

# **Commercial Union Life Assurance Company 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 **Commercial Union Life Assurance Company 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 **Commercial Union Life Assurance Company Ltd**

Global business

 Financial year ended **31st December 2008**

Adjusted solo solvency calculation

	Company registration number	GL/ UK/ CM	day	month	year	units	
	R2	79678	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>	1658909	2721215
Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund	<b>12</b>	82444	42364
Capital resources available to cover long-term insurance business capital resources requirement (11+12)	<b>13</b>	1741353	2763579

**Guarantee fund**

Guarantee Fund requirement	<b>21</b>	198950	209123
Excess (deficiency) of available capital resources to cover guarantee fund requirement	<b>22</b>	1542403	2554456

**Minimum capital requirement (MCR)**

Long-term insurance capital requirement	<b>31</b>	513372	530379
Resilience capital requirement	<b>32</b>		
Base capital resources requirement	<b>33</b>	2518	2231
Individual minimum capital requirement	<b>34</b>	513372	530379
Capital requirements of regulated related undertakings	<b>35</b>	27826	32330
Minimum capital requirement (34+35)	<b>36</b>	541198	562709
Excess (deficiency) of available capital resources to cover 50% of MCR	<b>37</b>	1470754	2482225
Excess (deficiency) of available capital resources to cover 75% of MCR	<b>38</b>	1335454	2341547

**Enhanced capital requirement**

With-profits insurance capital component	<b>39</b>	548282	966258
Enhanced capital requirement	<b>40</b>	1089479	1528968

**Capital resources requirement (CRR)**

Capital resources requirement (greater of 36 and 40)	<b>41</b>	1089479	1528968
Excess (deficiency) of available capital resources to cover long-term insurance business CRR (13-41)	<b>42</b>	651874	1234611

**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 **Commercial Union Life Assurance Company Ltd**

Global business

Financial year ended **31st December 2008**

	Company registration number	GL/ UK/ CM	day	month	year	units
<b>R3</b>	<b>79678</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>		

**Core tier one capital**

Permanent share capital	<b>11</b>	3175	3175	3175
Profit and loss account and other reserves	<b>12</b>	90454	90454	54169
Share premium account	<b>13</b>			
Positive valuation differences	<b>14</b>	1108456	1108456	1518971
Fund for future appropriations	<b>15</b>	614239	614239	1228056
Core tier one capital in related undertakings	<b>16</b>			
Core tier one capital (sum of 11 to 16)	<b>19</b>	1816324	1816324	2804371

**Tier one waivers**

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

**Other tier one capital**

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

<b>Total tier one capital before deductions</b> (19+24+25+26+27+28)	<b>31</b>	1816324	1816324	2804371
Investments in own shares	<b>32</b>			
Intangible assets	<b>33</b>			
Amounts deducted from technical provisions for discounting	<b>34</b>			
Other negative valuation differences	<b>35</b>			
Deductions in related undertakings	<b>36</b>			
Deductions from tier one (32 to 36)	<b>37</b>			
<b>Total tier one capital after deductions</b> (31-37)	<b>39</b>	1816324	1816324	2804371

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

Name of insurer      **Commercial Union Life Assurance Company Ltd**

Global business

Financial year ended      **31st December 2008**

	Company registration number	GL/ UK/ CM	day	month	year	units
<b>R3</b>	<b>79678</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 **Commercial Union Life Assurance Company Ltd**

Global business

Financial year ended **31st December 2008**

	Company registration number	GL/ UK/ CM	day	month	year	units
R3	79678	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</b> (39+69+71)	72		1816324	1816324	2804371
Inadmissible assets other than intangibles and own shares	73		74971	74971	40792
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</b> (72-73-74-75-76-77)	79		1741353	1741353	2763579

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

Available capital resources for guarantee fund requirement	81		1741353	1741353	2763579
Available capital resources for 50% MCR requirement	82		1741353	1741353	2763579
Available capital resources for 75% MCR requirement	83		1741353	1741353	2763579

