008**

 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	2008	£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	<b>21</b>		
	debts and loans	<b>22</b>		
Other insurance dependants	shares	<b>23</b>		
	debts and loans	<b>24</b>		
Non-insurance dependants	shares	<b>25</b>		
	debts and loans	<b>26</b>		
Other group undertakings	shares	<b>27</b>		
	debts and loans	<b>28</b>		
Participating interests	shares	<b>29</b>		
	debts and loans	<b>30</b>		

**Other financial investments**

Equity shares	<b>41</b>		
Other shares and other variable yield participations	<b>42</b>		
Holdings in collective investment schemes	<b>43</b>		
Rights under derivative contracts	<b>44</b>		
Fixed interest securities	Approved	<b>45</b>	
	Other	<b>46</b>	
Variable interest securities	Approved	<b>47</b>	
	Other	<b>48</b>	
Participation in investment pools	<b>49</b>		
Loans secured by mortgages	<b>50</b>		
Loans to public or local authorities and nationalised industries or undertakings	<b>51</b>		
Loans secured by policies of insurance issued by the company	<b>52</b>		
Other loans	<b>53</b>		
Bank and approved credit & financial institution deposits	One month or less withdrawal	<b>54</b>	
	More than one month withdrawal	<b>55</b>	
Other financial investments	<b>56</b>		

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

 Name of insurer **CGNU Life Assurance Ltd**

Global business

 Financial year ended **31st December 2008**

 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	2008	£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	<b>60</b>		
Claims outstanding	<b>61</b>		
Provision for unexpired risks	<b>62</b>		
Other	<b>63</b>		

**Debtors and salvage**

Direct insurance business	Policyholders	<b>71</b>		
	Intermediaries	<b>72</b>		
Salvage and subrogation recoveries		<b>73</b>		
Reinsurance	Accepted	<b>74</b>		
	Ceded	<b>75</b>		
Dependants	Due in 12 months or less	<b>76</b>		
	Due in more than 12 months	<b>77</b>		
Other	Due in 12 months or less	<b>78</b>	36	49
	Due in more than 12 months	<b>79</b>		

**Other assets**

Tangible assets	<b>80</b>		
Deposits not subject to time restriction on withdrawal with approved institutions	<b>81</b>	98473	47503
Cash in hand	<b>82</b>		
Other assets (particulars to be specified by way of supplementary note)	<b>83</b>		
Accrued interest and rent	<b>84</b>		
Deferred acquisition costs (general business only)	<b>85</b>		
Other prepayments and accrued income	<b>86</b>		

Deductions from the aggregate value of assets	<b>87</b>		
---	-----------	--	--

Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	<b>89</b>	98509	47552
---	-----------	-------	-------



**Analysis of admissible assets**
**Form 13  
(Sheet 3)**

Name of insurer **CGNU Life Assurance Ltd**

Global business

Financial year ended **31st December 2008**

Category of assets **Total other than Long-Term Insurance Business Assets**

	Company registration number	GL/ UK/ CM	day	month	year	units	Category of assets
<b>R13</b>	<b>226742</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2008</b>	<b>£000</b>	<b>1</b>
				As at end of this financial year		As at end of the previous year	
				<b>1</b>		<b>2</b>	

**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)	<b>91</b>	98509	47552
Admissible assets in excess of market and counterparty limits	<b>92</b>		
Inadmissible assets directly held	<b>93</b>		
Capital resources requirement deduction of regulated related undertakings	<b>94</b>		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	<b>95</b>		
Inadmissible assets of regulated related insurance undertakings	<b>96</b>		
Book value of related ancillary services undertakings	<b>97</b>		
Other differences in the valuation of assets (other than for assets not valued above)	<b>98</b>	2851	2851
Deferred acquisition costs excluded from line 89	<b>99</b>		
Reinsurers' share of technical provisions excluded from line 89	<b>100</b>		
Other asset adjustments (may be negative)	<b>101</b>		
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)	<b>102</b>	101360	50403
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	<b>103</b>		

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

 Name of insurer **CGNU Life Assurance Ltd**

Global business

 Financial year ended **31st December 2008**

 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	2008	£000	10
					As at end of this financial year		As at end of the previous year	
					1		2	
Land and buildings				11	1011581		1383586	

**Investments in group undertakings and participating interests**

UK insurance dependants	shares	<b>21</b>		
	debts and loans	<b>22</b>		
Other insurance dependants	shares	<b>23</b>		
	debts and loans	<b>24</b>		
Non-insurance dependants	shares	<b>25</b>	203716	251351
	debts and loans	<b>26</b>	117736	109501
Other group undertakings	shares	<b>27</b>		
	debts and loans	<b>28</b>	127258	74136
Participating interests	shares	<b>29</b>		
	debts and loans	<b>30</b>		

**Other financial investments**

Other financial investments				
Equity shares		41	2603366	5541420
Other shares and other variable yield participations		42		
Holdings in collective investment schemes		43	2809410	3040609
Rights under derivative contracts		44	153330	116262
Fixed interest securities	Approved	45	2392140	2266773
	Other	46	1884647	1910826
Variable interest securities	Approved	47	620923	224845
	Other	48	71435	93236
Participation in investment pools		49		
Loans secured by mortgages		50	238821	91295
Loans to public or local authorities and nationalised industries or undertakings		51		
Loans secured by policies of insurance issued by the company		52	9494	9831
Other loans		53	746483	484944
Bank and approved credit & financial institution deposits	One month or less withdrawal	54	2670	139575
	More than one month withdrawal	55	221508	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 2008**

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	2008	£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	69194		64493	

**Reinsurers' share of technical provisions**

Provision for unearned premiums	<b>60</b>		
Claims outstanding	<b>61</b>		
Provision for unexpired risks	<b>62</b>		
Other	<b>63</b>		

**Debtors and salvage**

Direct insurance business	Policyholders	<b>71</b>	103020	93398
	Intermediaries	<b>72</b>		
Salvage and subrogation recoveries		<b>73</b>		
Reinsurance	Accepted	<b>74</b>	5852	8901
	Ceded	<b>75</b>	22679	14747
Dependants	Due in 12 months or less	<b>76</b>		
	Due in more than 12 months	<b>77</b>		
Other	Due in 12 months or less	<b>78</b>	193422	250710
	Due in more than 12 months	<b>79</b>		

**Other assets**

Tangible assets	<b>80</b>		
Deposits not subject to time restriction on withdrawal with approved institutions	<b>81</b>	1030717	128096
Cash in hand	<b>82</b>		
Other assets (particulars to be specified by way of supplementary note)	<b>83</b>		
Accrued interest and rent	<b>84</b>	158463	129085
Deferred acquisition costs (general business only)	<b>85</b>		
Other prepayments and accrued income	<b>86</b>		

Deductions from the aggregate value of assets	<b>87</b>		
---	-----------	--	--

Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	<b>89</b>	14797865	16515148
---	-----------	----------	----------

**Analysis of admissible assets**
**Form 13  
(Sheet 3)**

 Name of insurer **CGNU Life Assurance Ltd**

Global business

 Financial year ended **31st December 2008**

 Category of assets **Total Long-Term Insurance Business Assets**

	Company registration number	GL/ UK/ CM	day	month	year	units	Category of assets
<b>R13</b>	<b>226742</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2008</b>	<b>£000</b>	<b>10</b>
				As at end of this financial year		As at end of the previous year	
				<b>1</b>		<b>2</b>	

**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)	<b>91</b>	14797865	16515148
Admissible assets in excess of market and counterparty limits	<b>92</b>		
Inadmissible assets directly held	<b>93</b>	97355	29309
Capital resources requirement deduction of regulated related undertakings	<b>94</b>		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	<b>95</b>		
Inadmissible assets of regulated related insurance undertakings	<b>96</b>		
Book value of related ancillary services undertakings	<b>97</b>		
Other differences in the valuation of assets (other than for assets not valued above)	<b>98</b>		
Deferred acquisition costs excluded from line 89	<b>99</b>		
Reinsurers' share of technical provisions excluded from line 89	<b>100</b>	25747674	29327133
Other asset adjustments (may be negative)	<b>101</b>		(6908)
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)	<b>102</b>	40642894	45864682
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	<b>103</b>	2206	

**Long-term insurance business liabilities and margins**
**Form 14**

Name of insurer **CGNU Life Assurance Ltd**  
 Global business  
 Financial year ended **31st December 2008**  
 Fund **Total Long-Term Insurance Business**  
 Units **£000**

		As at the end of this financial year <b>1</b>	As at the end of the previous year <b>2</b>
Mathematical reserves, after distribution of surplus	<b>11</b>	11783081	12119650
Cash bonuses which had not been paid to policyholders prior to end of the financial year	<b>12</b>		
Balance of surplus / (valuation deficit)	<b>13</b>		
Long term insurance business fund carried forward (11 to 13)	<b>14</b>	11783081	12119650
Claims outstanding	Gross amount	<b>15</b>	138164
	Reinsurers' share	<b>16</b>	1274
	Net (15-16)	<b>17</b>	136890
Provisions	Taxation	<b>21</b>	250509
	Other risks and charges	<b>22</b>	9
Deposits received from reinsurers	<b>23</b>		
Creditors	Direct insurance business	<b>31</b>	102824
	Reinsurance accepted	<b>32</b>	8467
	Reinsurance ceded	<b>33</b>	70098
Debenture loans	Secured	<b>34</b>	
	Unsecured	<b>35</b>	
Amounts owed to credit institutions	<b>36</b>	78838	6384
Creditors	Taxation	<b>37</b>	34247
	Other	<b>38</b>	1047637
Accruals and deferred income	<b>39</b>	15235	15346
Provision for "reasonably foreseeable adverse variations"	<b>41</b>		
Total other insurance and non-insurance liabilities (17 to 41)	<b>49</b>	1494236	1503097
Excess of the value of net admissible assets	<b>51</b>	1520548	2892401
Total liabilities and margins	<b>59</b>	14797865	16515148

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	<b>61</b>	6804	475
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	<b>62</b>	69194	64493

Total liabilities (11+12+49)	<b>71</b>	13277317	13622747
Increase to liabilities – DAC related	<b>72</b>		
Reinsurers' share of technical provisions	<b>73</b>	25747674	29327133
Other adjustments to liabilities (may be negative)	<b>74</b>	914385	1434241
Capital and reserves and fund for future appropriations	<b>75</b>	703518	1480561
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)	<b>76</b>	40642894	45864682

**Long-term insurance business liabilities and margins**
**Form 14**

Name of insurer **CGNU Life Assurance Ltd**

Global business

Financial year ended **31st December 2008**

Fund **With Profit**

Units **£000**

		As at the end of this financial year	As at the end of the previous year
		<b>1</b>	<b>2</b>
Mathematical reserves, after distribution of surplus	<b>11</b>	11396176	11743837
Cash bonuses which had not been paid to policyholders prior to end of the financial year	<b>12</b>		
Balance of surplus / (valuation deficit)	<b>13</b>		
Long term insurance business fund carried forward (11 to 13)	<b>14</b>	11396176	11743837
Claims outstanding	Gross amount	<b>15</b>	138164
	Reinsurers' share	<b>16</b>	1274
	Net (15-16)	<b>17</b>	136890
Provisions	Taxation	<b>21</b>	250509
	Other risks and charges	<b>22</b>	9
Deposits received from reinsurers	<b>23</b>		
Creditors	Direct insurance business	<b>31</b>	102824
	Reinsurance accepted	<b>32</b>	8467
	Reinsurance ceded	<b>33</b>	70098
Debenture loans	Secured	<b>34</b>	
	Unsecured	<b>35</b>	
Amounts owed to credit institutions	<b>36</b>	78838	6384
Creditors	Taxation	<b>37</b>	34247
	Other	<b>38</b>	1047637
Accruals and deferred income	<b>39</b>	15235	15346
Provision for "reasonably foreseeable adverse variations"	<b>41</b>		
Total other insurance and non-insurance liabilities (17 to 41)	<b>49</b>	1494236	1503097
Excess of the value of net admissible assets	<b>51</b>	1520548	2892401
Total liabilities and margins	<b>59</b>	14410960	16139335

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	<b>61</b>	6804	475
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	<b>62</b>	69194	64493

Total liabilities (11+12+49)	<b>71</b>	12890412	13246934
Increase to liabilities – DAC related	<b>72</b>		
Reinsurers' share of technical provisions	<b>73</b>		
Other adjustments to liabilities (may be negative)	<b>74</b>		
Capital and reserves and fund for future appropriations	<b>75</b>		
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)	<b>76</b>		

**Long-term insurance business liabilities and margins**
**Form 14**

 Name of insurer **CGNU Life Assurance Ltd**

Global business

 Financial year ended **31st December 2008**

 Fund **Stakeholder**

 Units **£000**

		As at the end of this financial year <b>1</b>	As at the end of the previous year <b>2</b>
Mathematical reserves, after distribution of surplus	<b>11</b>	386905	375813
Cash bonuses which had not been paid to policyholders prior to end of the financial year	<b>12</b>		
Balance of surplus / (valuation deficit)	<b>13</b>		
Long term insurance business fund carried forward (11 to 13)	<b>14</b>	386905	375813
Claims outstanding	Gross amount	<b>15</b>	
	Reinsurers' share	<b>16</b>	
	Net (15-16)	<b>17</b>	
Provisions	Taxation	<b>21</b>	
	Other risks and charges	<b>22</b>	
Deposits received from reinsurers	<b>23</b>		
Creditors	Direct insurance business	<b>31</b>	
	Reinsurance accepted	<b>32</b>	
	Reinsurance ceded	<b>33</b>	
Debenture loans	Secured	<b>34</b>	
	Unsecured	<b>35</b>	
Amounts owed to credit institutions	<b>36</b>		
Creditors	Taxation	<b>37</b>	
	Other	<b>38</b>	
Accruals and deferred income	<b>39</b>		
Provision for "reasonably foreseeable adverse variations"	<b>41</b>		
Total other insurance and non-insurance liabilities (17 to 41)	<b>49</b>		
Excess of the value of net admissible assets	<b>51</b>		
Total liabilities and margins	<b>59</b>	386905	375813

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

Total liabilities (11+12+49)	<b>71</b>	386905	375813
Increase to liabilities – DAC related	<b>72</b>		
Reinsurers' share of technical provisions	<b>73</b>		
Other adjustments to liabilities (may be negative)	<b>74</b>		
Capital and reserves and fund for future appropriations	<b>75</b>		
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)	<b>76</b>		

**Liabilities (other than long-term insurance business)**
**Form 15**

 Name of insurer **CGNU Life Assurance Ltd**

Global business

 Financial year ended **31st December 2008**

	Company registration number	GL/ UK/ CM	day	month	year	units
R15	226742	GL	31	12	2008	£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	330	265
	Foreseeable dividend	48		
	Other	49	18	19
Accruals and deferred income		51		
Total (19 to 51)		59	348	284
Provision for "reasonably foreseeable adverse variations"		61		
Cumulative preference share capital		62		
Subordinated loan capital		63		
Total (59 to 63)		69	348	284

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

Amounts deducted from technical provisions for discounting	82		
Other adjustments (may be negative)	83		
Capital and reserves	84	101012	50119
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	101360	50403



**Profit and loss account (non-technical account)**
**Form 16**

 Name of insurer **CGNU Life Assurance Ltd**

Global business

 Financial year ended **31st December 2008**

		Company registration number	GL/ UK/ CM	day	month	year	units	
		R16	226742	GL	31	12	2008	£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	81536	42628				
Investment income	Income	14	1028	882				
	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	82564	43510				
Tax on profit or loss on ordinary activities		31	(10957)	403				
Profit or loss on ordinary activities after tax (29-31)		39	93521	43107				
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	93521	43107				
Dividends (paid or foreseeable)		51	42628	34466				
Profit or loss retained for the financial year (49-51)		59	50893	8641				

**Analysis of derivative contracts**
**Form 17**

 Name of insurer **CGNU Life Assurance Ltd**

Global business

 Financial year ended **31st December 2008**

 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	2008	£000	10
Derivative contracts			Value as at the end of this financial year				Notional amount as at the end of this financial year			
			Assets 1		Liabilities 2		Bought / Long 3		Sold / Short 4	
Futures and contracts for differences	Fixed-interest securities	11	56189	1810	1495728	170222				
	Interest rates	12	1859	1777	112335	17848				
	Inflation	13								
	Credit index / basket	14	960	7675	197688	356524				
	Credit single name	15	1806	933	4102	13708				
	Equity index	16	84	6868	21808	327983				
	Equity stock	17								
	Land	18	34970	20405	58900	63710				
	Currencies	19	10231	85510	214317	1005665				
	Mortality	20								
	Other	21	56712		55138					
In the money options	Swaptions	31								
	Equity index calls	32								
	Equity stock calls	33	2055	1414	416729	416729				
	Equity index puts	34								
	Equity stock puts	35								
	Other	36	1		89					
Out of the money options	Swaptions	41								
	Equity index calls	42								
	Equity stock calls	43	582	723	509212	509212				
	Equity index puts	44								
	Equity stock puts	45		6		1226				
	Other	46								
Total (11 to 46)		51	165449	127121	3086046	2882827				
Adjustments for variation margin		52	(12119)	85						
Total (51 + 52)		53	153330	127206						

THE NOTIONAL AMOUNTS IN COLUMNS 3 AND 4 ARE NOT A MEASURE OF EXPOSURE. Please see instructions 11 and 12 to this Form for the meaning of these figures

**With-profits insurance capital component for the fund****Form 18**Name of insurer **CGNU Life Assurance Ltd**

Global business

Financial year ended **31st December 2008**With-profits fund **CGNU Life Fund**Units **£000**

	As at end of this financial year	As at end of the previous year
	<b>1</b>	<b>2</b>