**Financial engineering adjustments**

Implicit items	91				
Financial reinsurance – ceded	92				
Financial reinsurance – accepted	93		33000	33000	25069
Outstanding contingent loans	94				
Any other charges on future profits	95				
<b>Sum of financial engineering adjustments</b> (91+92-93+94+95)	96		(33000)	(33000)	(25069)

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

Name of insurer **Commercial Union Life Assurance Company 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	79678	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>	432
	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 **Commercial Union Life Assurance Company 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	79678	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>		
	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>	82245	42063
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>	82677	42495
---	-----------	-------	-------



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

Name of insurer **Commercial Union Life Assurance Company 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>79678</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>	82677	42495
Admissible assets in excess of market and counterparty limits	<b>92</b>		
Inadmissible assets directly held	<b>93</b>		3794
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>	11185	11185
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>	93862	57474
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 **Commercial Union Life Assurance Company 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	79678	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	929163		1303572	

**Investments in group undertakings and participating interests**

UK insurance dependants	shares	<b>21</b>	22394	21027
	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>	147150	130824
Participating interests	shares	<b>29</b>		
	debts and loans	<b>30</b>		

**Other financial investments**

Other financial investments				
Equity shares		41	2708347	5655822
Other shares and other variable yield participations		42		
Holdings in collective investment schemes		43	2354175	2522268
Rights under derivative contracts		44	240397	100326
Fixed interest securities	Approved	45	2766742	2525655
	Other	46	2428033	2508949
Variable interest securities	Approved	47	527018	183970
	Other	48	75547	93341
Participation in investment pools		49		
Loans secured by mortgages		50	302730	130363
Loans to public or local authorities and nationalised industries or undertakings		51		
Loans secured by policies of insurance issued by the company		52	903	1408
Other loans		53	817124	643605
Bank and approved credit & financial institution deposits	One month or less withdrawal	54	516988	77014
	More than one month withdrawal	55	362833	190641
Other financial investments		56		

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

 Name of insurer **Commercial Union Life Assurance Company 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	79678	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	606		673	
	Property linked			59	17395		17395	

**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>	14047	346
	Intermediaries	<b>72</b>		
Salvage and subrogation recoveries		<b>73</b>		
Reinsurance	Accepted	<b>74</b>	31110	206913
	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>	203086	149342
	Due in more than 12 months	<b>79</b>		11500

**Other assets**

Tangible assets	<b>80</b>		
Deposits not subject to time restriction on withdrawal with approved institutions	<b>81</b>	595544	60975
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>	113673	105994
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>	15175005	16641923
---	-----------	----------	----------

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

 Name of insurer **Commercial Union Life Assurance Company 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>79678</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>	15175005	16641923
Admissible assets in excess of market and counterparty limits	<b>92</b>		
Inadmissible assets directly held	<b>93</b>	39636	1664
Capital resources requirement deduction of regulated related undertakings	<b>94</b>	27826	32330
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>	35334	35334
Reinsurers' share of technical provisions excluded from line 89	<b>100</b>	1125146	1499048
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>	16402947	18210299
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	<b>103</b>		

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

 Name of insurer **Commercial Union Life Assurance Company 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	As at the end of the previous year
		<b>1</b>	<b>2</b>
Mathematical reserves, after distribution of surplus	<b>11</b>	12325202	12758764
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>	12325202	12758764
Claims outstanding	Gross amount	<b>15</b>	17625
	Reinsurers' share	<b>16</b>	
	Net (15-16)	<b>17</b>	17625
Provisions	Taxation	<b>21</b>	243219
	Other risks and charges	<b>22</b>	
Deposits received from reinsurers	<b>23</b>		
Creditors	Direct insurance business	<b>31</b>	27519
	Reinsurance accepted	<b>32</b>	1565
	Reinsurance ceded	<b>33</b>	16740
Debenture loans	Secured	<b>34</b>	
	Unsecured	<b>35</b>	
Amounts owed to credit institutions	<b>36</b>	80982	1314
Creditors	Taxation	<b>37</b>	54652
	Other	<b>38</b>	1011074
Accruals and deferred income	<b>39</b>	10128	11568
Provision for "reasonably foreseeable adverse variations"	<b>41</b>		
Total other insurance and non-insurance liabilities (17 to 41)	<b>49</b>	1218720	1194275
Excess of the value of net admissible assets	<b>51</b>	1631083	2688884
Total liabilities and margins	<b>59</b>	15175005	16641923