**Regulatory excess capital**

Regulatory value of assets	Long-term admissible assets of the fund	<b>11</b>	14797865	16515148
	Implicit items allocated to the fund	<b>12</b>		
	Mathematical reserves in respect of the fund's non-profit insurance contracts	<b>13</b>	965210	992721
	Long-term admissible assets of the fund covering the LTICR of the fund's non-profit insurance contracts	<b>14</b>	157644	180114
	Long-term admissible assets of the fund covering the RCR of the fund's non-profit insurance contracts	<b>15</b>		
	Total (11+12-(13+14+15))	<b>19</b>	13675012	15342313
Regulatory value of liabilities	Mathematical reserves (after distribution of surplus) in respect of the fund's with-profit insurance contracts	<b>21</b>	10817871	11126929
	Regulatory current liabilities of the fund	<b>22</b>	1494236	1503097
	Total (21+22)	<b>29</b>	12312107	12630026
Long-term insurance capital requirement in respect of the fund's with-profits insurance contracts		<b>31</b>	585205	597923
Resilience capital requirement in respect of the fund's with-profits insurance contracts		<b>32</b>		
Sum of regulatory value of liabilities, LTICR and RCR (29+31+32)		<b>39</b>	12897312	13227949
Regulatory excess capital (19-39)		<b>49</b>	777700	2114364

**Realistic excess capital**

Realistic excess capital	<b>51</b>	371717	1088131
--------------------------	-----------	--------	---------

**Excess assets allocated to with-profits insurance business**

Excess (deficiency) of assets allocated to with-profits insurance business in fund (49-51)	<b>61</b>	405983	1026233
Face amount of capital instruments attributed to the fund and included in the capital resources (unstressed)	<b>62</b>		
Realistic amount of capital instruments attributed to the fund and included in the capital resources (stressed)	<b>63</b>		
Present value of future shareholder transfers arising from distribution of surplus	<b>64</b>	153882	260230
Present value of other future internal transfers not already taken into account	<b>65</b>		
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)	<b>66</b>	252101	766003

**Realistic balance sheet****Form 19  
(Sheet 1)**Name of insurer **CGNU Life Assurance Ltd**

Global business

Financial year ended **31st December 2008**With-profits fund **CGNU Life Fund**Units **£000**

	As at end of this financial year	As at end of the previous year
	<b>1</b>	<b>2</b>

**Realistic value of assets available to the fund**

Regulatory value of assets	<b>11</b>	13675012	15342313
Implicit items allocated to the fund	<b>12</b>		
Value of shares in subsidiaries held in the fund (regulatory)	<b>13</b>		
Excess admissible assets	<b>21</b>		
Present value of future profits (or losses) on non-profit insurance contracts written in the fund	<b>22</b>	553519	617538
Value of derivatives and quasi-derivatives not already reflected in lines 11 to 22	<b>23</b>		
Value of shares in subsidiaries held in the fund (realistic)	<b>24</b>		
Prepayments made from the fund	<b>25</b>		
Realistic value of assets of the fund (11+21+22+23+24+25-(12+13))	<b>26</b>	14228531	15959851
Support arrangement assets	<b>27</b>		
Assets available to the fund (26+27)	<b>29</b>	14228531	15959851

**Realistic value of liabilities of fund**

With-profits benefits reserve	<b>31</b>	10119856	11057721
Future policy related liabilities	Past miscellaneous surplus attributed to with-profits benefits reserve	<b>32</b>	
	Past miscellaneous deficit attributed to with-profits benefits reserve	<b>33</b>	
	Planned enhancements to with-profits benefits reserve	<b>34</b>	569758
	Planned deductions for the cost of guarantees, options and smoothing from with-profits benefits reserve	<b>35</b>	59835
	Planned deductions for other costs deemed chargeable to with-profits benefits reserve	<b>36</b>	8175
	Future costs of contractual guarantees (other than financial options)	<b>41</b>	1163340
	Future costs of non-contractual commitments	<b>42</b>	221496
	Future costs of financial options	<b>43</b>	20146
	Future costs of smoothing (possibly negative)	<b>44</b>	(26725)
	Financing costs	<b>45</b>	
	Any other liabilities related to regulatory duty to treat customers fairly	<b>46</b>	
	Other long-term insurance liabilities	<b>47</b>	(2187)
	Total (32+34+41+42+43+44+45+46+47-(33+35+36))	<b>49</b>	1877818
Realistic current liabilities of the fund	<b>51</b>	1466165	1488958
Realistic value of liabilities of the fund (31+49+51)	<b>59</b>	13463839	14532276

**Realistic balance sheet****Form 19  
(Sheet 2)**Name of insurer **CGNU Life Assurance Ltd**

Global business

Financial year ended **31st December 2008**With-profits fund **CGNU Life Fund**Units **£000**

	As at end of this financial year	As at end of the previous year
	<b>1</b>	<b>2</b>

**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	<b>62</b>	13856814	14871720
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	<b>63</b>		
Value of relevant assets before applying the most adverse scenario (62+ 63)	<b>64</b>	13856814	14871720
Risk capital margin for fund (62-59)	<b>65</b>	392975	339444
Realistic excess capital for fund (26-(59+65))	<b>66</b>	371717	1088131
Realistic excess available capital for fund (29-(59+65))	<b>67</b>	371717	1088131
Working capital for for fund (29-59)	<b>68</b>	764692	1427575
Working capital ratio for fund (68/29)	<b>69</b>	5.37	8.94

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

Additional amount potentially available for inclusion in line 62	<b>81</b>		
Additional amount potentially available for inclusion in line 63	<b>82</b>		

**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 2008**Units **£000**

	Financial year	Previous year
	<b>1</b>	<b>2</b>

**Income**

Earned premiums	<b>11</b>	1406925	925117
Investment income receivable before deduction of tax	<b>12</b>	682059	593663
Increase (decrease) in the value of non-linked assets brought into account	<b>13</b>	(878142)	1369797
Increase (decrease) in the value of linked assets	<b>14</b>	2167	13375
Other income	<b>15</b>		
<b>Total income</b>	<b>19</b>	1213009	2901952

**Expenditure**

Claims incurred	<b>21</b>	1174791	1333348
Expenses payable	<b>22</b>	151211	99791
Interest payable before deduction of tax	<b>23</b>	35813	29159
Taxation	<b>24</b>	106227	141742
Other expenditure	<b>25</b>		
Transfer to (from) non technical account	<b>26</b>	81536	42628
<b>Total expenditure</b>	<b>29</b>	1549578	1646668

Business transfers-in	<b>31</b>		
Business transfers-out	<b>32</b>		
Increase (decrease) in fund in financial year (19-29+31-32)	<b>39</b>	(336569)	1255284
Fund brought forward	<b>49</b>	12119650	10864366
Fund carried forward (39+49)	<b>59</b>	11783081	12119650

**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 2008**Units **£000**

	Financial year	Previous year
	<b>1</b>	<b>2</b>

**Income**

Earned premiums	<b>11</b>	1371486	913912
Investment income receivable before deduction of tax	<b>12</b>	663059	580409
Increase (decrease) in the value of non-linked assets brought into account	<b>13</b>	(878866)	1353083
Increase (decrease) in the value of linked assets	<b>14</b>	2167	13375
Other income	<b>15</b>		
<b>Total income</b>	<b>19</b>	1157846	2860779

**Expenditure**

Claims incurred	<b>21</b>	1130720	1286503
Expenses payable	<b>22</b>	151211	99791
Interest payable before deduction of tax	<b>23</b>	35813	29159
Taxation	<b>24</b>	106227	141742
Other expenditure	<b>25</b>		
Transfer to (from) non technical account	<b>26</b>	81536	42628
<b>Total expenditure</b>	<b>29</b>	1505507	1599823

Business transfers-in	<b>31</b>		
Business transfers-out	<b>32</b>		
Increase (decrease) in fund in financial year (19-29+31-32)	<b>39</b>	(347661)	1260956
Fund brought forward	<b>49</b>	11743837	10482881
Fund carried forward (39+49)	<b>59</b>	11396176	11743837

**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 2008**Units **£000**

	Financial year	Previous year
	<b>1</b>	<b>2</b>

**Income**

Earned premiums	<b>11</b>	35439	11205
Investment income receivable before deduction of tax	<b>12</b>	19000	13254
Increase (decrease) in the value of non-linked assets brought into account	<b>13</b>	724	16714
Increase (decrease) in the value of linked assets	<b>14</b>		
Other income	<b>15</b>		
<b>Total income</b>	<b>19</b>	55163	41173

**Expenditure**

Claims incurred	<b>21</b>	44071	46845
Expenses payable	<b>22</b>		
Interest payable before deduction of tax	<b>23</b>		
Taxation	<b>24</b>		
Other expenditure	<b>25</b>		
Transfer to (from) non technical account	<b>26</b>		
<b>Total expenditure</b>	<b>29</b>	44071	46845

Business transfers-in	<b>31</b>		
Business transfers-out	<b>32</b>		
Increase (decrease) in fund in financial year (19-29+31-32)	<b>39</b>	11092	(5672)
Fund brought forward	<b>49</b>	375813	381485
Fund carried forward (39+49)	<b>59</b>	386905	375813



**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 2008**  
 Units **£000**

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

**Gross**

Regular premiums	11	270191	1190479	22988	1483658	1413870
Single premiums	12	2598862	2066983	7478	4673323	5174891

**Reinsurance - external**

Regular premiums	13	45629	1730		47359	52840
Single premiums	14					

**Reinsurance - intra-group**

Regular premiums	15	67094	1116154	16446	1199694	1103815
Single premiums	16	1513230	1986446	3327	3503003	4506989

**Net of reinsurance**

Regular premiums	17	157468	72595	6542	236605	257215
Single premiums	18	1085632	80537	4151	1170320	667902

**Total**

Gross	19	2869053	3257462	30466	6156981	6588761
Reinsurance	20	1625953	3104330	19773	4750056	5663644
Net	21	1243100	153132	10693	1406925	925117

**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 2008**

 Units **£000**

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

**Gross**

Regular premiums	11	270191	1137149	22988	1430328	1351026
Single premiums	12	2598862	2049774	7478	4656114	5150272

**Reinsurance - external**

Regular premiums	13	45629	1730		47359	52840
Single premiums	14					

**Reinsurance - intra-group**

Regular premiums	15	67094	1088373	16446	1171913	1071293
Single premiums	16	1513230	1979127	3327	3495684	4463253

**Net of reinsurance**

Regular premiums	17	157468	47046	6542	211056	226893
Single premiums	18	1085632	70647	4151	1160430	687019

**Total**

Gross	19	2869053	3186923	30466	6086442	6501298
Reinsurance	20	1625953	3069230	19773	4714956	5587386
Net	21	1243100	117693	10693	1371486	913912

**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 2008**

 Units **£000**

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

**Gross**

Regular premiums	11		53330		53330	62844
Single premiums	12		17209		17209	24619

**Reinsurance - external**

Regular premiums	13					
Single premiums	14					

**Reinsurance - intra-group**

Regular premiums	15		27781		27781	32522
Single premiums	16		7319		7319	43736

**Net of reinsurance**

Regular premiums	17		25549		25549	30322
Single premiums	18		9890		9890	(19117)

**Total**

Gross	19		70539		70539	87463
Reinsurance	20		35100		35100	76258
Net	21		35439		35439	11205

**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 2008**  
 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	420328	28137	3276	451741	435782
Disability periodic payments	12	94	(94)	9	9	(178)
Surrender or partial surrender	13	2201354	1838869	85825	4126048	3758320
Annuity payments	14	624	46344		46968	45034
Lump sums on maturity	15	242372	330058	5779	578209	384756
<b>Total</b>	<b>16</b>	<b>2864772</b>	<b>2243314</b>	<b>94889</b>	<b>5202975</b>	<b>4623714</b>

**Reinsurance - external**

Death or disability lump sums	21	40472	1534	15	42021	32918
Disability periodic payments	22					
Surrender or partial surrender	23					
Annuity payments	24	35			35	4
Lump sums on maturity	25					
<b>Total</b>	<b>26</b>	<b>40507</b>	<b>1534</b>	<b>15</b>	<b>42056</b>	<b>32922</b>

**Reinsurance - intra-group**

Death or disability lump sums	31	211139	21415	169	232723	249988
Disability periodic payments	32	26	(100)	9	(65)	(240)
Surrender or partial surrender	33	1768960	1697347	27852	3494159	2824967
Annuity payments	34					
Lump sums on maturity	35	1420	256262	1629	259311	182729
<b>Total</b>	<b>36</b>	<b>1981545</b>	<b>1974924</b>	<b>29659</b>	<b>3986128</b>	<b>3257444</b>

**Net of reinsurance**

Death or disability lump sums	41	168717	5188	3092	176997	152876
Disability periodic payments	42	68	6		74	62
Surrender or partial surrender	43	432394	141522	57973	631889	933353
Annuity payments	44	589	46344		46933	45030
Lump sums on maturity	45	240952	73796	4150	318898	202027
<b>Total</b>	<b>46</b>	<b>842720</b>	<b>266856</b>	<b>65215</b>	<b>1174791</b>	<b>1333348</b>

**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 2008**

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	420328	26721	3276	450325	434320
Disability periodic payments	12	94	(94)	9	9	(178)
Surrender or partial surrender	13	2201354	1778505	85825	4065684	3694278
Annuity payments	14	624	46344		46968	45034
Lump sums on maturity	15	242372	304437	5779	552588	356738
<b>Total</b>	<b>16</b>	<b>2864772</b>	<b>2155913</b>	<b>94889</b>	<b>5115574</b>	<b>4530192</b>

**Reinsurance - external**

Death or disability lump sums	21	40472	1534	15	42021	32918
Disability periodic payments	22					
Surrender or partial surrender	23					
Annuity payments	24	35			35	4
Lump sums on maturity	25					
<b>Total</b>	<b>26</b>	<b>40507</b>	<b>1534</b>	<b>15</b>	<b>42056</b>	<b>32922</b>

**Reinsurance - intra-group**

Death or disability lump sums	31	211139	20720	169	232028	249245
Disability periodic payments	32	26	(100)	9	(65)	(240)
Surrender or partial surrender	33	1768960	1667307	27852	3464119	2793198
Annuity payments	34					
Lump sums on maturity	35	1420	243667	1629	246716	168564
<b>Total</b>	<b>36</b>	<b>1981545</b>	<b>1931594</b>	<b>29659</b>	<b>3942798</b>	<b>3210767</b>

**Net of reinsurance**

Death or disability lump sums	41	168717	4467	3092	176276	152157
Disability periodic payments	42	68	6		74	62
Surrender or partial surrender	43	432394	111198	57973	601565	901080
Annuity payments	44	589	46344		46933	45030
Lump sums on maturity	45	240952	60770	4150	305872	188174
<b>Total</b>	<b>46</b>	<b>842720</b>	<b>222785</b>	<b>65215</b>	<b>1130720</b>	<b>1286503</b>

**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 2008**

 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	1416		1416	1462
Disability periodic payments	12				
Surrender or partial surrender	13	60364		60364	64042
Annuity payments	14				
Lump sums on maturity	15	25621		25621	28018
<b>Total</b>	<b>16</b>	<b>87401</b>		<b>87401</b>	<b>93522</b>

**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				
<b>Total</b>	<b>26</b>				

**Reinsurance - intra-group**

Death or disability lump sums	31	695		695	743
Disability periodic payments	32				
Surrender or partial surrender	33	30040		30040	31769
Annuity payments	34				
Lump sums on maturity	35	12595		12595	14165
<b>Total</b>	<b>36</b>	<b>43330</b>		<b>43330</b>	<b>46677</b>

**Net of reinsurance**

Death or disability lump sums	41	721		721	719
Disability periodic payments	42				
Surrender or partial surrender	43	30324		30324	32273
Annuity payments	44				
Lump sums on maturity	45	13026		13026	13853
<b>Total</b>	<b>46</b>	<b>44071</b>		<b>44071</b>	<b>46845</b>

**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 2008**  
 Units **£000**

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

**Gross**

Commission - acquisition	11	167461	102306	474	270241	280873
Commission - other	12	5138	5276	211	10625	14393
Management - acquisition	13	57696	50719	16	108431	118245
Management - maintenance	14	35935	50725	1259	87919	46428
Management - other	15	19363	11424	49	30836	28112
<b>Total</b>	<b>16</b>	<b>285593</b>	<b>220450</b>	<b>2009</b>	<b>508052</b>	<b>488051</b>

**Reinsurance - external**

Commission - acquisition	21					
Commission - other	22	53	1		54	61
Management - acquisition	23					
Management - maintenance	24					
Management - other	25					
<b>Total</b>	<b>26</b>	<b>53</b>	<b>1</b>		<b>54</b>	<b>61</b>

**Reinsurance - intra-group**

Commission - acquisition	31	106321	92567	298	199186	238850
Commission - other	32	524	3301	127	3952	8106
Management - acquisition	33	51457	45782	5	97244	105643
Management - maintenance	34	10386	31853	290	42529	21274
Management - other	35	4171	9696	9	13876	14326
<b>Total</b>	<b>36</b>	<b>172859</b>	<b>183199</b>	<b>729</b>	<b>356787</b>	<b>388199</b>

**Net of reinsurance**

Commission - acquisition	41	61140	9739	176	71055	42023
Commission - other	42	4561	1974	84	6619	6226
Management - acquisition	43	6239	4937	11	11187	12602
Management - maintenance	44	25549	18872	969	45390	25154
Management - other	45	15192	1728	40	16960	13786
<b>Total</b>	<b>46</b>	<b>112681</b>	<b>37250</b>	<b>1280</b>	<b>151211</b>	<b>99791</b>

**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 2008**

 Units **£000**

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

**Gross**

Commission - acquisition	11	167461	102306	474	270241	280873
Commission - other	12	5138	5276	211	10625	14393
Management - acquisition	13	57696	50719	16	108431	118245
Management - maintenance	14	35935	50725	1259	87919	46428
Management - other	15	19363	11424	49	30836	28112
<b>Total</b>	<b>16</b>	<b>285593</b>	<b>220450</b>	<b>2009</b>	<b>508052</b>	<b>488051</b>