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	<b>61</b>	7613	4671
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	<b>62</b>	17395	17395

Total liabilities (11+12+49)	<b>71</b>	13543922	13953039
Increase to liabilities – DAC related	<b>72</b>		
Reinsurers' share of technical provisions	<b>73</b>	1125146	1499048
Other adjustments to liabilities (may be negative)	<b>74</b>	1119640	1530156
Capital and reserves and fund for future appropriations	<b>75</b>	614239	1228056
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>	16402947	18210299

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

 Name of insurer **Commercial Union Life Assurance Company 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>	379046	370591
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>	379046	370591
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>	379046	370591

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>	379046	370591
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 **Commercial Union Life Assurance Company 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>	11946156	12388173
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>	11946156	12388173
Claims outstanding	Gross amount	<b>15</b>	17625
	Reinsurers' share	<b>16</b>	
	Net (15-16)	<b>17</b>	17625
Provisions	Taxation	<b>21</b>	243219
	Other risks and charges	<b>22</b>	
Deposits received from reinsurers	<b>23</b>		
Creditors	Direct insurance business	<b>31</b>	27519
	Reinsurance accepted	<b>32</b>	18950
	Reinsurance ceded	<b>33</b>	16740
Debenture loans	Secured	<b>34</b>	
	Unsecured	<b>35</b>	
Amounts owed to credit institutions	<b>36</b>	80982	1314
Creditors	Taxation	<b>37</b>	54652
	Other	<b>38</b>	1011074
Accruals and deferred income	<b>39</b>	10128	11568
Provision for "reasonably foreseeable adverse variations"	<b>41</b>		
Total other insurance and non-insurance liabilities (17 to 41)	<b>49</b>	1218720	1194276
Excess of the value of net admissible assets	<b>51</b>	1631083	2688883
Total liabilities and margins	<b>59</b>	14795959	16271332

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	<b>61</b>	7613	4671
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	<b>62</b>	17395	17395

Total liabilities (11+12+49)	<b>71</b>	13164876	13582449
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 **Commercial Union Life Assurance Company Ltd**

Global business

Financial year ended **31st December 2008**

	Company registration number	GL/ UK/ CM	day	month	year	units	
	R15	79678	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		<b>11</b>		
Claims outstanding		<b>12</b>		
Provision for unexpired risks		<b>13</b>		
Equalisation provisions	Credit business	<b>14</b>		
	Other than credit business	<b>15</b>		
Other technical provisions		<b>16</b>		
Total gross technical provisions (11 to 16)		<b>19</b>		

**Provisions and creditors**

Provisions	Taxation	<b>21</b>		
	Other risks and charges	<b>22</b>		
Deposits received from reinsurers		<b>31</b>		
Creditors	Direct insurance business	<b>41</b>		
	Reinsurance accepted	<b>42</b>		
	Reinsurance ceded	<b>43</b>		
Debenture loans	Secured	<b>44</b>		
	Unsecured	<b>45</b>		
Amounts owed to credit institutions		<b>46</b>		
Creditors	Taxation	<b>47</b>	233	130
	Foreseeable dividend	<b>48</b>		
	Other	<b>49</b>		
Accruals and deferred income		<b>51</b>		
Total (19 to 51)		<b>59</b>	233	130
Provision for "reasonably foreseeable adverse variations"		<b>61</b>		
Cumulative preference share capital		<b>62</b>		
Subordinated loan capital		<b>63</b>		
Total (59 to 63)		<b>69</b>	233	130

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

Amounts deducted from technical provisions for discounting	<b>82</b>		
Other adjustments (may be negative)	<b>83</b>		
Capital and reserves	<b>84</b>	93629	57344
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)	<b>85</b>	93862	57474