**Reinsurance - external**

Commission - acquisition	21					
Commission - other	22	53	1		54	61
Management - acquisition	23					
Management - maintenance	24					
Management - other	25					
<b>Total</b>	<b>26</b>	<b>53</b>	<b>1</b>		<b>54</b>	<b>61</b>

**Reinsurance - intra-group**

Commission - acquisition	31	106321	92567	298	199186	238850
Commission - other	32	524	3301	127	3952	8106
Management - acquisition	33	51457	45782	5	97244	105643
Management - maintenance	34	10386	31853	290	42529	21274
Management - other	35	4171	9696	9	13876	14326
<b>Total</b>	<b>36</b>	<b>172859</b>	<b>183199</b>	<b>729</b>	<b>356787</b>	<b>388199</b>

**Net of reinsurance**

Commission - acquisition	41	61140	9739	176	71055	42023
Commission - other	42	4561	1974	84	6619	6226
Management - acquisition	43	6239	4937	11	11187	12602
Management - maintenance	44	25549	18872	969	45390	25154
Management - other	45	15192	1728	40	16960	13786
<b>Total</b>	<b>46</b>	<b>112681</b>	<b>37250</b>	<b>1280</b>	<b>151211</b>	<b>99791</b>



**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 2008**

 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				
Management - other	15				
<b>Total</b>	<b>16</b>				

**Reinsurance - external**

Commission - acquisition	21				
Commission - other	22				
Management - acquisition	23				
Management - maintenance	24				
Management - other	25				
<b>Total</b>	<b>26</b>				

**Reinsurance - intra-group**

Commission - acquisition	31				
Commission - other	32				
Management - acquisition	33				
Management - maintenance	34				
Management - other	35				
<b>Total</b>	<b>36</b>				

**Net of reinsurance**

Commission - acquisition	41				
Commission - other	42				
Management - acquisition	43				
Management - maintenance	44				
Management - other	45				
<b>Total</b>	<b>46</b>				

**Long-term insurance business: Linked funds balance sheet**
**Form 44**

 Name of insurer **CGNU Life Assurance Ltd**

Total business

 Financial year ended **31st December 2008**

 Units **£000**

	Financial year	Previous year
	<b>1</b>	<b>2</b>

**Internal linked funds (excluding cross investment)**

Directly held assets (excluding collective investment schemes)	<b>11</b>		
Directly held assets in collective investment schemes of connected companies	<b>12</b>		
Directly held assets in other collective investment schemes	<b>13</b>	69194	64493
<b>Total assets (excluding cross investment) (11+12+13)</b>	<b>14</b>	69194	64493
Provision for tax on unrealised capital gains	<b>15</b>		
Secured and unsecured loans	<b>16</b>		
Other liabilities	<b>17</b>		
<b>Total net assets (14-15-16-17)</b>	<b>18</b>	69194	64493

**Directly held linked assets**

Value of directly held linked assets	<b>21</b>		
--------------------------------------	-----------	--	--

**Total**

Value of directly held linked assets and units held (18+21)	<b>31</b>	69194	64493
Surplus units	<b>32</b>		
Deficit units	<b>33</b>		
<b>Net unit liability (31-32+33)</b>	<b>34</b>	69194	64493

**Long-term insurance business: revenue account for internal linked funds**
**Form 45**

 Name of insurer **CGNU Life Assurance Ltd**

Total business

 Financial year ended **31st December 2008**

 Units **£000**

	Financial year <b>1</b>	Previous year <b>2</b>
--	----------------------------	---------------------------

**Income**

Value of total creation of units	<b>11</b>	17678	10067
Investment income attributable to the funds before deduction of tax	<b>12</b>	4	2
Increase (decrease) in the value of investments in the financial year	<b>13</b>	2167	8366
Other income	<b>14</b>		
<b>Total income</b>	<b>19</b>	19849	18435

**Expenditure**

Value of total cancellation of units	<b>21</b>	15148	13898
Charges for management	<b>22</b>		
Charges in respect of tax on investment income	<b>23</b>		
Taxation on realised capital gains	<b>24</b>		
Increase (decrease) in amount set aside for tax on capital gains not yet realised	<b>25</b>		
Other expenditure	<b>26</b>		
<b>Total expenditure</b>	<b>29</b>	15148	13898

Increase (decrease) in funds in financial year (19-29)	<b>39</b>	4701	4537
Internal linked fund brought forward	<b>49</b>	64493	59956
Internal linked funds carried forward (39+49)	<b>59</b>	69194	64493

**Long-term insurance business: Summary of new business**
**Form 46**

 Name of insurer **CGNU Life Assurance Ltd**

Total business

 Financial year ended **31st December 2008**

 Units **£000**

	UK Life <b>1</b>	UK Pension <b>2</b>	Overseas <b>3</b>	Total Financial year <b>4</b>	Total Previous year <b>5</b>
--	------------------------	---------------------------	----------------------	-------------------------------------	------------------------------------

**Number of new policyholders / scheme members for direct insurance business**

Regular premium business	<b>11</b>	36	79260	425	79721	70488
Single premium business	<b>12</b>	64279	61926	27	126232	112606
<b>Total</b>	<b>13</b>	64315	141186	452	205953	183094

**Amount of new regular premiums**

Direct insurance business	<b>21</b>	111	452644	2997	455752	361413
External reinsurance	<b>22</b>					
Intra-group reinsurance	<b>23</b>					
<b>Total</b>	<b>24</b>	111	452644	2997	455752	361413

**Amount of new single premiums**

Direct insurance business	<b>25</b>	2423662	1968924	7036	4399622	5110633
External reinsurance	<b>26</b>					
Intra-group reinsurance	<b>27</b>	186368			186368	123535
<b>Total</b>	<b>28</b>	2610030	1968924	7036	4585990	5234168

**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 2008**Units **£000**

UK Life / Direct insurance business

Product code number  <b>1</b>	Product description  <b>2</b>	Regular premium business		Single premium business	
		Number of policyholders / scheme members <b>3</b>	Amount of premiums <b>4</b>	Number of policyholders / scheme members <b>5</b>	Amount of premiums <b>6</b>
100	Conventional whole life with-profits OB	2	8		
325	Level term assurance	7	9		
360	Income protection non-profit (guaranteed premiums)	27	19		
400	Annuity non-profit (CPA)			34	1325
415	Collective Life		4		7168
500	Life UWP single premium			43795	1607763
505	Life UWP whole life regular premium		35		
700	Life property linked single premium			20450	807406
710	Life property linked whole life regular premium		36		

**Long-term insurance business: Analysis of new business****Form 47  
(Sheet 2)**Name of insurer **CGNU Life Assurance Ltd**

Total business

Financial year ended **31st December 2008**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				186368

**Long-term insurance business: Analysis of new business****Form 47  
(Sheet 3)**Name of insurer **CGNU Life Assurance Ltd**

Total business

Financial year ended **31st December 2008**Units **£000**

UK Pension / Direct insurance business

Product code number  <b>1</b>	Product description  <b>2</b>	Regular premium business		Single premium business	
		Number of policyholders / scheme members <b>3</b>	Amount of premiums <b>4</b>	Number of policyholders / scheme members <b>5</b>	Amount of premiums <b>6</b>
175	Group conventional deferred annuity with-profits		4		5
185	Group conventional pensions endowment with-profits		9		35
400	Annuity non-profit (CPA)			910	28093
410	Group Life		14		
525	Individual pensions UWP	28	597	3	14995
530	Individual pensions UWP - increments		2581		14787
535	Group money purchase pensions UWP	508	6356	58	8740
540	Group money purchase pensions UWP - increments		6306		47186
565	DWP National Insurance rebates UWP				8330
571	Trustee investment plan UWP				1922
575	Miscellaneous UWP		30		416
725	Individual pensions property linked	15133	58216	18361	505489
730	Individual pensions property linked - increments		45195		445589
735	Group money purchase pensions property linked	63591	194063	42594	373568
740	Group money purchase pensions property linked - increments		139273		389474
745	DWP National Insurance rebates property linked				35716
755	Trustee investment plan				94579

**Long-term insurance business: Analysis of new business****Form 47  
(Sheet 4)**Name of insurer **CGNU Life Assurance Ltd**

Total business

Financial year ended **31st December 2008**Units **£000**

Overseas / Direct insurance business

Product code number  <b>1</b>	Product description  <b>2</b>	Regular premium business		Single premium business	
		Number of policyholders / scheme members <b>3</b>	Amount of premiums <b>4</b>	Number of policyholders / scheme members <b>5</b>	Amount of premiums <b>6</b>
400	Annuity non-profit (CPA)			6	685
500	Life UWP single premium			19	3398
525	Individual pensions UWP	1	26	1	186
530	Individual pensions UWP - increments		194		184
571	Trustee investment plan UWP				10
700	Life property linked single premium				213
725	Individual pensions property linked	424	1224	1	1380
730	Individual pensions property linked - increments		1553		980



**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 2008**

 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	826259	826259	23090	2.96	
Other fixed interest securities	13	227401	227401	13859	6.73	
Variable interest securities	14					
UK listed equity shares	15					
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18					
<b>Total</b>	<b>19</b>	<b>1053660</b>	<b>1053660</b>	<b>36949</b>	<b>3.77</b>	

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

Land and buildings	21	1011581	2177522	161112	7.40	(24.86)
Approved fixed interest securities	22	1587615	2839761	79359	2.96	12.73
Other fixed interest securities	23	1706275	2460323	149944	6.73	(4.20)
Variable interest securities	24	697722	926103	23630	2.76	1.27
UK listed equity shares	25	1734241	1721329	87773	5.10	(30.57)
Non-UK listed equity shares	26	854304	1219345	45899	3.76	(32.36)
Unlisted equity shares	27	218538	443162	43	0.01	24.69
Other assets	28	5864735	1887466	21144	1.05	5.24
<b>Total</b>	<b>29</b>	<b>13675011</b>	<b>13675011</b>	<b>568904</b>	<b>4.31</b>	<b>(7.19)</b>

**Overall return on with-profits assets**

Post investment costs but pre-tax	31					(11.39)
Return allocated to non taxable 'asset shares'	32					(16.04)
Return allocated to taxable 'asset shares'	33					(13.57)

**Long-term insurance business: Fixed and variable interest assets**
**Form 49**

Name of insurer **CGNU Life Assurance Ltd**  
 Financial year ended **31st December 2008**  
 Category of assets **Total Long-Term Insurance Business Assets**  
 Units **£000**

		Value of assets <b>1</b>	Mean term <b>2</b>	Yield before adjustment <b>3</b>	Yield after adjustment <b>4</b>
<b>UK government approved fixed interest securities</b>	<b>11</b>	2929578	9.61	2.97	2.97
<b>Other approved fixed interest securities</b>	<b>21</b>	736442	8.49	2.94	2.94
<b>Other fixed interest securities</b>					
AAA/Aaa	<b>31</b>	242624	5.61	4.37	4.28
AA/Aa	<b>32</b>	651532	4.65	6.17	5.89
A/A	<b>33</b>	1010244	5.92	7.19	6.87
BBB/Baa	<b>34</b>	739271	5.34	6.95	6.28
BB/Ba	<b>35</b>	27305	3.95	12.72	11.04
B/B	<b>36</b>	7886	2.66	11.79	8.69
CCC/Caa	<b>37</b>	2211	1.46	43.09	38.14
Other (including unrated)	<b>38</b>	6651	11.20	12.12	11.45
<b>Total other fixed interest securities</b>	<b>39</b>	2687724	5.40	6.73	6.32
<b>Approved variable interest securities</b>	<b>41</b>	725124	6.34	2.03	2.03
<b>Other variable interest securities</b>	<b>51</b>	200979	3.15	5.42	5.09
<b>Total (11+21+39+41+51)</b>	<b>61</b>	7279847	7.44	4.33	4.17

**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 2008**  
 Units **£000**

	UK Life <b>1</b>	UK Pension <b>2</b>	Overseas <b>3</b>	Total Financial Year <b>4</b>	Total Previous Year <b>5</b>
--	------------------------	---------------------------	----------------------	-------------------------------------	------------------------------------

**Gross**

Form 51 - with-profits	<b>11</b>	2313637	154895	26100	2494632	2980377
Form 51 - non-profit	<b>12</b>	233814	657600	17395	908809	1070068
Form 52	<b>13</b>	9746147	2639206	489157	12874510	13310205
Form 53 - linked	<b>14</b>	8010534	11503978	202027	19716539	23089361
Form 53 - non-linked	<b>15</b>	(84442)	93640	5291	14489	(69172)
Form 54 - linked	<b>16</b>					
Form 54 - non-linked	<b>17</b>					
<b>Total</b>	<b>18</b>	20219690	15049319	739970	36008979	40380839

**Reinsurance - external**

Form 51 - with-profits	<b>21</b>	1348			1348	1352
Form 51 - non-profit	<b>22</b>	101203	2575	1216	104994	232707
Form 52	<b>23</b>					
Form 53 - linked	<b>24</b>					
Form 53 - non-linked	<b>25</b>					
Form 54 - linked	<b>26</b>					
Form 54 - non-linked	<b>27</b>					
<b>Total</b>	<b>28</b>	102551	2575	1216	106342	234059

**Reinsurance - intra-group**

Form 51 - with-profits	<b>31</b>	45912		552	46464	49839
Form 51 - non-profit	<b>32</b>	16872	27	30	16929	23303
Form 52	<b>33</b>	4203932	915375	27312	5146619	5361503
Form 53 - linked	<b>34</b>	8010322	11503978	133045	19647345	23024868
Form 53 - non-linked	<b>35</b>	(163290)	66787	1862	(94641)	(183341)
Form 54 - linked	<b>36</b>					
Form 54 - non-linked	<b>37</b>					
<b>Total</b>	<b>38</b>	12113748	12486167	162801	24762716	28276172

**Net of reinsurance**

Form 51 - with-profits	<b>41</b>	2266377	154895	25548	2446820	2929186
Form 51 - non-profit	<b>42</b>	115739	654998	16149	786886	814058
Form 52	<b>43</b>	5542215	1723831	461845	7727891	7948702
Form 53 - linked	<b>44</b>	212		68982	69194	64493
Form 53 - non-linked	<b>45</b>	78848	26853	3429	109130	114169
Form 54 - linked	<b>46</b>					
Form 54 - non-linked	<b>47</b>					
<b>Total</b>	<b>48</b>	8003391	2560577	575953	11139921	11870608

**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 2008**

 Units **£000**

	UK Life <b>1</b>	UK Pension <b>2</b>	Overseas <b>3</b>	Total Financial Year <b>4</b>	Total Previous Year <b>5</b>
--	------------------------	---------------------------	----------------------	-------------------------------------	------------------------------------

**Gross**

Form 51 - with-profits	<b>11</b>	2313637	154895	26100	2494632	2980377
Form 51 - non-profit	<b>12</b>	233814	657600	17395	908809	1070068
Form 52	<b>13</b>	9746147	1901094	489157	12136398	12586234
Form 53 - linked	<b>14</b>	8010534	11503978	202027	19716539	23089361
Form 53 - non-linked	<b>15</b>	(84442)	93640	5291	14489	(69172)
Form 54 - linked	<b>16</b>					
Form 54 - non-linked	<b>17</b>					
<b>Total</b>	<b>18</b>	20219690	14311207	739970	35270867	39656868

**Reinsurance - external**

Form 51 - with-profits	<b>21</b>	1348			1348	1352
Form 51 - non-profit	<b>22</b>	101203	2575	1216	104994	232707
Form 52	<b>23</b>					
Form 53 - linked	<b>24</b>					
Form 53 - non-linked	<b>25</b>					
Form 54 - linked	<b>26</b>					
Form 54 - non-linked	<b>27</b>					
<b>Total</b>	<b>28</b>	102551	2575	1216	106342	234059

**Reinsurance - intra-group**

Form 51 - with-profits	<b>31</b>	45912		552	46464	49839
Form 51 - non-profit	<b>32</b>	16872	27	30	16929	23303
Form 52	<b>33</b>	4203932	549095	27312	4780339	4998965
Form 53 - linked	<b>34</b>	8010322	11503978	133045	19647345	23024868
Form 53 - non-linked	<b>35</b>	(163290)	66787	1862	(94641)	(183341)
Form 54 - linked	<b>36</b>					
Form 54 - non-linked	<b>37</b>					
<b>Total</b>	<b>38</b>	12113748	12119887	162801	24396436	27913634

**Net of reinsurance**

Form 51 - with-profits	<b>41</b>	2266377	154895	25548	2446820	2929186
Form 51 - non-profit	<b>42</b>	115739	654998	16149	786886	814058
Form 52	<b>43</b>	5542215	1351999	461845	7356059	7587269
Form 53 - linked	<b>44</b>	212		68982	69194	64493
Form 53 - non-linked	<b>45</b>	78848	26853	3429	109130	114169
Form 54 - linked	<b>46</b>					
Form 54 - non-linked	<b>47</b>					
<b>Total</b>	<b>48</b>	8003391	2188745	575953	10768089	11509175

**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 2008**

 Units **£000**

	UK Life <b>1</b>	UK Pension <b>2</b>	Overseas <b>3</b>	Total Financial Year <b>4</b>	Total Previous Year <b>5</b>
--	------------------------	---------------------------	----------------------	-------------------------------------	------------------------------------

**Gross**

Form 51 - with-profits	<b>11</b>				
Form 51 - non-profit	<b>12</b>				
Form 52	<b>13</b>		738112	738112	723971
Form 53 - linked	<b>14</b>				
Form 53 - non-linked	<b>15</b>				
Form 54 - linked	<b>16</b>				
Form 54 - non-linked	<b>17</b>				
<b>Total</b>	<b>18</b>		738112	738112	723971

**Reinsurance - external**

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

**Reinsurance - intra-group**

Form 51 - with-profits	<b>31</b>				
Form 51 - non-profit	<b>32</b>				
Form 52	<b>33</b>		366280	366280	362538
Form 53 - linked	<b>34</b>				
Form 53 - non-linked	<b>35</b>				
Form 54 - linked	<b>36</b>				
Form 54 - non-linked	<b>37</b>				
<b>Total</b>	<b>38</b>		366280	366280	362538

**Net of reinsurance**

Form 51 - with-profits	<b>41</b>				
Form 51 - non-profit	<b>42</b>				
Form 52	<b>43</b>		371832	371832	361433
Form 53 - linked	<b>44</b>				
Form 53 - non-linked	<b>45</b>				
Form 54 - linked	<b>46</b>				
Form 54 - non-linked	<b>47</b>				
<b>Total</b>	<b>48</b>		371832	371832	361433

**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 2008**

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	34259	845494	24675	n/a	n/a	n/a	296866
120	Conventional endowment with-profits OB savings	13856	164234	8012	n/a	n/a	n/a	98928
125	Conventional endowment with-profits OB target cash	145267	2618146	92458	n/a	n/a	n/a	1601010
175	Group conventional deferred annuity with-profits	27	13		n/a	n/a	n/a	169
205	Miscellaneous conventional with-profits	18	1549	24	n/a	n/a	n/a	1384
210	Additional reserves with-profits OB			548	n/a	n/a	n/a	315280
300	Regular premium non-profit WL/EA OB	14578	82362	1509	n/a	n/a	n/a	48946
325	Level term assurance	65876	6579666	20652	n/a	n/a	n/a	32517
330	Decreasing term assurance	46560	4216482	25388	n/a	n/a	n/a	60185
340	Accelerated critical illness (guaranteed premiums)	29787	2391931	12281	n/a	n/a	n/a	58790
360	Income protection non-profit (guaranteed premiums)	5885	311603	1321	n/a	n/a	n/a	2
390	Deferred annuity non-profit	10849	184		n/a	n/a	n/a	2506
395	Annuity non-profit (PLA)	158	355		n/a	n/a	n/a	3447
400	Annuity non-profit (CPA)	1785	520		n/a	n/a	n/a	5294
410	Group Life	182	70		n/a	n/a	n/a	7
415	Collective Life		934016	129	n/a	n/a	n/a	7645
435	Miscellaneous non-profit	1341	398782	1401	n/a	n/a	n/a	4783
440	Additional reserves non-profit OB			525	n/a	n/a	n/a	9692

**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 2008**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		1642	6	n/a	n/a	n/a	1348
300	Regular premium non-profit WL/EA OB		2444	115	n/a	n/a	n/a	956
325	Level term assurance		5870843	18336	n/a	n/a	n/a	23876
330	Decreasing term assurance		2452793	17618	n/a	n/a	n/a	37444
340	Accelerated critical illness (guaranteed premiums)		1722389	8739	n/a	n/a	n/a	37461
360	Income protection non-profit (guaranteed premiums)		4839	14	n/a	n/a	n/a	
395	Annuity non-profit (PLA)		3		n/a	n/a	n/a	12
400	Annuity non-profit (CPA)		3		n/a	n/a	n/a	11
410	Group Life		310	1	n/a	n/a	n/a	2
435	Miscellaneous non-profit		115991	825	n/a	n/a	n/a	922
440	Additional reserves non-profit OB			519	n/a	n/a	n/a	519

**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 2008**Units **£000****UK Life / Reinsurance ceded intra-group**

Product code number <b>1</b>	Product description <b>2</b>	Number of policyholders / scheme members <b>3</b>	Amount of benefit <b>4</b>	Amount of annual office premiums <b>5</b>	Nominal value of units <b>6</b>	Discounted value of units <b>7</b>	Other liabilities <b>8</b>	Amount of mathematical reserves <b>9</b>
120	Conventional endowment with-profits OB savings		29821	2299	n/a	n/a	n/a	16656
125	Conventional endowment with-profits OB target cash		117253	6316	n/a	n/a	n/a	29160
210	Additional reserves with-profits OB			96	n/a	n/a	n/a	96
325	Level term assurance		106508	62	n/a	n/a	n/a	1891
330	Decreasing term assurance		87803	432	n/a	n/a	n/a	783
340	Accelerated critical illness (guaranteed premiums)		214815	1182	n/a	n/a	n/a	6596
360	Income protection non-profit (guaranteed premiums)		149515	472	n/a	n/a	n/a	1
415	Collective Life		895613		n/a	n/a	n/a	7509
435	Miscellaneous non-profit		1457	15	n/a	n/a	n/a	63
440	Additional reserves non-profit OB			29	n/a	n/a	n/a	29



**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 2008**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	2911	5241	150	n/a	n/a	n/a	59894
185	Group conventional pensions endowment with-profits	1431	53293	426	n/a	n/a	n/a	60965
200	Annuity with-profits (CPA)	814	2636		n/a	n/a	n/a	20983
205	Miscellaneous conventional with-profits	54	392		n/a	n/a	n/a	17
210	Additional reserves with-profits OB				n/a	n/a	n/a	13036
325	Level term assurance	5584	446677	1883	n/a	n/a	n/a	2781
330	Decreasing term assurance	142	3278	31	n/a	n/a	n/a	25
360	Income protection non-profit (guaranteed premiums)	72	2372	14	n/a	n/a	n/a	3
390	Deferred annuity non-profit	10746	7587		n/a	n/a	n/a	73023
400	Annuity non-profit (CPA)	28388	51026	2	n/a	n/a	n/a	578824
410	Group Life	2858	68486	239	n/a	n/a	n/a	614
435	Miscellaneous non-profit	1584	26195	34	n/a	n/a	n/a	2311
440	Additional reserves non-profit OB			19	n/a	n/a	n/a	19

**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 2008**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		430286	1807	n/a	n/a	n/a	2467
330	Decreasing term assurance		17		n/a	n/a	n/a	
400	Annuity non-profit (CPA)		59		n/a	n/a	n/a	26
410	Group Life		19714	151	n/a	n/a	n/a	49
435	Miscellaneous non-profit		379		n/a	n/a	n/a	2
440	Additional reserves non-profit OB			31	n/a	n/a	n/a	31

**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 2008**Units **£000****UK Pension / Reinsurance ceded intra-group**

Product code number <b>1</b>	Product description <b>2</b>	Number of policyholders / scheme members <b>3</b>	Amount of benefit <b>4</b>	Amount of annual office premiums <b>5</b>	Nominal value of units <b>6</b>	Discounted value of units <b>7</b>	Other liabilities <b>8</b>	Amount of mathematical reserves <b>9</b>
325	Level term assurance		1912	11	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 2008**

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	145	3491	149	n/a	n/a	n/a	718
120	Conventional endowment with-profits OB savings	180	3367	145	n/a	n/a	n/a	2002
125	Conventional endowment with-profits OB target cash	856	25834	997	n/a	n/a	n/a	14286
175	Group conventional deferred annuity with-profits	116	779	134	n/a	n/a	n/a	8750
205	Miscellaneous conventional with-profits	46	420	4	n/a	n/a	n/a	324
210	Additional reserves with-profits OB			20	n/a	n/a	n/a	20
300	Regular premium non-profit WL/EA OB	77	332	3	n/a	n/a	n/a	243
325	Level term assurance	812	123638	435	n/a	n/a	n/a	609
330	Decreasing term assurance	993	98168	369	n/a	n/a	n/a	157
340	Accelerated critical illness (guaranteed premiums)	562	59449	305	n/a	n/a	n/a	961
360	Income protection non-profit (guaranteed premiums)	28	1947	15	n/a	n/a	n/a	
390	Deferred annuity non-profit	10	5		n/a	n/a	n/a	37
400	Annuity non-profit (CPA)	255	1204		n/a	n/a	n/a	15297
410	Group Life	61	1647	10	n/a	n/a	n/a	6
435	Miscellaneous non-profit	11	6123	16	n/a	n/a	n/a	67
440	Additional reserves non-profit OB			18	n/a	n/a	n/a	18

**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 2008**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		91240	278	n/a	n/a	n/a	419
330	Decreasing term assurance		75934	274	n/a	n/a	n/a	70
340	Accelerated critical illness (guaranteed premiums)		48054	226	n/a	n/a	n/a	686
360	Income protection non-profit (guaranteed premiums)		5		n/a	n/a	n/a	
435	Miscellaneous non-profit		2361	23	n/a	n/a	n/a	23
440	Additional reserves non-profit OB			18	n/a	n/a	n/a	18

**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 2008**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		620	39	n/a	n/a	n/a	322
125	Conventional endowment with-profits OB target cash		1170	63	n/a	n/a	n/a	228
210	Additional reserves with-profits OB			2	n/a	n/a	n/a	2
325	Level term assurance		1525	4	n/a	n/a	n/a	9
330	Decreasing term assurance		2699	19	n/a	n/a	n/a	(24)
340	Accelerated critical illness (guaranteed premiums)		3746	37	n/a	n/a	n/a	44
360	Income protection non-profit (guaranteed premiums)		1464	12	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 2008**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	275967	9924345		9618792	9082976	3563	9086540
505	Life UWP whole life regular premium	3341	295326	2772	9544	9665	60	9725
510	Life UWP endowment regular premium - savings	1	50	2	50	47		47
515	Life UWP endowment regular premium – target cash	7027	284427	7840	64412	60961	46	61007
575	Miscellaneous UWP		726201		719010	588823		588823
605	Miscellaneous protection rider		9698	120			5	5

**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 2008**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		4441346		4428061	4160179	3	4160181
505	Life UWP whole life regular premium		285782				60	60
515	Life UWP endowment regular premium – target cash		266171	5549	46155	43641	46	43686
605	Miscellaneous protection rider		9698	120			5	5



**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 2008**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	37627	1056652	22911	1050815	1004343	32797	1037140
535	Group money purchase pensions UWP	23593	435329	35387	435001	414405		414405
571	Trustee investment plan UWP				71905	67765		67765
575	Miscellaneous UWP	13545	196367	2780	384692	384692	(3615)	381077
605	Miscellaneous protection rider		6693	276			11	11
610	Additional reserves UWP						696	696

**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 2008**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		366743	9755	360907	335087	15667	350753
535	Group money purchase pensions UWP		184655	16586	184326	175485		175486
571	Trustee investment plan UWP				24475	22845		22845
605	Miscellaneous protection rider		6693	276			11	11

**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 2008**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
500	Life UWP single premium	5689	339859		337458	323534		323535
505	Life UWP whole life regular premium	93	1494	101	1479	1408		1408
510	Life UWP endowment regular premium - savings	429	9898	588	9025	8864		8864
525	Individual pensions UWP	3388	152221	5297	150518	146254	58	146312
571	Trustee investment plan UWP				1670	1628		1628
575	Miscellaneous UWP	81	3265	107	7571	7571	(162)	7409
605	Miscellaneous protection rider		826	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 2008**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		29149	1593	29046	27189	29	27218
571	Trustee investment plan UWP				93	93		93
605	Miscellaneous protection rider		826	18			1	1

**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 **Stakeholder**Financial year ended **31st December 2008**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	49204	608523	38369	608523	601229	1460	602689
535	Group money purchase pensions UWP	10861	136463	15758	136463	134922	501	135423

**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 **Stakeholder**Financial year ended **31st December 2008**Units **£000****UK Pension / Reinsurance ceded intra-group**

Product code number <b>1</b>	Product description <b>2</b>	Number of policyholders / scheme members <b>3</b>	Amount of benefit <b>4</b>	Amount of annual office premiums <b>5</b>	Nominal value of units <b>6</b>	Discounted value of units <b>7</b>	Other liabilities <b>8</b>	Amount of mathematical reserves <b>9</b>
525	Individual pensions UWP		300499	18810	300499	297238	1460	298698
535	Group money purchase pensions UWP		67759	7696	67759	67081	501	67582

**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 2008**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	268928	8972691		7962306	7962306	(158266)	7804041
710	Life property linked whole life regular premium	9233	887757	4996	13669	13669	657	14326
715	Life property linked endowment regular premium - savings	16	4276	13	437	437	3	440
720	Life property linked endowment regular premium – target cash	3730	298212	3784	34122	34122	144	34266
790	Miscellaneous protection rider		14737	86			4	4
795	Miscellaneous property linked		98529	257			11	11
800	Additional reserves property linked						73005	73005

**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 2008**Units **£000****UK Life / Reinsurance ceded intra-group**

Product code number <b>1</b>	Product description <b>2</b>	Number of policyholders / scheme members <b>3</b>	Amount of benefit <b>4</b>	Amount of annual office premiums <b>5</b>	Nominal value of units <b>6</b>	Discounted value of units <b>7</b>	Other liabilities <b>8</b>	Amount of mathematical reserves <b>9</b>
700	Life property linked single premium		8012719		7962306	7962306	(163999)	7798307
710	Life property linked whole life regular premium		817358	4596	13669	13669	589	14258
715	Life property linked endowment regular premium - savings		225	12	225	225	1	225
720	Life property linked endowment regular premium – target cash		190535	3576	34122	34122	115	34236
790	Miscellaneous protection rider		14737	86			4	4



**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 2008**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	387920	7600631	382388	7445128	7445128	44010	7489137
735	Group money purchase pensions property linked	389787	3748946	514499	3745426	3745426	49162	3794587
755	Trustee investment plan				313424	313424	426	313850
790	Miscellaneous protection rider		23728	999			42	42
795	Miscellaneous property linked		321	2				

**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 2008**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		7489464	380200	7445128	7445128	23976	7469104
735	Group money purchase pensions property linked		3747116	514277	3745426	3745426	42703	3788129
755	Trustee investment plan				313424	313424	66	313490
790	Miscellaneous protection rider		23728	999			42	42

**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 2008**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
700	Life property linked single premium	2104	80146		79423	79423	62	79485
710	Life property linked whole life regular premium	85	687	46	681	681		681
715	Life property linked endowment regular premium - savings	450	5002	319	2469	2469	3276	5745
725	Individual pensions property linked	9717	120841	14284	118681	118681	1952	120633
755	Trustee investment plan				773	773		773
790	Miscellaneous protection rider		1807	35			1	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 2008**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
700	Life property linked single premium		11122		11122	11122		11122
715	Life property linked endowment regular premium - savings		4984	304	2469	2469	516	2985
725	Individual pensions property linked		120813	14143	118681	118681	1345	120027
755	Trustee investment plan				773	773		773
790	Miscellaneous protection rider		1807	35			1	1

**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 2008**Units **£000**

Product Group <b>1</b>	Net mathematical reserves <b>2</b>	Net valuation interest rate <b>3</b>	Gross valuation interest rate <b>4</b>	Risk adjusted yield on matching assets <b>5</b>
UK L&GA WP Form 51	2380588	3.20	3.79	3.90
UK L&GA NP Form 51	105335	2.65	3.31	4.05
UK Pens WP Form 51	146523		3.80	3.90
UK Pens WP Form 51 Immediate Annuities	22926		3.85	3.99
UK Pens NP Form 51 Deferred Annuities	79032		3.35	4.05
UK Pens NP Form 51 Annuity in Payment	602519		3.65	3.85
UK L&GA WP Form 52	5305264	3.20	3.79	3.90
UK L&GA WP Form 52 NUIL	636275		3.80	3.90
UK Pens WP Form 52	1041621		3.80	3.90
UK Pens WP Form 52 SEDA	402060		3.80	3.90
OS WP Form 52	479958		3.80	3.90
UK L&GA NP Form 53	81670	3.00	3.75	4.03
UK Pens NP Form 53	27460		3.70	4.03
Misc	15750			
TOTAL	11326981	n/a	n/a	n/a

**Long-term insurance business - analysis of valuation interest rate****Form 57  
(Sheet 2)**Name of insurer **CGNU Life Assurance Ltd**Total business / subfund **Stakeholder**Financial year ended **31st December 2008**Units **£000**

Product Group <b>1</b>	Net mathematical reserves <b>2</b>	Net valuation interest rate <b>3</b>	Gross valuation interest rate <b>4</b>	Risk adjusted yield on matching assets <b>5</b>
UK Pens WP Form 52	386905		3.80	3.90
TOTAL	386905	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 2008**

Units **£000**

	Financial year <b>1</b>	Previous year <b>2</b>
--	----------------------------	---------------------------

**Valuation result**

Fund carried forward	<b>11</b>	11783081	12119650
Bonus payments in anticipation of a surplus	<b>12</b>	196464	166037
Transfer to non-technical account	<b>13</b>	81536	42628
Transfer to other funds / parts of funds	<b>14</b>		
Subtotal (11 to 14)	<b>15</b>	12061081	12328315
Mathematical reserves	<b>21</b>	11139921	11870608
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	<b>29</b>	921160	457707

**Composition of surplus**

Balance brought forward	<b>31</b>		20
Transfer from non-technical account	<b>32</b>		
Transfer from other funds / parts of fund	<b>33</b>		
Surplus arising since the last valuation	<b>34</b>	921160	457687
Total	<b>39</b>	921160	457707

**Distribution of surplus**

Bonus paid in anticipation of a surplus	<b>41</b>	196464	166037
Cash bonuses	<b>42</b>		
Reversionary bonuses	<b>43</b>	643160	249042
Other bonuses	<b>44</b>		
Premium reductions	<b>45</b>		
Total allocated to policyholders (41 to 45)	<b>46</b>	839624	415079
Net transfer out of fund / part of fund	<b>47</b>	81536	42628
Total distributed surplus (46+47)	<b>48</b>	921160	457707
Surplus carried forward	<b>49</b>		
Total (48+49)	<b>59</b>	921160	457707