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

Name of insurer **Commercial Union Life Assurance Company Ltd**

Global business

Financial year ended **31st December 2008**

		Company registration number	GL/ UK/ CM	day	month	year	units	
		R16	79678	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		77212		41472		
Investment income	Income	14		778		432		
	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		77990		41904		
Tax on profit or loss on ordinary activities		31		233		126		
Profit or loss on ordinary activities after tax (29-31)		39		77757		41778		
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		77757		41778		
Dividends (paid or foreseeable)		51		41472		33300		
Profit or loss retained for the financial year (49-51)		59		36285		8478		

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

 Name of insurer **Commercial Union Life Assurance Company 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	79678	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	105993		1908		2377998		185308	
	Interest rates	12	1836		1756		146253		17633	
	Inflation	13								
	Credit index / basket	14	939		8545		200814		375479	
	Credit single name	15	1939		235		4758		14599	
	Equity index	16	42		13611		16069		545561	
	Equity stock	17								
	Land	18	108892				10300		190720	
	Currencies	19	8272		90126		214777		980713	
	Mortality	20								
	Other	21	56175				54617			
In the money options	Swaptions	31								
	Equity index calls	32								
	Equity stock calls	33	2553		1822		517817		517817	
	Equity index puts	34								
	Equity stock puts	35								
	Other	36					92			
Out of the money options	Swaptions	41								
	Equity index calls	42								
	Equity stock calls	43	727		898		634003		634003	
	Equity index puts	44								
	Equity stock puts	45			7				1336	
	Other	46								
Total (11 to 46)		51	287368		118908		4177498		3463169	
Adjustments for variation margin		52	(46971)		2962					
Total (51 + 52)		53	240397		121870					

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 **Commercial Union Life Assurance Company Ltd**

Global business

Financial year ended **31st December 2008**With-profits fund **Commercial Union 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>	15175005	16641923
	Implicit items allocated to the fund	<b>12</b>		
	Mathematical reserves in respect of the fund's non-profit insurance contracts	<b>13</b>	2002372	1916949
	Long-term admissible assets of the fund covering the LTICR of the fund's non-profit insurance contracts	<b>14</b>	96465	93700
	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>	13076168	14631274
Regulatory value of liabilities	Mathematical reserves (after distribution of surplus) in respect of the fund's with-profit insurance contracts	<b>21</b>	10322830	10841815
	Regulatory current liabilities of the fund	<b>22</b>	1218720	1194275
	Total (21+22)	<b>29</b>	11541550	12036090
Long-term insurance capital requirement in respect of the fund's with-profits insurance contracts		<b>31</b>	416907	436680
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>	11958457	12472770
Regulatory excess capital (19-39)		<b>49</b>	1117711	2158504

**Realistic excess capital**

Realistic excess capital	<b>51</b>	387339	929208
--------------------------	-----------	--------	--------

**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>	730372	1229296
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>	182090	263038
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>	548282	966258

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

Name of insurer **Commercial Union Life Assurance Company Ltd**

Global business

Financial year ended **31st December 2008**

With-profits fund **Commercial Union 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>	13076166	14631274
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>	532705	479549
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>	13608871	15110823
Support arrangement assets	<b>27</b>		
Assets available to the fund (26+27)	<b>29</b>	13608871	15110823

**Realistic value of liabilities of fund**

With-profits benefits reserve	<b>31</b>	9595109	10642886
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>	565224
	Planned deductions for the cost of guarantees, options and smoothing from with-profits benefits reserve	<b>35</b>	48956
	Planned deductions for other costs deemed chargeable to with-profits benefits reserve	<b>36</b>	6150
	Future costs of contractual guarantees (other than financial options)	<b>41</b>	1080236
	Future costs of non-contractual commitments	<b>42</b>	218785
	Future costs of financial options	<b>43</b>	210116
	Future costs of smoothing (possibly negative)	<b>44</b>	(16363)
	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>	47808
	Total (32+34+41+42+43+44+45+46+47-(33+35+36))	<b>49</b>	2050700
Realistic current liabilities of the fund	<b>51</b>	1198858	1180941
Realistic value of liabilities of the fund (31+49+51)	<b>59</b>	12844667	13900406

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

Global business

Financial year ended **31st December 2008**With-profits fund **Commercial Union 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>	13221532	14181615
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>	13221532	14181615
Risk capital margin for fund (62-59)	<b>65</b>	376865	281209
Realistic excess capital for fund (26-(59+65))	<b>66</b>	387339	929208
Realistic excess available capital for fund (29-(59+65))	<b>67</b>	387339	929208
Working capital for for fund (29-59)	<b>68</b>	764204	1210417
Working capital ratio for fund (68/29)	<b>69</b>	5.62	8.01

**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 **Commercial Union Life Assurance Company 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>	1160114	779472
Investment income receivable before deduction of tax	<b>12</b>	695451	643808
Increase (decrease) in the value of non-linked assets brought into account	<b>13</b>	(816414)	1270585
Increase (decrease) in the value of linked assets	<b>14</b>	(67)	256
Other income	<b>15</b>		553
<b>Total income</b>	<b>19</b>	1039084	2694674

**Expenditure**

Claims incurred	<b>21</b>	1107055	1429430
Expenses payable	<b>22</b>	123705	97640
Interest payable before deduction of tax	<b>23</b>	40441	32115
Taxation	<b>24</b>	124233	138221
Other expenditure	<b>25</b>		
Transfer to (from) non technical account	<b>26</b>	77212	41472
<b>Total expenditure</b>	<b>29</b>	1472646	1738878

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>	(433562)	955796
Fund brought forward	<b>49</b>	12758764	11802968
Fund carried forward (39+49)	<b>59</b>	12325202	12758764

**Long-term insurance business: Revenue account****Form 40**Name of insurer **Commercial Union Life Assurance Company 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>	31790	9423
Investment income receivable before deduction of tax	<b>12</b>	18700	11367
Increase (decrease) in the value of non-linked assets brought into account	<b>13</b>	1295	18678
Increase (decrease) in the value of linked assets	<b>14</b>		
Other income	<b>15</b>		
<b>Total income</b>	<b>19</b>	51785	39468

**Expenditure**

Claims incurred	<b>21</b>	43330	46677
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>	43330	46677

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>	8455	(7209)
Fund brought forward	<b>49</b>	370591	377800
Fund carried forward (39+49)	<b>59</b>	379046	370591

**Long-term insurance business: Revenue account****Form 40**Name of insurer **Commercial Union Life Assurance Company 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>	1128324	770049
Investment income receivable before deduction of tax	<b>12</b>	676751	632441
Increase (decrease) in the value of non-linked assets brought into account	<b>13</b>	(817709)	1251907
Increase (decrease) in the value of linked assets	<b>14</b>	(67)	256
Other income	<b>15</b>		553
<b>Total income</b>	<b>19</b>	987299	2655206

**Expenditure**

Claims incurred	<b>21</b>	1063725	1382753
Expenses payable	<b>22</b>	123705	97640
Interest payable before deduction of tax	<b>23</b>	40441	32115
Taxation	<b>24</b>	124233	138221
Other expenditure	<b>25</b>		
Transfer to (from) non technical account	<b>26</b>	77212	41472
<b>Total expenditure</b>	<b>29</b>	1429316	1692201

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>	(442017)	963005
Fund brought forward	<b>49</b>	12388173	11425168
Fund carried forward (39+49)	<b>59</b>	11946156	12388173



**Long-term insurance business: Analysis of premiums**
**Form 41**

 Name of insurer **Commercial Union Life Assurance Company 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	95476	136634		232110	247251
Single premiums	12	881640	116125		997765	602550

**Reinsurance - external**

Regular premiums	13	9952	139		10091	704
Single premiums	14					

**Reinsurance - intra-group**

Regular premiums	15	113	30169		30282	38555
Single premiums	16		29388		29388	31070

**Net of reinsurance**

Regular premiums	17	85411	106326		191737	207992
Single premiums	18	881640	86737		968377	571480

**Total**

Gross	19	977116	252759		1229875	849801
Reinsurance	20	10065	59696		69761	70329
Net	21	967051	193063		1160114	779472

**Long-term insurance business: Analysis of premiums**
**Form 41**

 Name of insurer **Commercial Union Life Assurance Company 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		24471		24471	28675
Single premiums	12		7319		7319	(19252)