**Percentage of distributed surplus allocated to policyholders**

Current year	<b>61</b>		
Current year - 1	<b>62</b>		
Current year - 2	<b>63</b>		
Current year - 3	<b>64</b>		

**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 2008**Units **£000**

	Financial year <b>1</b>	Previous year <b>2</b>
--	----------------------------	---------------------------

**Valuation result**

Fund carried forward	<b>11</b>	11396176	11743837
Bonus payments in anticipation of a surplus	<b>12</b>	186877	151537
Transfer to non-technical account	<b>13</b>	81536	42628
Transfer to other funds / parts of funds	<b>14</b>		
Subtotal (11 to 14)	<b>15</b>	11664589	11938002
Mathematical reserves	<b>21</b>	10768089	11509175
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	<b>29</b>	896500	428827

**Composition of surplus**

Balance brought forward	<b>31</b>		20
Transfer from non-technical account	<b>32</b>		
Transfer from other funds / parts of fund	<b>33</b>		
Surplus arising since the last valuation	<b>34</b>	896500	428807
Total	<b>39</b>	896500	428827

**Distribution of surplus**

Bonus paid in anticipation of a surplus	<b>41</b>	186877	151537
Cash bonuses	<b>42</b>		
Reversionary bonuses	<b>43</b>	628087	234662
Other bonuses	<b>44</b>		
Premium reductions	<b>45</b>		
Total allocated to policyholders (41 to 45)	<b>46</b>	814964	386199
Net transfer out of fund / part of fund	<b>47</b>	81536	42628
Total distributed surplus (46+47)	<b>48</b>	896500	428827
Surplus carried forward	<b>49</b>		
Total (48+49)	<b>59</b>	896500	428827

**Percentage of distributed surplus allocated to policyholders**

Current year	<b>61</b>	90.91	90.06
Current year - 1	<b>62</b>	90.06	90.07
Current year - 2	<b>63</b>	90.07	90.09
Current year - 3	<b>64</b>	90.09	90.09



**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 2008**Units **£000**

	Financial year <b>1</b>	Previous year <b>2</b>
--	----------------------------	---------------------------

**Valuation result**

Fund carried forward	<b>11</b>	386905	375813
Bonus payments in anticipation of a surplus	<b>12</b>	9587	14500
Transfer to non-technical account	<b>13</b>		
Transfer to other funds / parts of funds	<b>14</b>		
Subtotal (11 to 14)	<b>15</b>	396492	390313
Mathematical reserves	<b>21</b>	371832	361433
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	<b>29</b>	24660	28880

**Composition of surplus**

Balance brought forward	<b>31</b>		
Transfer from non-technical account	<b>32</b>		
Transfer from other funds / parts of fund	<b>33</b>		
Surplus arising since the last valuation	<b>34</b>	24660	28880
Total	<b>39</b>	24660	28880

**Distribution of surplus**

Bonus paid in anticipation of a surplus	<b>41</b>	9587	14500
Cash bonuses	<b>42</b>		
Reversionary bonuses	<b>43</b>	15073	14380
Other bonuses	<b>44</b>		
Premium reductions	<b>45</b>		
Total allocated to policyholders (41 to 45)	<b>46</b>	24660	28880
Net transfer out of fund / part of fund	<b>47</b>		
Total distributed surplus (46+47)	<b>48</b>	24660	28880
Surplus carried forward	<b>49</b>		
Total (48+49)	<b>59</b>	24660	28880

**Percentage of distributed surplus allocated to policyholders**

Current year	<b>61</b>	100.00	100.00
Current year - 1	<b>62</b>	100.00	100.00
Current year - 2	<b>63</b>	100.00	100.00
Current year - 3	<b>64</b>	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 **1st March 2009**

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	7609	1570		CWP	N	7609
Endowment assurance	15	12315	1512		CWP	N	12315
Endowment assurance	20	21620	1414		CWP	N	21620
Endowment assurance	25	42955	9132		CWP	N	42955
Regular premium pension	5	13190	288		UWP	N	13190
Regular premium pension	10	30785	632		UWP	N	30785
Regular premium pension	15	53337	1055		UWP	N	53337
Regular premium pension	20	94405	3509		UWP	N	94405
Single premium pension	5	12749	1263		UWP	N	12749
Single premium pension	10	15417			UWP	N	15417
Single premium pension	15	26526	715		UWP	N	26526
Single premium pension	20	45273	2001		UWP	N	45273

**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 **1st March 2009**

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	1582			CWP	N	15214
Endowment assurance	10	4905			CWP	N	16147
Endowment assurance	15	11872			CWP	N	20969
Endowment assurance	20	20298			CWP	N	27433
With-profits bond	2	9365	1	1590	UWP	Y	11668
With-profits bond	3	9893	1	1679	UWP	Y	11997
With-profits bond	5	12294	233	476	UWP	Y	12898
With-profits bond	10	12705		2361	UWP	Y	15217
Single premium pension	2	8522		2077	UWP	Y	8522
Single premium pension	3	9192		1725	UWP	Y	9192
Single premium pension	5	10796	1263	1953	UWP	Y	10796
Single premium pension	10	12222		3195	UWP	Y	12222

# Long-term insurance capital requirement

Form 60

Name of insurer **CGNU Life Assurance Ltd**

Global business

Financial year ended **31st December 2008**

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%	201446	201446			
Classes I (other), II and IX	12	0.1%	123062	11858	0.50	62	16
Classes I (other), II and IX	13	0.15%					
Classes I (other), II and IX	14	0.3%	16696619	4520108		25045	28510
Classes III, VII and VIII	15	0.3%	3990774	1946385	0.50	5986	4569
<b>Total</b>	16		21011901	6679797		31093	33095

## Insurance health risk and life protection reinsurance capital component

Class IV, supplementary classes 1 and 2 and life protection reinsurance	21						
---	----	--	--	--	--	--	--

## Insurance expense risk capital component

Life protection and permanent health reinsurance	31	0%					
Classes I (other), II and IX	32	1%	5008287	4834040	0.97	48340	52260
Classes III, VII and VIII (investment risk)	33	1%	14108699	6853065	0.85	119924	122655
Classes III, VII and VIII (expenses fixed 5 yrs +)	34	1%	4520447	2007	0.85	38424	45100
Classes III, VII and VIII (other)	35	25%				78	51
Class IV (other)	36	1%					
Class V	37	1%					
Class VI	38	1%	4925	4925	1.00	49	32
<b>Total</b>	39					206815	220098

## Insurance market risk capital component

Life protection and permanent health reinsurance	41	0%	1472	1472			
Classes I (other), II and IX	42	3%	5008287	4834040	0.97	145021	156781
Classes III, VII and VIII (investment risk)	43	3%	14108699	6853065	0.85	359772	367966
Classes III, VII and VIII (expenses fixed 5 yrs +)	44	0%	4520447	2007			
Classes III, VII and VIII (other)	45	0%	13358803	87572			
Class IV (other)	46	3%					
Class V	47	0%					
Class VI	48	3%	4925	4925	1.00	148	96
<b>Total</b>	49		37002633	11783081		504941	524843

<b>Long term insurance capital requirement</b>	51					742849	778036
--	----	--	--	--	--	--------	--------

**Supplementary notes**Name of insurer **CGNU Life Assurance Limited**

Global business

Financial year ended **31st December 2008****Code****0301 Reconciliation of net admissible assets to total capital resources after deductions****2008  
£'000**

i)	Net admissible assets	
	Form 13 Line 89 (Long term business)	14,797,865
	Form 13 Line 89 (Other than long term business)	98,509
	Form 14 Lines 11, 12 and 49	(13,277,317)
	Form 15 Line 69	(348)
		<u>1,618,709</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>1,618,709</u>

**0310 Calculation of valuation differences as required by instruction 9 to Form 3****2008  
£'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	914,385
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	-
	<b>Net positive valuation difference included in line 14 /(35)</b>	<u>911,534</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 reserves****2008  
£'000**

Profit and loss account and other reserves at the end of the previous financial year (Form 3 Line 12 Column 4)	49,869
Profit/(loss) retained for the financial year (Form 16 Line 59)	<u>50,893</u>
Profit and loss account and other reserves at the end of this financial year (Form 3 Line 12 Column 3)	<u>100,762</u>

**1100 Form omitted****1200 Form omitted**

These forms have been omitted as all entries (including comparatives) would be blank.

**1301 Aggregate value of unlisted investments, etc****1308**

The long-term fund held £56.4m in unlisted securities, £13.4m in unlisted equity and £1,418.2m 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.

**Supplementary notes**

Name of insurer **CGNU Life Assurance Limited**

Global business

Financial year ended **31st December 2008**

**Code**

**1302 Aggregate value of hybrid securities**

**1309**

The company held hybrid securities of £336.5m in the Long Term Insurance Fund.

**1304 Statement of amounts set off**

**1310**

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

**1305 Counterparty limits during the year**

**1319**

The maximum permitted exposure to counterparties is set out in the Investment Management Agreement with Aviva Investors Global Services Limited and approved by the Norwich Union Life Investment Committee, as follows.

**Deposits**

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 3.5% 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**

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.

**1401 Provision for reasonably foreseeable adverse variations**

**1501**

No provision for reasonably foreseeable adverse variations or less liquid assets 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.**

**1502**

There are no charges over any assets of the Company.

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

There are no un-provided contingent liabilities.

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.

**Supplementary notes**Name of insurer **CGNU Life Assurance Limited**

Global business

Financial year ended **31st December 2008****Code****1404 Implicit provision for derivative contracts**

Included in line 38 is £127m relating to provision required by INSPRU 3.2.17R(3)

**1405 Other adjustments to liabilities****2008  
£'000**

Technical provisions adjustment

**914,385**

Other adjustments to liabilities included in Form 14 line 74

**914,385****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 2008. 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 would be blank.

**1701 Variation margin**

The aggregate amount of variation margin which has been received by the Company is £12m. This is allocated to Form 13 line 44. 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**

Expenses are allocated to the relevant funds on an incurred basis in accordance with the arrangement for the provision of management services by Norwich Union Life Services Limited.

**Taxation**

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

**4008 Provision of management services**

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

Investment management services have been provided to the Company by Aviva Investors Global Services Limited.

**Supplementary notes**Name of insurer **CGNU Life Assurance Limited**

Global business

Financial year ended **31st December 2008****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	<b>Reinsurance ceded</b>
Value of transactions during the period	Premiums £3,826m
	Claims £3,504m
	Commission £161m
	Expenses £138m
Nature of transactions during the period	<b>Reinsurance accepted</b>
Value of transactions during the period	Premiums £10m
	Claims £57m
	Expenses £13m
<b>Amounts unpaid at the end of the period</b>	£40m owed to Norwich Union Life & Pensions Limited
<b>Amounts written off in the period</b>	£nil

Connected Party	Commercial Union Life Assurance Company Limited
Nature of relationship	Fellow group undertaking
Nature of transactions during the period	<b>Reinsurance ceded</b>
Value of transactions during the period	Premiums £830m
	Claims £480m
	Commission £42m
	Expenses £13m
<b>Amounts unpaid at the end of the period</b>	£23m owed to Commercial Union Life Assurance Company Limited
<b>Amounts written off in the period</b>	£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	1
571	43
755	645

**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.



**Supplementary notes**Name of insurer **CGNU Life Assurance Limited**

Global business

Financial year ended **31st December 2008****Code****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
Non-interest bearing debtors	2.15%
Loans secured by mortgages	6.02%
Loans to group undertakings	2.35%, 6.21%, 6.10%, and 3.14%
Loans secured by insurance policies	5.00%

**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.

**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.

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

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

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	644
5301	755	2,512

**5203 Miscellaneous product codes**

Since 1% of gross mathematical reserves = £370m, then any miscellaneous product codes that exceed £10m are mentioned below.

**Product 575 Miscellaneous UWP****UK Life Gross**

NUIL With Profit Bond and Core Funds Bond £588.8m

**UK Pension Gross**

Retirement Annuity £381.1m

**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 2008**

**1. Introduction**

- (1) The **valuation date** is 31 December 2008.
- (2) The previous valuation was completed with an effective date of 31 December 2007.
- (3) An interim valuation was carried out with an effective date of 30 June 2008 for the purposes of rule 9.3A.

**2. Product Range**

From the 28th April 2008, the index that determines the guarantee on new business in the With-Profit Inflation Protected Guarantee (WPIPG) Fund has been changed from the Retail Price Index (RPI) to the Consumer Price Index (CPI).

A new charging option was added to our main Designer and Designer Stakeholder Group Personal Pensions (GPPs). This was the "Active Member Discount" option, which allows the GPP charge to vary between active members and those leaving the scheme.

The annual management charge on one of the original stakeholder products was reduced from 1.5% to 1%.

This fund is open to new with-profit business.

**3. Discretionary charges and benefits**

- (1) For all UK, Irish and Swedish business Market Value Reductions (MVR's) were reintroduced with effect from 21 October 2008. Therefore MVR's were in force between 21/10/2008 and 31/12/2008 for all the purchase years.

**French business:**

MVRs are calculated on a case-by-case basis and only apply to large cases.

**German business:**

MVRs are calculated on a case-by-case basis. No MVRs have been applied throughout 2008.

- (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 3.8%, except for Irish products where the charge increased by 5.0%.

**Ex-GA products**

The monthly administration charge increased by 2.9% 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

**Valuation report – IPRU (INS) Appendix 9.4**

Name of insurer **CGNU Life Assurance Limited**

Global business

Financial year ended **31 December 2008**

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 frequent 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 realised gains was 20% during 2008. For unrealised gains the rate varied by fund in the range of 15% to 20% during the year to 31 December 2008.

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 4% to 20% during the year to 31 December 2008.

- (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**

£10m is less than 1% of gross mathematical reserves = £370m. 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.

**Valuation report – IPRU (INS) Appendix 9.4**

Name of insurer **CGNU Life Assurance Limited**

Global business

Financial year ended **31 December 2008**

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 1.87% 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.

- (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.

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

Global business

Financial year ended **31 December 2008**

Product Group	31 December 2008	31 December 2007
<b>Life Assurances</b>		
All Conventional With-Profit business	3.2%	2.9%
All Conventional Non-Profit business	2.65%	2.9%
All Unitised With Profit business	3.2%	3.55%
<b>Pensions and General Annuities</b>		
Immediate Annuities (currently in payment)	3.65%	4.2%
With-Profit Deferred Annuity		
In payment	3.8%	3.7%
In deferment	3.8%	3.7%
Non-Profit Deferred Annuity		
In payment	3.35%	3.6%
In deferment	3.35%	3.6%
Pure Endowment WP	3.8%	3.7%
In-payment rate for valuing Guaranteed Annuity Options	3.8%	3.7%
Other Non-Profit Conventional business	3.35%	3.6%
All Unitised With-Profit business	3.8%	4.0%
With Profit Annuity	3.85%	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 0.52%. 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 1.09%.

**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%

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 2008 plus an additional margin of 0.50% for anticipated higher defaults in the short-term.

The deduction used was 0.89%. 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 1.0% 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 2008	Mortality basis 31 December 2007
<b>CGNU Life Assurances</b>		
Conventional Life – Whole Life	138.9% AM00 sel / 138.9% AF00 sel	132% AM92 / 132% AF92 Sel 2
Conventional Life – Endowments and Low Cost Endowments	93.3% AM00 sel / 93.3% AF00 sel	132% AM92 / 132% AF92 Sel 2
Decreasing Term Assurance on Low Cost Endowment and Whole Life	93.3% TM00 sel / 93.3% TF00 sel	132% AM92 / 132% AF92 Sel 2
Group & IPA Term Assurance; Contingent Assurances	88.0% TMN00 sel / 88.0% TFN00 sel (non- smokers) 94.3% TMS00 sel / 94.3% TFS00 sel	132% AM92 / 132% AF92 Sel 2

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

Global business

Financial year ended **31 December 2008**

	(smokers)	
Unitised Life – Mortgage Endowments	93.3% AM00 sel / 93.3% AF00 sel	120% AM92 / AF92
Unitised Life – Whole Life	138.9% AM00 sel / 138.9% AF00 sel	120% AM92 / AF92
Unitised With Profits – Bonds	108.1% AM00 sel / 108.1% AF00 sel	120% AM92 / AF92
Term assurance (Non-Profit)	88.0% TMN00 sel / 88.0% TFN00 sel (non- smokers) 94.3% TMS00 sel / 94.3% TFS00 sel (smokers)	75% TM92 / 75% TF92 (NS) 160% TM92 / 220% TF92 (S)
Mortgage Protection (Non-Profit)	93.3% TM00 sel / 93.3% TF00 sel	85% TM92 / 90% TF92 (NS) 165% TM92 / 210% TF92 (S)
Other term	1x premium	1x premium
Lifecover plus	Lifecover plus 93	Lifecover plus 93
Mortgage Protection with Critical Illness	Duration 2+ 115% CIM11A	Modified Critical Illness Base Table 1993 (see section 5)
Term assurance with Critical Illness	Duration 0 and 1 104% CIM11A	Modified Critical Illness Base Table 1993 (see section 5)
<b>CGNU General Annuities</b>		
Immediate Annuities – Individual	74% IML00 / 77% IFL00	74% IML00 / 77% IFL00
Immediate Annuities – Group; GAOs in payment	90.5% PCMA00 / 85.0% PCFA00 (assume all business pre 1/1/03)	90.5% PCMA00 / 85.0% PCFA00 (assume all business pre 1/1/03)
Individual deferred annuity In deferment Post vesting	60% AM00 ult / 60% AF00 ult 74% IML00 / 77% IFL00	50% AM92/ 50% AF92 74% IML00 / 77% IFL00
Group deferred annuity In deferment Post vesting	60% AM00 ult / 60% AF00 ult 90.5% PCMA00 / 85.0% PCFA00	50% AM92/ 50% AF92 90.5% PCMA00 / 85.0% PCFA00
<b>CGNU Pensions Business</b>		
Immediate Annuities With profit Annuity	90.5% PCMA00 / 85.0% PCFA00	90.5% PCMA00 / 85.0% PCFA00
GAOs in payment	90.5% PCMA00 / 85.0% PCFA00	90.5% PCMA00 / 85.0% PCFA00
Pure Endowment & Endowment Insurance	60% AM00 ult / 60% AF00 ult	50% AM92 / 50% AF92
Group Term Assurance	88.0% TMN00 sel / 88.0% TFN00 sel (non- smokers) 94.3% TMS00 sel / 94.3% TFS00 sel (smokers)	132% AM92 / 132% AF92 Sel 2
Unitised With Profits	106% AM00 ult / 106% AF00 ult	50% AM92 / AF92
Term assurance	88.0% TMN00 sel / 88.0% TFN00 sel (non- smokers) 94.3% TMS00 sel / 94.3% TFS00 sel (smokers)	75% TM92 / 75% TF92 (NS) 160% TM92 / 220% TF92 (S)
Deferred Annuity Reversionary Annuity In deferment Post vesting	60% AM00 ult / 60% AF00 ult 90.5% PCMA00 / 85.0% PCFA00	50% AM92/ 50% AF92 90.5% PCMA00 / 85.0% PCFA00
Widows Death in Service In deferment Post vesting	n/a 90.5% PCMA00 / 85.0% PCFA00	n/a 90.5% PCMA00 / 85.0% 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.
- Smoker / Non-Smoker table used where smoker status data is available, otherwise Combined table used.
- Annuitant mortality: allowance has been made for future improvements to mortality. The base tables (% of PCXA00) are assumed to apply as at 31 December 2004; from that date improvements are expected. The allowance for improvements is as follows:

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

Global business

Financial year ended **31 December 2008**

	31 December 2008	31 December 2007
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 2008	Expectation of Life for annuitant aged 75 in 2008	Expectation of Life from age 65 for annuitant aged 45 in 2008	Expectation of Life from age 65 for annuitant aged 55 in 2008
90.5% of PCMA00 plus 100% CMI_Medium_Cohort, min 2%, applied from 2005	23.5	14.3	27.9	25.7
85% of PCFA00 plus 75% CMI_Medium_Cohort, min 1.5%, applied from 2005	25.5	16.1	28.6	27.0
74% IML00 plus 100% CMI_Medium_Cohort, min 2%, applied from 2005	25.6	15.9	29.9	27.8
77% IFL00 plus 75% CMI_Medium_Cohort, min 1.5%, applied from 2005	27.2	17.1	30.1	28.7

**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 in 2007. 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

In 2008, we have used flat percentages of standard tables so specific rates are not disclosed.