**Reinsurance - external**

Regular premiums	13					
Single premiums	14					

**Reinsurance - intra-group**

Regular premiums	15					
Single premiums	16					

**Net of reinsurance**

Regular premiums	17		24471		24471	28675
Single premiums	18		7319		7319	(19252)

**Total**

Gross	19		31790		31790	9423
Reinsurance	20					
Net	21		31790		31790	9423

**Long-term insurance business: Analysis of premiums**
**Form 41**

 Name of insurer **Commercial Union Life Assurance Company 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	95476	112163		207639	218576
Single premiums	12	881640	108806		990446	621802

**Reinsurance - external**

Regular premiums	13	9952	139		10091	704
Single premiums	14					

**Reinsurance - intra-group**

Regular premiums	15	113	30169		30282	38555
Single premiums	16		29388		29388	31070

**Net of reinsurance**

Regular premiums	17	85411	81855		167266	179317
Single premiums	18	881640	79418		961058	590732

**Total**

Gross	19	977116	220969		1198085	840378
Reinsurance	20	10065	59696		69761	70329
Net	21	967051	161273		1128324	770049

**Long-term insurance business: Analysis of claims**
**Form 42**

 Name of insurer **Commercial Union Life Assurance Company 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	143193	18347		161540	144029
Disability periodic payments	12	5	93		98	119
Surrender or partial surrender	13	430516	222198		652714	1068761
Annuity payments	14	6305	74306		80611	77115
Lump sums on maturity	15	152851	174319		327170	289686
<b>Total</b>	<b>16</b>	<b>732870</b>	<b>489263</b>		<b>1222133</b>	<b>1579710</b>

**Reinsurance - external**

Death or disability lump sums	21	4414			4414	836
Disability periodic payments	22		33		33	33
Surrender or partial surrender	23					
Annuity payments	24					
Lump sums on maturity	25					
<b>Total</b>	<b>26</b>	<b>4414</b>	<b>33</b>		<b>4447</b>	<b>869</b>

**Reinsurance - intra-group**

Death or disability lump sums	31	623	2662		3285	3041
Disability periodic payments	32					
Surrender or partial surrender	33	5417	69403		74820	105812
Annuity payments	34					
Lump sums on maturity	35		32526		32526	40558
<b>Total</b>	<b>36</b>	<b>6040</b>	<b>104591</b>		<b>110631</b>	<b>149411</b>

**Net of reinsurance**

Death or disability lump sums	41	138156	15685		153841	140152
Disability periodic payments	42	5	60		65	86
Surrender or partial surrender	43	425099	152795		577894	962949
Annuity payments	44	6305	74306		80611	77115
Lump sums on maturity	45	152851	141793		294644	249128
<b>Total</b>	<b>46</b>	<b>722416</b>	<b>384639</b>		<b>1107055</b>	<b>1429430</b>

**Long-term insurance business: Analysis of claims**
**Form 42**

 Name of insurer **Commercial Union Life Assurance Company 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	695		695	743
Disability periodic payments	12				
Surrender or partial surrender	13	30040		30040	31769
Annuity payments	14				
Lump sums on maturity	15	12595		12595	14165
<b>Total</b>	<b>16</b>	<b>43330</b>		<b>43330</b>	<b>46677</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				
Disability periodic payments	32				
Surrender or partial surrender	33				
Annuity payments	34				
Lump sums on maturity	35				
<b>Total</b>	<b>36</b>				

**Net of reinsurance**

Death or disability lump sums	41	695		695	743
Disability periodic payments	42				
Surrender or partial surrender	43	30040		30040	31769
Annuity payments	44				
Lump sums on maturity	45	12595		12595	14165
<b>Total</b>	<b>46</b>	<b>43330</b>		<b>43330</b>	<b>46677</b>

**Long-term insurance business: Analysis of claims**
**Form 42**

 Name of insurer **Commercial Union Life Assurance Company 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	143193	17652		160845	143286
Disability periodic payments	12	5	93		98	119
Surrender or partial surrender	13	430516	192158		622674	1036992
Annuity payments	14	6305	74306		80611	77115
Lump sums on maturity	15	152851	161724		314575	275521
<b>Total</b>	<b>16</b>	<b>732870</b>	<b>445933</b>		<b>1178803</b>	<b>1533033</b>

**Reinsurance - external**

Death or disability lump sums	21	4414			4414	836
Disability periodic payments	22		33		33	33
Surrender or partial surrender	23					
Annuity payments	24					
Lump sums on maturity	25					
<b>Total</b>	<b>26</b>	<b>4414</b>	<b>33</b>		<b>4447</b>	<b>869</b>

**Reinsurance - intra-group**

Death or disability lump sums	31	623	2662		3285	3041
Disability periodic payments	32					
Surrender or partial surrender	33	5417	69403		74820	105812
Annuity payments	34					
Lump sums on maturity	35		32526		32526	40558
<b>Total</b>	<b>36</b>	<b>6040</b>	<b>104591</b>		<b>110631</b>	<b>149411</b>

**Net of reinsurance**

Death or disability lump sums	41	138156	14990		153146	139409
Disability periodic payments	42	5	60		65	86
Surrender or partial surrender	43	425099	122755		547854	931180
Annuity payments	44	6305	74306		80611	77115
Lump sums on maturity	45	152851	129198		282049	234963
<b>Total</b>	<b>46</b>	<b>722416</b>	<b>341309</b>		<b>1063725</b>	<b>1382753</b>

**Long-term insurance business: Analysis of expenses**
**Form 43**

 Name of insurer **Commercial Union Life Assurance Company 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	48817	3131		51948	31175
Commission - other	12	3005	1620		4625	5549
Management - acquisition	13	4507	6091		10598	15268
Management - maintenance	14	29406	16255		45661	33833
Management - other	15	10540	1515		12055	12790
<b>Total</b>	<b>16</b>	<b>96275</b>	<b>28612</b>		<b>124887</b>	<b>98615</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	17	5		22	21
Management - maintenance	34	183	977		1160	954
Management - other	35					
<b>Total</b>	<b>36</b>	<b>200</b>	<b>982</b>		<b>1182</b>	<b>975</b>

**Net of reinsurance**

Commission - acquisition	41	48817	3131		51948	31175
Commission - other	42	3005	1620		4625	5549
Management - acquisition	43	4490	6086		10576	15247
Management - maintenance	44	29223	15278		44501	32879
Management - other	45	10540	1515		12055	12790
<b>Total</b>	<b>46</b>	<b>96075</b>	<b>27630</b>		<b>123705</b>	<b>97640</b>

**Long-term insurance business: Analysis of expenses**
**Form 43**

 Name of insurer **Commercial Union Life Assurance Company 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	48817	3131		51948	31175
Commission - other	12	3005	1620		4625	5549
Management - acquisition	13	4507	6091		10598	15268
Management - maintenance	14	29406	16255		45661	33833
Management - other	15	10540	1515		12055	12790
<b>Total</b>	<b>16</b>	<b>96275</b>	<b>28612</b>		<b>124887</b>	<b>98615</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	17	5		22	21
Management - maintenance	34	183	977		1160	954
Management - other	35					
<b>Total</b>	<b>36</b>	<b>200</b>	<b>982</b>		<b>1182</b>	<b>975</b>

**Net of reinsurance**

Commission - acquisition	41	48817	3131		51948	31175
Commission - other	42	3005	1620		4625	5549
Management - acquisition	43	4490	6086		10576	15247
Management - maintenance	44	29223	15278		44501	32879
Management - other	45	10540	1515		12055	12790
<b>Total</b>	<b>46</b>	<b>96075</b>	<b>27630</b>		<b>123705</b>	<b>97640</b>



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

 Name of insurer **Commercial Union Life Assurance Company 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>		813		813	967
Single premium business	<b>12</b>	292	1041		1333	1385
<b>Total</b>	<b>13</b>	292	1854		2146	2352