- Combined disability and mortality rates were used for Critical Illness attached to Mortgage Protection in 2007. 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

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

Global business

Financial year ended **31 December 2008**

55	8.17	18.48	7.19	11.09
----	------	-------	------	-------

In 2008, we have used flat percentages of standard tables so specific rates are not disclosed.

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

Age	Male Non-Smoker	Male Smoker	Female Non-Smoker	Female Smoker
25	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 120% (130% for 2007) of the amounts detailed in the Management Services Agreement (MSA) plus an aggregate provision of £8.0m. 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 2008 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 2007 and 2008 (excluding allowance for project costs). These figures form the base position for the valuation expense assumptions.

Product	Product code	Renewal admin (£ per policy)	
		2008	2007
CWP savings endowment	120	46.92	17.47
CWP target cash endowment	125	46.92	17.47
Term assurance	325/330	13.59	17.47
Critical illness	340/345/350/355	13.59	17.47
Income protection	360/365	13.59	17.47
Annuity	400	17.47	17.00
UWP bond	500	46.92	19.75
UWP savings endowment	510	46.92	15.49
UWP target cash endowment	515	46.92	15.49
UWP regular premium pension	525/545	14.01	21.55
UWP single premium pension	525/545	14.01	21.55
UWP group regular premium pension	535	17.79	21.55
UWP group single premium pension	535	17.79	21.55
UL bond	700	17.20	16.40
UL savings endowment	715	17.20	21.21
UL target cash endowment	720	17.20	4.28
UL regular premium pension	725	14.01	21.55
UL single premium pension	725	14.01	21.55
UL group regular premium pension	735	13.98	20.38
UL group single premium pension	735	13.98	20.38

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

**Assumed future expense inflation:**

1.87% per annum (RPI, as set by the MSA agreement)



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

Global business

Financial year ended **31 December 2008****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:

Asset Class	Reduction in asset yield
Equity	0.262%
Gilts	0.046%
Other fixed interest	0.076%
Property	0.203%
Cash	0.058%

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 2008		31 December 2007	
	Life	Pensions	Life	Pensions
<b>Assumed Fund Growth (before annual management charge)</b>	3.60%	4.50%	4.60%	5.60%
<b>Discount rate</b>	3.00%	3.70%	3.40%	4.20%
<b>Policy fee inflation</b>	2.00%	2.00%	2.00%	2.00%

**Assumed future expense inflation:**

1.87% per annum (RPI, as set 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...
<b>Unitised with-profit Life:</b>			
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
<b>Unitised with-profit Pensions:</b>			
Pensions (Non-Stakeholder)	4.00%	4.00%	Units purchased prior to 22/1/1996 (13/5/1996 for existing business regular premiums)

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

Global business

Financial year ended **31 December 2008****(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.

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	5.25%	4.50%	4.50%	4.50%
UWP target cash endowment	Surrender	6.75%	6.75%	6.75%	6.75%
UL savings endowment	Surrender	0%	0%	0%	0%
UL target cash endowment	Surrender	0%	0%	0%	0%
UWP bond	Surrender	2.14%	9.93%	7.13%	7.13%
UWP bond	Automatic withdrawals	100% of current	100% of current	100% of current	100% of current
UL bond*	Surrender	2.8%	8.2%	8.1%	8.1%
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	2.63%	2.63%	2.63%	2.63%
UWP indiv pension single premium	Surrender	2.63%	2.63%	2.63%	2.63%
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).

**Valuation report – IPRU (INS) Appendix 9.4**

Name of insurer **CGNU Life Assurance Limited**

Global business

Financial year ended **31 December 2008**

**Taxation**

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

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

A reserve has been made for deferred taxation, including Capital Gains Tax, which has been adjusted for the BLAGAB proportion of business in the fund. No discounting has been applied to the tax rate used; this is in line with the 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	(£1.3m)
Allowance for lapses on valuation of unit-linked business	(£6.5m)
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.

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

Global business

Financial year ended **31 December 2008**

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 2008 is zero.

(b)

(i) Product name	Group conventional pensions endowment with profits	Group conventional pensions endowment with profits	Group conventional pensions endowment with profits	Group conventional pensions endowment with profits
Category description	Policies written pre 1977	Policies written from 1/1/1977 to 30/4/1994	Policies written 1/5/1994 to 30/6/1999	Policies written from 1/7/1999
(ii) Basic Reserve (£m)	0.3	31.4	3.4	1.5
(iii) Spread of o/s durations:				
% with o/s dur'n of 1 year	2.9%	13.3%	16.5%	14.0%
% with o/s dur'n of 2 to 5 years	79.4%	34.4%	26.2%	19.6%
% with o/s dur'n of 6 to 10 years	16.7%	26.0%	28.6%	23.8%
% with o/s dur'n of 11 to 20 years	1.0%	20.8%	17.1%	18.0%
% with o/s dur'n of over 20 years	0.0%	5.4%	11.5%	24.6%
(iv) guarantee reserve (£m)	0.1	18.8	0.5	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.

**Valuation report – IPRU (INS) Appendix 9.4**

Name of insurer **CGNU Life Assurance Limited**

Global business

Financial year ended **31 December 2008**

**(a) Methodology:**

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

$\text{Max}([\text{Accumulated Benefit} + \text{adjustment}], [\text{Prospective reserve for future benefit}])$ .

- 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 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

**Valuation report – IPRU (INS) Appendix 9.4**

Name of insurer

**CGNU Life Assurance Limited**

Global business

Financial year ended

**31 December 2008**

(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	466,610,475	N/A; policy has no contractual exit date	0	467,264,553	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)	537,593,066	N/A; policy has no contractual exit date	0	565,403,998	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)	1,469,678,307	41% with duration 1 years; 55% with duration 2 years; 4% with duration 5 years	0	1,543,085,178	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	1,463,211,320	35% with duration 2 years; 65% with duration 3 years	0	1,580,619,027	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	507,725,261	Duration 3 years	0	551,275,686	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

## Returns under the Accounts and Statements Rules

**Valuation report – IPRU (INS) Appendix 9.4**

Name of insurer

**CGNU Life Assurance Limited**

Global business

Financial year ended

**31 December 2008**

(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	1,056,264,493	88% with duration 4 years; 12% with duration 5 years	0	1,056,263,486	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)	93,349,013	Duration 5 years	0	93,347,848	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 from 9/2/2004)	958,979,092	25% with duration 1 years; 26% with duration 2 years; 5% with duration 3 years; 20% with duration 4 years; 24% with duration 5 years	0	1,042,033,477	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)	1,784,876,293	37% with duration 3 years; 42% with duration 4 years; 21% with duration 5 years	0	1,877,166,227	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
Portfolio Bond 2008 (contracts issued from 28/04/2008)	916,519,696	Duration 5 years	0	1,002,356,948	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 Consumer Price Index (CPI). 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

**Valuation report – IPRU (INS) Appendix 9.4**

Name of insurer

**CGNU Life Assurance Limited**

Global business

Financial year ended

**31 December 2008**

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?
<b>Irish Bonds</b>	110,141,143	68% with duration of 1 years; 32% with duration 2 years	0	112,398,445	No-MVR guarantee applies at 10th anniversary and every 5 years thereafter.	0	No (RW gtee)

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 (£)	1) no-MVR guarantee on full surrender	2) money-back guarantee (full surrender)	3) inflation protection guarantee (full surrender)	4) regular withdrawal guarantee	(vii) in force regular premiums	(viii) increments allowed to policy?
<b>NUIL Bond (pre February 2004)</b>	84,705,378	8% with duration 4 years; 71% with duration 5 years; 21% with duration 6 years	0	98,089,057	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
<b>NUIL Bond (from February 2004)</b>	614,349,645	15% with duration 1 years; 29% with duration 2 years; 3% with duration 3 years; 23% with duration 4 years; 30% with duration 5 years	0	783,495,695	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
<b>NUIL Bond (from 30/01/2006)</b>	457,808,535	47% with duration 3 years; 25% with duration 4 years; 28% with duration 5 years	0	511,982,558	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

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.



**Valuation report – IPRU (INS) Appendix 9.4**

Name of insurer **CGNU Life Assurance Limited**

Global business

Financial year ended **31 December 2008**

(a) Methodology:

The reserves are calculated as the best estimate, plus 50% of the excess of the cost that is modelled to arise under the 99<sup>th</sup> percentile investment over the best estimate. Investment returns are projected using a logNormal model for risky assets. Dynamic switching between asset classes is assumed over time, as such action is prescribed for the management of the assets in this fund.

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

(b)

- (i) Product names: 'Life property linked single premium' (code 700) and 'Trustee investment plan' (code 755).
- (ii) The base reserve for these products is £1,564m (although note that this is entirely reinsured out to the NUL&P NP fund)
- (iii) Spread of outstanding durations:

Year	Proportion with Guarantee
2009	12.9%
2010	27.1%
2011	27.2%
2012	16.5%
2013	16.2%

- (iv) Guarantee reserve £62.3m
- (v) Guaranteed amount £1,508m
- (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 and is therefore not included here in accordance with rule 9.3(b).

(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-2008 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.

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

Global business

Financial year ended **31 December 2008**

The amount of business invested in products that may incorporate a Guaranteed Minimum Pension guarantee is £119.4m. 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.

**6. Expense reserves**

- (1) The table below shows the aggregate amount of expense loadings for 2009 and implicit allowances that can be used to offset non-attributable expenses. This excludes expense allowances for products 100% reinsured out to NUL&P.

<b>Homogeneous risk group</b>	<b>Implicit allowances</b>	<b>Explicit allowances (investment)</b>	<b>Explicit allowances (other)</b>	<b>Non-attributable expenses</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Unit-Linked business (not 100% reinsured out)	8,400	2,185	1,186	1,779	13,550
All expenses attributable	0	15,185	34,114	n/a	49,299
Total	8,400	17,370	35,300	1,779	62,849

- (2) The implicit allowance has been calculated as the surplus expected to emerge in 2009 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 £87,919,000. This includes products 100% reassured out to NUL&P. A comparable figure including products 100% reassured out to NUL&P in 6 (1) above is £193,930,000. The differences between this figure and the figure in line 14 of Form 43 are primarily due to implicit allowances on unit-linked business, 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:

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

We have taken the following action to comply with INSPRU 1.2.50R(2):

- (a) All expenses provisions allow for taxation.
- (b) Our expense provision exceeds expenses incurred over the last twelve months and expected future expenses levels.
- (c) Expense inflation has been allowed for in the valuation at the rates dictated by the Management Services Agreement. The parameter used for RPI inflation (1.87%) 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).

**Valuation report – IPRU (INS) Appendix 9.4**

Name of insurer **CGNU Life Assurance Limited**

Global business

Financial year ended **31 December 2008**

(d) An assessment was made of the cost of closure of the Company to new business at the end of 2009 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.

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 2009 exceeds this amount by £6,621,000.

**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.

<b>Life and Annuity Fund</b>				
<b>Assets</b>	<b>Mathematical Reserves and matching assets (£000)</b>			
	<b>Sterling</b>	<b>Euros</b>	<b>US Dollars</b>	<b>Other</b>
Sterling	11,004,887	-	-	-
Euro	-	563,408	-	-
Dollar	-	-	145,380	-
Other	-	-	-	212

(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 capital requirement is no longer required.

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

(6) The firm is a realistic-basis firm and a resilience capital requirement is no longer required.

(7) INSPRU 1.1.34R(1): "The assets *[held by a firm to cover its technical provisions]*...must...be of a sufficient amount, and of an appropriate currency and term, to ensure that the cash inflows from those assets will meet the expected cash outflows from the firm's insurance liabilities as they become due."

No further reserve has arisen following consideration of this rule.

Currency mismatching is considered in sections 7(1)-7(3).

**Valuation report – IPRU (INS) Appendix 9.4**

Name of insurer **CGNU Life Assurance Limited**

Global business

Financial year ended **31 December 2008**

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

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

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

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

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

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

An estimate of the Company's claims amounts for 2009 is £1,400m. Expected income, in 2009, from assets currently held in the fund is £640m and £1,250m is held in deposit-style assets. Premium income for 2008 was around £1,407m 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 2008 for the affordability condition is zero.

**Valuation report – IPRU (INS) Appendix 9.4**

Name of insurer **CGNU Life Assurance Limited**

Global business

Financial year ended **31 December 2008**

The amount of provision is £277.7m.

**(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 £15.8m.

The reserve has been calculated by:

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

The key basis items are:

Average cost per claim: £4,497

Percentage of complaints leading to a claim: 75%

Claims processing expense: £341 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 £12m.

**(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) System migration costs**

A provision of £22.9m is held to cover costs to be incurred as a result of migration of policies onto a new policy administration system.

**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 2008 was £3,017,671,000.
    - (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 2008.

**Valuation report – IPRU (INS) Appendix 9.4**

Name of insurer **CGNU Life Assurance Limited**

Global business

Financial year ended **31 December 2008**

- (j) The mathematical reserves ceded under the treaties total £15,471,668,000.
  - (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 2008 was £24,066,000.
  - (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 2008.
  - (j) The mathematical reserves ceded under the treaties total £44,047,000.
  - (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 2008 was £7,772,000.
  - (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 2008.
  - (j) The mathematical reserves ceded under the treaty total £37,749,000.
  - (k) N/A, see (h).
  - (l) The reinsurer is authorised to carry on insurance business in the United Kingdom.
  - (m) The Company is not connected with the reinsurer.
  - (n) The treaty is not subject to any material contingencies.
  - (o) No provision was made for refund of reinsurance commission in the event of lapse or surrender of the contracts.
  - (p) The treaty is not a financing arrangement.
- (d) This item covers a group of similar treaties.
- (d) CULAC

**Valuation report – IPRU (INS) Appendix 9.4**

Name of insurer **CGNU Life Assurance Limited**

Global business

Financial year ended **31 December 2008**

- (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 2008 was £798,017,000.
  - (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 2008.
  - (j) The mathematical reserves ceded under the treaty total £5,166,976,000.
  - (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 2008 was £839,892,000.
  - (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 2008.
  - (j) The mathematical reserves ceded under the treaty total £4,469,429,000.
  - (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.

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

Global business

Financial year ended **31 December 2008****10. Reversionary (annual, regular) bonus**

(1)

**CGNU With-Profit fund**

Product	Amount of mathematical reserve (£m)	Regular bonus (2007)	Regular bonus (2008)	Guaranteed bonus (2008)
<b><u>Conventional Life</u></b>				
Series 6 (super-compound)	1,895.4	0.5% SA / 2% RB	4.0% SA / 5.5% RB	0.00%
Series 5 (simple)	57.1	3.5% simple	16.5% simple	0.00%
Series 3	4.5	3.35 simple (whole life) / 3.10 simple (other)	30.35 simple (whole life) / 23.10 simple (other)	0.00%
Series 4	5.1	2.70 compound (whole life) / 2.45 compound (other)	6.20 compound (whole life) / 5.95 compound (other)	0.00%
<b><u>Conventional Pensions</u></b>				
Retirement Annuities	401.4	0% SA / 0% RB	3.5% SA / 3.5% RB	0.00%
Group Pensions, Individual Pension Arrangements, Money Purchase Schemes (1974)	133.0	0% SA / 0% RB	3.5% SA / 3.5% RB	0.00%
With Profits Annuity	22.9	2.00%	8.00%	0.00%
<b><u>Unitised Life - direct written (UK)</u></b>				
<b><u>Implicitly-charged business:</u></b>				
Units bought pre 1/2/1994 <b>excluding</b> Loyalty Fund units	8.7	3.25%	3.25%	3.00%
Loyalty fund units	275.8	3.75%	3.75%	0.50%
Units bought post 31/1/1994 on policies written pre 1/10/1998 (excluding Distribution Bonds)	729.9	3.25%	3.25%	0.00%
Units bought on policies written post 1/10/1998 (excluding Distribution Bonds)	4,097.9	3.25%	3.25%	0.00%
Units bought on Distribution Bond policies written post 1/10/1998	474.0	2.00%	2.00%	0.00%
<b><u>Explicitly-charged business:</u></b>				
Excluding distribution bonds	3,525.9	4.25%	4.25%	0.00%
Distribution Bonds	227.8	4.00%	4.00%	0.00%
<b><u>Unitised Life - reinsurance accepted in CGNU and CULAC</u></b>				
<b><u>NUL(RBS) products:</u></b>				
Life excluding Distribution Bonds (Implicit charge)	504.8	3.25%	3.25%	0.00%
Life excluding Distribution Bonds (Explicit charge)	182.6	4.25%	4.25%	0.00%
Distribution Bonds (Implicit charge)	125.5	2.75%	2.75%	0.00%
Distribution Bonds (Explicit charge)	4.2	4.00%	4.00%	0.00%
<b><u>NUIL products:</u></b>				
Sterling Bond	378.2	5.00%	5.00%	0.00%
Dollar Bond	264.3	4.75%	4.75%	0.00%
Euro Bond	514.3	4.75%	4.75%	0.00%
<b><u>Unitised Pensions - direct written (UK)</u></b>				
<b><u>Implicitly-charged business:</u></b>				
Units bought prior to 22/1/1996 (13/5/1996 for regular premiums on existing business)	205.8	4.00%	4.00%	4.00%
Units bought on or after 22/1/1996 (13/5/1996) for policies sold before 1/10/1998	454.9	3.50%	3.50%	0.00%
Units bought on policies sold after 1/10/1998	554.8	3.00%	3.00%	0.00%
<b><u>Explicitly-charged business (excl Stakeholder)</u></b>				
All units purchased	456.3	4.50%	4.50%	0.00%
UNISURE funds 1000 and 1001**	108.7	N/A	3.60%	0.00%
<b><u>Stakeholder Pensions</u></b>				
All units purchased	767.9	4.00%	4.00%	0.00%
<b><u>Overseas business</u></b>				
France Valeur Plus*	147.3	2.00%	2.00%	0.00%
Germany	7.2	2.00%	2.00%	0.00%
Ireland - Life policies	110.1	3.25%	3.25%	0.00%
Ireland - Pensions policies	12.4	3.50%	3.50%	0.00%
Swedish Personal Investment Plans	87.6	3.00%	3.00%	0.00%

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

\*\*New funds created following migration to Unisure

Rates above for conventional business include special bonus.

For Unitised business in addition to the rates above a special bonus of 3.6% of the value of units has been credited to eligible policies during 2008.



**Valuation report – IPRU (INS) Appendix 9.4**

Name of insurer **CGNU Life Assurance Limited**

Global business

Financial year ended **31 December 2008**

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 £167.4m for Conventional Life from the NUL&P Provident Mutual (PM) fund in 2008. 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 2008**

**1. Introduction**

- (1) The **valuation date** is 31 December 2008.
- (2) The date of the previous valuation was 31 December 2007.
- (3) An interim valuation was carried out with an effective date of 30 June 2008 for the purposes of rule 9.3A.

**2. Assets**

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

The economic assumptions used to value future profits on non-profits business are as follows

- For Annuity business, a gross investment return of 100 basis points in excess of the risk free rate is used, to allow for a liquidity premium in respect of the assets backing this business, consistent with the actual mix of assets backing this business.
- For other business, the gross investment return used is equal to the risk free rate.
- The risk free rates used are the same as the rates used to determine guarantee costs, and shown in section 6(4)(a)(ii) below
- Profits are discounted at rate used for gross investment return, plus an additional margin of 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
- Tax on investment returns and tax relief on expenses is assumed to be 20% consistent with fixed-interest assets backing the non-profit liability.
- The expense inflation assumption is the best-estimate assumption.
- The LTICR in respect of non-profit business within the fund is valued at face value

The basis has changed during 2008 to allow for a risk free rate varying by duration, and also to allow for the liquidity premium outlined above.

The assumptions used at the end of 2007 are shown in the following table.

	<b>31 December 2007</b>
Gross Earned Rate	4.71%
Net Earned Rate	3.77%
Discount Rate	5.21%
Expense Inflation	4.00%

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)

**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 2008**

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.

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

**At 31 December 2008**

<b>Product class</b>	<b>With-profit benefits reserve £m</b>	<b>Future policy related liabilities £m</b>	<b>Total £m</b>
Conventional Life		615	2,814
Asset Share (ind)	1,924		
BRV	273		
Regulatory Reserve	2		
Conventional Pensions		211	598
Asset Share (ind)	316		
BRV	34		
Regulatory Reserve	37		
UWP Life (inc. Overseas)		997	7,012
Asset Share (ind)	5,849		
BRV	156		
Regulatory Reserve	10		
UWP Pensions (inc. Overseas)		216	1,350
Asset Share (ind)	1,120		
Regulatory Reserve	14		
UWP Stakeholder		22	407
Asset Share (ind)	385		
Regulatory Reserve			
Miscellaneous Other		-184	-184
<b>Total</b>	<b>10,120</b>	<b>1,878</b>	<b>11,998</b>

The BRV figure of £273m 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

**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 2008**

life policies also provide a minimum death benefit over a pre-specified term. The whole-life with-profits benefit reserve is £267m. 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 of £191m, from PM, is included in the Conventional Life asset shares.

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 £24m of single premium with-profit annuity business which provides a level of income equal to a basic amount, plus accrued regular bonus, plus a discretionary top-up bonus. Customers can also select a future anticipated level of regular bonus. This increases the initial annuity amount payable, but the annuity amount reduces by the anticipated amount each year such that the total annuity payable would be level if the actual regular bonus rate equalled the anticipated rate. There is also a 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 £18m 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.

<b>UWP Life Bonds</b>	<b>Date Sold</b>	<b>No-MVR Anniversary</b>
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 <sup>th</sup> 15 <sup>th</sup> 20 <sup>th</sup> etc
NU Portfolio Bond, Flexibond, Bond 2000	2/10/2000-24/6/01	No MVR on 10 <sup>th</sup> 15 <sup>th</sup> 20 <sup>th</sup> etc
NU Portfolio Bond, Flexibond, Bond 2000	25/6/01-16/1/02	No MVR on 10 <sup>th</sup>
NU Portfolio Bond, Flexibond, Bond 2000	16/1/02- 2/7/03	Money back on 10 <sup>th</sup>
NU Portfolio	3/7/03 – 8/2/04	Money back on 10 <sup>th</sup>
NU Portfolio	9/2/04 onwards	Money back on 5 <sup>th</sup>
Candid Bond (with RPI Guarantee)	30/1/2006 – 26/4/2008	RPI any point on or after 5 <sup>th</sup>
JV RPI Bond	30/1/2006 – 26/4/2008	RPI any point on or after 5 <sup>th</sup>
NUIL RPI Bond	30/1/2006 onwards	RPI any point on or after 5 <sup>th</sup>
Candid Bond (with CPI Guarantee)	27/4/2008 onwards	CPI any point on or after 5th
JV CPI Bond	27/4/2008 onwards	CPI any point on or after 5th

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.

**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 2008**

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 (£156m) is BRV whilst German (£7m) and Irish (£12m) 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 £184m.

(2) Not applicable

(3) See (1)

(4) See (1)

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

Method	With-profit benefits reserve (%)
Asset Share (individual)	94
Asset Share (grouped)	0
BRV	5
Regulatory Reserve	1
Miscellaneous Other	0
<b>Total</b>	<b>100</b>

All asset shares have been calculated on an individual basis.

**(2) Changes in valuation method**

(a) No significant changes have been made to the valuation method.

(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.

				2008
	Charged to WPBR £m	Not-Charged to WPBR £m	Non-Profit expenses £m	Total £m
Estimated initial expenses and commission	6	66	10	82
Renewal expenses and commission	62	21	3	86

**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 2008**

Shareholder Transfers	14	68	0	82
-----------------------	----	----	---	----

The above tables approximately splits out the expenses incurred over 2008.

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 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. The current MSA agreement terminated in 2008, and a new agreement took effect from the start of 2009.

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 2008 are approximately £68m with an additional £14m 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.

**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 2008**

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)

**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 protected bonds sold from February 2007 onwards have a guarantee charge of 0.7% p.a. for a 10 year period. The total charge made in 2008 was £3.5m (£1.3m for 2007).

**(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**

<b>Product Type</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
Conventional Life	98%	92%	103%
Conventional Pension	n/a	n/a	136%
UWP Life	100%	98%	107%
UWP Pensions	96%	95%	105%
UWP Stakeholder	94%	97%	106%

The figures above for 2006, 2007 and 2008 are estimates based on actual maturity and surrender payouts.

The figures for Conventional business for 2007 and 2008 are not directly comparable with 2006 because of enhancements in our analysis. There were no changes in the method between 2007 and 2008.

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 2008

CGNU Life written business -16.04%

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 -16.04% 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**

**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 2008**

**Bonus reserve valuation** (BRV) is used for less than 5% 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:

## (a) Economic Assumptions

Future earned rate:	5.84%
Discount rate (benefits)	5.84%
Discount rate (premium, expenses):	4.71%
Expense Inflation:	3.20%

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 2008 £m
Conventional Whole Life	£12.82

## (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 127%AMN00/AFN00 Sel1.



**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 2008**

**(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.

**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

**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 2008**

- Incorporation of the guarantees relating to RPI and CPI-linked bonds into the stochastic model.
- Use of a Local Volatility model in place of Time Varying Deterministic Volatility.
- Allowance for quarterly rebalancing of the EBR within the stochastic model.
- Use of the full Risk Free Rate curve in the calculation of Future Profits on non-profits business.
- Use of the stochastic model in production of the analysis of working capital.
- Removal of the extra contingency margin, which is no longer required following implementation and embedding of the Stochastic model.

**(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	Planned Deductions to WPBR for other costs	Contractual Guarantee costs	Non-Contractual Commitments	Smoothing costs
Conventional life direct written	125	0	0	210	221	0
Conventional Pensions	22	0	0	165	0	0
UWP life (incl. Overseas)	359	60	0	638	0	0
UWP Pensions	64	0	0	119	0	0
UWP Stakeholder	0	0	0	22	0	0
Reinsured - Conventional life	0	0	0	9	0	0
Misc	0	0	8	0	0	-27

**Planned Enhancements to WPBR**

The Company 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 made in three tranches over 2008, 2009 and 2010. The realistic liability planned enhancements to WPBR is in respect of the latter two tranches.

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 and CPI-linked UWP life contracts sold during 2007 and 2008.

**Planned Deductions to WPBR for Other costs**

There is also an allowance for a charge in respect of expenses incurred in the migration of business to the Admin Re platform, which is expected to be charged to Asset Shares.

**Contractual Guarantee Costs**

In addition to the figures in the table there is £17m 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	£210m
Central Estimate	£57m
Option value	73%

**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 2008**

The option value is the proportion of the total stochastic cost that exceeds the central-estimate cost. Conventional Life guarantees are largely out of the money, but some guarantees are now in the money following the poor investment return during 2008.

Conventional Pensions

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

Stochastic Reserve	£165m
Central Estimate	£148m
Option value	10%

Conventional pension guarantees are largely in the money.

UWP life

Type of guarantee	No-MVR Guarantee on Bond surrenders	RPI or CPI Guarantee on Inflation-protected Bonds	Other Bond guarantees
Stochastic Reserve	£247m	£271m	£120m
Central Estimate	£235m	£181m	£104m
Option value	5%	33%	13%

UWP bond guarantees are largely in the money following the fall in asset values during 2008. The no-MVR guarantees are particularly in the money as many of these policies were taken out in the period from 1998 to 2001. The RPI and CPI guarantees have some remaining time value due to the inception date of the policies and the nature of the guarantees. The other guarantees include those on death, partial withdrawal and maturity.

UWP pensions

Stochastic Reserve	£101m
Central Estimate	£39m
Option value	60%

UWP Pension guarantees are still somewhat out of the money, as the fall in asset values has not put all years of unit purchase into the money.

UWP Stakeholder pensions

Stochastic Reserve	£22m
Central Estimate	£1m
Option value	95%

Stakeholder pension guarantees are still largely out of the money, as the guarantees here are less onerous, and the impact of the fall in asset values during 2008 less substantial.

**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.

**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 2008**

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 £27m 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 (%) – 2008
1	1.21%
2	1.87%
3	2.31%
4	2.63%
5	2.87%
6	3.06%
7	3.21%
8	3.35%
9	3.47%
10	3.58%
12	3.81%
15	4.13%
20	4.33%
25	4.07%
30	3.91%

- 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).

Therefore the risk free rate is based on government bonds + 10bp, consistent with the approach used at 31 December 2007.

Use of the curve:

The above risk-free rate curve was used for all option-pricing purposes.

**Interest Rate Model**

A monthly Libor Market Model (LMM) is used.

**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 2008**

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 Local volatility model is used. The local volatility model allows the volatility to vary by term and strike. This allows the full implied volatility surface to be captured. The following sample UK equity volatilities have been produced from the ESG model:

Term\Strike	0.7	0.8	0.9	1	1.1	1.2	1.3
1	41.69%	39.77%	37.72%	35.69%	34.08%	33.06%	32.54%
3	35.81%	34.83%	33.76%	32.69%	31.74%	31.01%	30.44%
5	34.34%	33.53%	32.76%	32.05%	31.45%	30.96%	30.60%
10	33.48%	33.09%	32.69%	32.31%	32.01%	31.78%	31.58%
15	32.55%	32.22%	31.95%	31.72%	31.53%	31.40%	31.30%
20	31.90%	31.63%	31.43%	31.25%	31.11%	30.99%	30.88%

**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%

**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:

<b>Equity Return Vs</b>	<b>Target</b>
Property Returns	20%
Bond Returns	30%
Index-linked bond returns	30%
Short rate changes	-20%

Returns under the Accounts and Statements Rules

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

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

Global business

Financial year ended **31 December 2008**

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

**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 2008****(iii) Option prices from asset model**

		K				0.75				1				1.5			
<i>n</i>	<i>Duration (n)</i>	5	15	25	35	5	15	25	35	5	15	25	35	5	15	25	35
<i>r</i>	<i>Annualised compound equivalent of the risk free rate assumed for the period (r)</i>	2.87%	4.14%	4.07%	3.82%	x	x	x	x	x	x	x	x	x	x	x	x
1	<i>Risk-Free Zero Coupon Bond</i>	867,994	544,445	369,024	269,622	x	x	x	x	x	x	x	x	x	x	x	x
2	<i>FTSE All Share Index (p=1)</i>	152,820	294,687	381,783	449,577	282,009	459,872	564,485	645,851	634,841	841,415	965,935	1,062,134				
3	<i>FTSE All Share Index (p=0.8)</i>	143,713	244,302	290,878	323,222	266,050	382,639	432,752	466,719	601,601	706,094	746,383	774,925				
4	<i>Property (p=1)</i>	30,613	119,274	191,908	258,649	132,492	258,435	355,088	432,820	523,002	633,730	746,307	833,690				
5	<i>Property (p=0.8)</i>	25,903	82,747	120,909	155,839	117,380	190,440	235,399	273,296	485,296	496,109	528,791	554,154				
6	<i>15yr Risk-Free ZCBs (p=1)</i>	21,704	29,917	17,485	26,416	93,409	95,448	82,372	128,855	499,569	500,674	501,206	537,421				
7	<i>15yr Risk-Free ZCBs (p=0.8)</i>	18,721	19,233	7,986	9,360	81,295	57,636	26,859	31,070	458,311	333,802	251,003	241,316				
8	<i>15yr Corporate Bonds (p=1)</i>	27,204	43,172	39,031	59,759	109,222	129,090	131,994	178,543	500,896	507,546	524,014	578,656				
9	<i>15yr Corporate Bonds (p=0.8)</i>	23,612	27,191	16,720	20,476	96,048	81,714	57,901	67,375	461,122	354,218	288,480	288,791				
10	<i>Portfolio 1 (p=1)</i>	82,040	192,548	270,795	334,826	196,828	340,468	436,079	514,123	559,992	708,316	822,856	911,192				
11	<i>Portfolio 1 (p=0.8)</i>	74,871	149,616	193,490	224,339	181,765	270,169	315,701	350,245	524,977	575,138	608,821	635,136				
12	<i>Portfolio 2 (p=1)</i>	80,327	175,086	243,553	300,884	193,426	317,161	399,160	470,003	556,396	679,655	771,877	854,835				
13	<i>Portfolio 2 (p=0.8)</i>	73,182	134,104	170,750	197,931	178,557	249,398	285,815	315,253	521,189	547,033	564,414	586,582				
14	<i>Portfolio 3 (p=1)</i>	37,707	94,348	146,163	194,426	134,980	219,230	284,493	345,864	517,970	584,336	652,340	721,840				
15	<i>Portfolio 3 (p=0.8)</i>	32,704	63,306	87,533	110,662	120,649	157,195	182,662	206,723	480,098	446,935	443,401	456,357				
16	<i>Sterling Receiver Swaptions</i>	8.75%	11.26%	10.08%	7.50%	12.26%	14.06%	12.33%	8.97%	15.36%	16.57%	14.08%	10.05%				
		<i>Swap Duration = 15 years</i>				<i>Swap Duration = 20 years</i>				<i>Swap Duration = 25 years</i>							

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

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.

**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 2008**

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 5.95% and the initial property rental yield is 4.3%.

**(v) UK risk free rates are applied throughout.**



**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 2008****(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)	%																		
		2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025+		
Conventional Life																				
Base guarantee	7.1	1	3	5	7	15	13	12	10	8	7	5	3	5	4	2	1	1	100	
Mortgage promise	9.7	0	0	1	2	3	5	7	10	12	13	12	7	8	9	6	4	1	100	
Conventional Pensions																				
Base guarantee	11.2	8	3	4	4	4	5	5	5	5	5	5	4	4	4	4	3	27	100	
Unitised Life: Retained																				
Death	21.6	1	2	2	2	2	2	2	2	1	1	1	1	1	1	1	1	76	100	
Partial surrender	13.8	10	9	6	5	5	4	3	3	3	2	2	2	2	1	1	1	41	100	
No-MVR (surrender)	1.7	20	43	34	-	2	0	0	0	-	0	0	0	0	-	0	0	0	100	
Money-back (surrender)	6.8	-	-	-	20	7	12	13	5	22	21	-	-	-	-	-	-	-	100	
Inflation protected (surrender)	19.8	-	-	0	2	3	4	4	3	3	3	3	2	2	2	2	2	64	100	
Unitised Pensions excl Stk: Retained																				
Base guarantee	13.8	-	-	11	2	-	10	5	-	9	5	-	9	3	-	7	4	34	100	
Stakeholder: Retained																				
Base guarantee	11.6	3	4	5	5	5	8	3	5	4	4	5	6	3	5	3	3	28	100	

Duration is calculated as weighted average of projected maturity years with weights equal to the cost of guarantees.

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

**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 2008****(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 (year from valuation date)		5	10	15	20
Equities	5000 Simulation results	100.2%	101.6%	101.9%	102.3%
	standard error	0.6%	1.3%	1.8%	2.6%
Property	5000 Simulation results	100.0%	100.1%	99.9%	100.1%
	standard error	0.2%	0.4%	0.5%	0.6%

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 2008. As shown in the following table, the model produces results that compare well to available market data.

Market Implied volatilities:

Term\Strike	0.7	0.8	0.9	1	1.1	1.2	1.3
1	43.99%	40.95%	37.59%	34.45%	31.92%	30.05%	28.73%
3	39.37%	37.48%	35.68%	34.01%	32.49%	31.21%	30.07%
5	38.62%	37.11%	35.71%	34.43%	33.28%	32.26%	31.35%
10	37.44%	36.44%	35.48%	34.57%	33.77%	33.16%	32.60%

Difference between Modelled volatilities and Market Implied volatilities (bps):

Term\Strike	0.7	0.8	0.9	1	1.1	1.2	1.3
1	230	118	13	124	216	300	381
3	357	265	192	133	75	20	36
5	427	358	295	238	184	130	75
10	396	336	280	226	176	138	103

1,000 projections have been used to calculate realistic liabilities.

**(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 10% 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).

**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 2008**

Note both the Guaranteed Annuity Option and GMP liabilities are calculated using an annuity vesting rate based on the average duration of liabilities rather than a curve.

**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.

<b>Cost of annuity rate guarantees</b>	<b>£m</b>
GAO cost (incl. expense reserve)	20
Base cost of GMP gtee on S32	15
Uplift (15%)	2
<b>Total</b>	<b>17</b>

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).

**Guarantee Charges on asset shares**

**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 2008**

The model uses a 0.7% guarantee charge for UWP life business written with either an RPI or a CPI inflation-protection guarantee, where this guarantee charge is applicable.

**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.

Shareholder transfers and the associated tax are assumed to be charged to asset shares or the estate in line with the PPFM. 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 9.4A**Name of insurer **CGNU Life Assurance Company Limited**

Global business

Financial year ended **31 December 2008****(i) Projection at risk free rate**UWP Bonus Rates

<b>Product</b>	<b>31-Dec-08</b>	<b>31-Dec-13</b>	<b>31-Dec-18</b>
UWP Life (implicit charged): Units purchased on policies written pre 01/10/98	2.50%	2.56%	2.79%
UWP Life (implicit charged): Units purchased on policies written post 30/09/98	2.50%	1.70%	2.02%
UWP Life (explicit charged)	3.50%	2.46%	3.15%
UWP Pension (implicit charged): Units purchased on policies written pre 01/10/98	2.75%	2.46%	2.92%
UWP Pension (implicit charged): Units purchased on policies written post 30/09/98	2.25%	2.47%	3.01%
UWP Pension (explicit charged)	3.75%	2.86%	3.40%
UWP Pension (Stakeholder)	3.25%	2.98%	3.51%

Further notes on bonus rates:

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

Assets Backing With-Profit Benefits Reserve

The projections below are based on the actual asset share mix as at 31 December 2008:

<b>Asset Class</b>	<b>31/12/2008</b>	<b>31/12/2013</b>	<b>31/12/2018</b>
Equities	39.1%	43.7%	46.4%
Property	17.9%	19.9%	21.2%
Fixed Interest	40.4%	33.8%	29.9%
Cash	2.6%	2.6%	2.6%
<b>Total Assets</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
EBR	57.0%	63.6%	67.6%

**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 2008****(ii) Projection at risk free rate plus 17.5%**

## UWP Bonus Rates

<b>Product</b>	<b>31-Dec-08</b>	<b>31-Dec-13</b>	<b>31-Dec-18</b>
UWP Life (implicit charged): Units purchased on policies written pre 01/10/98	2.50%	2.97%	3.25%
UWP Life (implicit charged): Units purchased on policies written post 30/09/98	2.50%	2.11%	2.44%
UWP Life (explicit charged)	3.50%	2.89%	3.60%
UWP Pension (implicit charged): Units purchased on policies written pre 01/10/98	2.75%	2.87%	3.41%
UWP Pension (implicit charged): Units purchased on policies written post 30/09/98	2.25%	2.88%	3.50%
UWP Pension (explicit charged)	3.75%	3.28%	3.88%
UWP Pension (Stakeholder)	3.25%	3.40%	3.99%

## Assets Backing With-Profit Benefits Reserve

<b>Asset Class</b>	<b>31/12/2008</b>	<b>31/12/2013</b>	<b>31/12/2018</b>
Equity	39.1%	45.1%	47.4%
Property	17.9%	20.6%	21.6%
Fixed Interest	40.4%	31.7%	28.4%
Cash	2.6%	2.6%	2.6%
<b>Total Assets</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
EBR	57.0%	65.7%	69.0%

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

## UWP Bonus Rates

<b>Product</b>	<b>31-Dec-08</b>	<b>31-Dec-13</b>	<b>31-Dec-18</b>
UWP Life (implicit charged): Units purchased on policies written pre 01/10/98	2.50%	2.14%	2.35%
UWP Life (implicit charged): Units purchased on policies written post 30/09/98	2.50%	1.29%	1.61%
UWP Life (explicit charged)	3.50%	2.06%	2.71%
UWP Pension (implicit charged): Units purchased on policies written pre 01/10/98	2.75%	2.04%	2.45%
UWP Pension (implicit charged): Units purchased on policies written post 30/09/98	2.25%	2.04%	2.52%
UWP Pension (explicit charged)	3.75%	2.44%	2.93%
UWP Pension (Stakeholder)	3.25%	2.57%	3.04%

**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 2008**

## Assets Backing With-Profit Benefits Reserve

<b>Asset Class</b>	<b>31/12/2008</b>	<b>31/12/2013</b>	<b>31/12/2018</b>
Equity	39.1%	42.0%	45.3%
Property	17.9%	19.2%	20.7%
Fixed Interest	40.4%	36.2%	31.5%
Cash	2.6%	2.6%	2.6%
<b>Total Assets</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
EBR	57.0%	61.2%	65.9%

**(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.

<b>CGNU</b>		<b>Average surrender / paid-up rate for the</b>			
		<b>1-5</b>	<b>6-10</b>	<b>11-15</b>	<b>16-20</b>
CWP savings endowment	surrender	4.10%	8.50%	2.70%	1.60%
CWP target cash endowment	surrender	4.10%	8.50%	2.70%	1.60%
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	2.85%	14.8%	10.2%	9.5%
UWP bond	automatic withdrawals	100% of current	100% of current	100% of current	100% of current
CWP pension regular premium	PUP	0.00%	0.00%	0.00%	0.00%
CWP pension regular premium	surrender	1.00%	1.00%	1.00%	1.00%
CWP pension single premium	surrender	1.00%	1.00%	1.00%	1.00%
UWP indiv pension regular premium	PUP	n/a	n/a	n/a	n/a
UWP indiv pension regular premium	surrender	1.75%	1.75%	1.75%	1.75%
UWP indiv pension single premium	surrender	1.75%	1.75%	1.75%	1.75%

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

	<b>31 December 2008</b>
Males	95.5% PCMA00 with 100% medium cohort improvement factors, minimum 1.5% pa, applicable from 2005
Females	90% PCFA00 with 75% 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 2008**

**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 2010 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, Inflation-protection and 'money-back' guarantees for certain classes of business.

**7. Financing Costs**

There are no financing costs.

**8. Other long-term insurance liabilities**

<b>Product Class</b>	<b>Any other liabilities related to treating customers fairly</b>	<b>Any other long-term insurance liabilities</b>
Conventional Life	0	50
Conventional Pensions	0	4
UWP Life (incl. Overseas)	0	60
UWP Pensions	0	33
UWP Stakeholder	0	0
Miscellaneous	0	-149
<b>Total</b>	<b>0</b>	<b>-2</b>

**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 £147m held in respect of the future tax due on shareholder transfers and future shareholder transfers in respect of the special distribution, mortgage endowment promise and arising on explicitly charged business.

The following liabilities are held under the miscellaneous category.

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

£6m is held in respect of the funding for the Aviva staff pension scheme deficit.

£12m is included for the cost of investigation and redress of mortgage endowment mis-selling complaints.

£12m is held to cover compensation costs other than those identified above.

£23m is held to cover the cost of future expenses not charged to asset shares

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

£17m is included for Mortgage Endowment Legal Risk provision.



**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 2008**

A credit of £230m 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.

**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 2008 are £1,466.

The realistic current liabilities include a reduction of £28m in respect of the deferred tax asset in respect of losses on Equity investments. Only half of the total deferred tax asset was allowed for in the Realistic current liabilities, whereas the whole asset was disallowed for in the regulatory current liabilities. The figures are otherwise the same

**10. Risk Capital Margin**

(1)

<b>Fund</b>	<b>RCM (£m)</b>
CGNU	393.0

(a)

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

<b>Asset Class</b>	<b>Fall in market values</b>
UK Equities	20.0%
OS Equities	21.6%
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)

<b>Asset Class</b>	<b>Rise in FI yields</b>	<b>Fall in FI yields</b>
Nominal change in yields	+65bps	-65bps
long-term yield – level post-stress	4.39%	3.09%
long-term yield - % movement post-stress	+17.5%	-17.5%

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

(iii)

<b>Fund</b>	<b>Average Increase in credit spread – excluding Approved stock</b>	<b>Change in FI asset value – excluding Approved stock</b>
CGNU	1.40%	-7.5%

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

**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 2008**

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.

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

% increase in realistic liabilities = 0.85%

- (v) Not applicable

**(b) Management Actions under the stress tests**

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

Guaranteed Annuity Options

The initial take-up rate for guaranteed annuity options is assumed to decrease from 80% to 75% as a result of the rise in fixed interest yields. The take-up rate then increases by 1% every year from 2010 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)
GAO take-up	0.4
Total	0.4

- (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	0.0	0.00%
Overseas equities	0.0	0.00%
Land and buildings	86.1	21.92%
Approved fixed interest securities	66.1	16.81%
Other fixed interest securities	85.9	21.86%
All other assets	154.9	39.41%
Total	393.0	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 9.4A**

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

Global business

Financial year ended **31 December 2008**

**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.

	<b>2008 %</b>
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%

As there are no unrealised gains to discount, turnover and indexation assumptions are not required.

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**

<b>Security</b>	<b>Value (£m) at 31.12.08</b>
Futures on Bonds - short term trading derivatives	1,059
Futures on Equities - short term trading derivatives	(327)
Mortgage Dollar Rolls - with US banks	57
Currency Futures	(84)
Property swaps	(123)
Interest Rate Swaps	1
Credit Default swaps	-6

The exposure to futures is part of the company's portfolio management strategy, and the majority of futures expire no later than 31 March 2009. There are some Eurodollar futures which expire no later than 30 June 2010

The Mortgage Dollar Rolls provide exposure to US Corporate Bonds.

The Property swaps provide protection against the property exposure in the fund

The Fixed interest and Cashflow swaps provide extra exposure to UK Corporate Bonds.

**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 2008**

**13. Analysis of working capital**

	£m
Working capital at 31/12/2007	1,428
Investment return on opening working capital	-92
Profits on assets backing liabilities	-400
Economic assumption changes	-140
Non-economic assumption changes	13
Policyholder action assumption changes	-42
Other experience variances	13
Impact of new business	-44
Changes in reinsurance and regulation	1
Modelling changes and opening adjustments	7
Miscellaneous liabilities	23
Special distribution	0
Working capital at 31/12/2008	765

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 2007 and unwinding of discounting of guarantee costs.
2. The economic assumption impact is mainly driven by a significant increase in equity volatility and a reduction in the risk-free rate of return.
3. Non-economic assumption changes include assurance mortality, expenses 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 and CPI bonds
7. Modelling changes and opening adjustments include
  - Change in modelling of RPI bond
  - Change in modelling of EBR, and stochastic bonus rates, including quarterly rebalancing of EBR in the model
  - Correction to 2007 investment return credited to asset shares
  - Introduction of localised volatility in stochastic model.
  - Introduction of liquidity premium in respect of future profits on Non-Profit business
8. Note that the change in other liabilities from Form 19 line 47 is included in the analysis above
9. 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 2008**

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.

The speculative use of derivative contracts is prohibited.

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 company was party to Stock Underwriting over the financial year, which falls into this description. This was the only example of such contracts that was 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.

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

During the financial year, the company's use of derivatives included the granting of rights under derivative contracts for a fixed consideration. This was in the activity of Stock Underwriting. The fee income over the financial year was £0.7m.

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 2008**

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 2008**

In accordance with rule 9.36 of the Interim Prudential Sourcebook for Insurers, A R Walton, who resigned as the with-profits actuary of the Company on 31 March 2008, and R G Myers, who was appointed as the with-profits actuary of the Company on 15 May 2008, were requested to furnish and have provided the following information:

**(1) A R Walton**

- (a) (1) An interest in 1,715 ordinary shares at 31 December 2008 in Aviva plc (2007: 738);
- (2) 8,536 ordinary shares held in the Aviva Long Term Incentive Plan at 31 December 2007 lapsed on 31 March 2008, and 6,788 ordinary shares held in the Aviva Annual Bonus Plan at 31 December 2007 were exercised on 2 April 2008.
- (b) The actuary held general insurance policies with subsidiaries of Aviva plc for which total premiums of £1,140 were paid in the year to 31 December 2008 (2007: £1,082).
- (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 2008 was £246,566 (2007: £248,720). 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.

**(2) R G Myers**

- (a) (1) The actuary holds no shares in Aviva plc and no shares in any other group companies.
- (2) Under the company's sharesave scheme, the actuary holds options to acquire 4,085 shares in Aviva plc for £4.10 per share on 1 December 2013.
- (b) The actuary has no policies of insurance with Aviva plc or subsidiaries of Aviva plc.
- (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 2008 was £223,983 (2007: £Nil). 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 2008**

We certify that:

- 1 (a) the return has been properly prepared in accordance with the requirements in IPRU(INS), GENPRU and INSPRU; and  
(b) the directors are satisfied that:
  - (i) throughout the financial year in question, the insurer has complied in all material respects with the requirements in SYSC and PRIN as well as the provisions of IPRU(INS), GENPRU and INSPRU; and
  - (ii) it is reasonable to believe that the insurer has continued so to comply subsequently, and will continue so to comply in future.
- 2 (a) in the directors' opinion, premiums for contracts entered into during the financial year and the resulting income earned are sufficient, under reasonable actuarial methods and assumptions, and taking into account the other financial resources of the insurer that are available for the purpose, to enable the insurer to meet its obligations in respect of those contracts and, in particular, to establish adequate mathematical reserves;  
(b) the sum of the mathematical reserves and the deposits received from reinsurers as shown in Form 14, constitute proper provision at the end of the financial year in question for the long-term insurance liabilities (including all liabilities arising from deposit back arrangements, but excluding other liabilities which had fallen due before the end of the financial year) including any increase in those liabilities arising from a distribution of surplus as a result of an actuarial investigation as at that date into the financial condition of the long-term insurance business;  
(c) the with-profits 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

..... **T E STRAUSS**  
Director

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

27 March 2009



**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 2008**

We have examined the following documents prepared by the insurer pursuant to the Accounts and Statements Rules set out in Chapter 9 of IPRU(INS) 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.

- Forms 2, 3, 13 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 IPRU(INS) 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 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 IPRU(INS) 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 IPRU(INS) 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 31 March 2009. 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 IPRU(INS) rule 9.11.

In accordance with IPRU(INS) rule 9.35(1A), to the extent that any document, Form, statement, analysis or report to be examined under IPRU(INS) rule 9.35(1) contains amounts or information abstracted from the actuarial investigation performed pursuant to IPRU(INS) rule 9.4, we have obtained and paid due regard to advice from a suitably qualified actuary who is independent of the insurer.

**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 2008**

**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 IPRU(INS) rule 9.31 appropriately reflect the requirements of INSPRU 1.2 and 1.3.

Ernst & Young LLP  
Registered Auditor  
London  
31 March 2009