**Amount of new regular premiums**

Direct insurance business	<b>21</b>		4958		4958	5792
External reinsurance	<b>22</b>					
Intra-group reinsurance	<b>23</b>	95	7342		7437	6961
<b>Total</b>	<b>24</b>	95	12300		12395	12753

**Amount of new single premiums**

Direct insurance business	<b>25</b>	700	57322		58022	68870
External reinsurance	<b>26</b>					
Intra-group reinsurance	<b>27</b>	876038	42130		918168	558574
<b>Total</b>	<b>28</b>	876738	99452		976190	627444

**Long-term insurance business: Analysis of new business****Form 47  
(Sheet 1)**Name of insurer **Commercial Union Life Assurance Company 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>
395	Annuity non-profit (PLA)			6	62
400	Annuity non-profit (CPA)			269	355
500	Life UWP single premium			16	283
700	Life property linked single premium			1	

**Long-term insurance business: Analysis of new business****Form 47  
(Sheet 2)**Name of insurer **Commercial Union Life Assurance Company 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
415	Collective Life		1		6
500	Life UWP single premium				723458
525	Individual pensions UWP		12		34
530	Individual pensions UWP - increments		82		52
571	Trustee investment plan UWP				5
575	Miscellaneous UWP				152483

**Long-term insurance business: Analysis of new business****Form 47  
(Sheet 3)**Name of insurer **Commercial Union Life Assurance Company 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>
400	Annuity non-profit (CPA)			948	29774
525	Individual pensions UWP	8	17		115
530	Individual pensions UWP - increments		397		969
535	Group money purchase pensions UWP	99	234	31	26
540	Group money purchase pensions UWP - increments		397		216
565	DWP National Insurance rebates UWP				9024
725	Individual pensions property linked	146	15	6	94
730	Individual pensions property linked - increments		839		2434
735	Group money purchase pensions property linked	560	1558	56	155
740	Group money purchase pensions property linked - increments		1501		406
745	DWP National Insurance rebates property linked				14109

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

Total business

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

UK Pension / Reinsurance accepted intra-group

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>
525	Individual pensions UWP		269		6643
530	Individual pensions UWP - increments		1189		6801
535	Group money purchase pensions UWP		2909		3926
540	Group money purchase pensions UWP - increments		2975		21350
565	DWP National Insurance rebates UWP				2545
571	Trustee investment plan UWP				865

**Long-term insurance business: Assets not held to match linked liabilities**
**Form 48**

 Name of insurer **Commercial Union Life Assurance Company 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	1637340	1637340	40578	3.06	
Other fixed interest securities	13	443498	443498	27835	7.01	
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>2080838</b>	<b>2080838</b>	<b>68413</b>	<b>3.90</b>	

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

Land and buildings	21	929163	1541676	83232	5.40	(20.32)
Approved fixed interest securities	22	1155057	3136966	77743	3.06	13.87
Other fixed interest securities	23	2048150	2835177	177943	7.01	(2.82)
Variable interest securities	24	607230	912582	26005	3.05	1.28
UK listed equity shares	25	1907151	1677710	95070	5.67	(30.88)
Non-UK listed equity shares	26	783556	1014508	39847	3.93	(33.85)
Unlisted equity shares	27	40034	522965	45	0.01	31.64
Other assets	28	5605825	1434582	27046	1.89	5.15
<b>Total</b>	<b>29</b>	<b>13076166</b>	<b>13076166</b>	<b>526931</b>	<b>4.34</b>	<b>(4.35)</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 **Commercial Union Life Assurance Company 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>	3969776	9.33	3.03	3.03
<b>Other approved fixed interest securities</b>	<b>21</b>	804530	8.34	3.18	3.18
<b>Other fixed interest securities</b>					
AAA/Aaa	<b>31</b>	315426	5.66	4.70	4.61
AA/Aa	<b>32</b>	868368	4.31	6.83	6.55
A/A	<b>33</b>	1076698	5.58	7.40	7.08
BBB/Baa	<b>34</b>	972984	5.37	7.15	6.48
BB/Ba	<b>35</b>	22650	3.83	12.90	11.22
B/B	<b>36</b>	10800	2.66	10.22	7.12
CCC/Caa	<b>37</b>	2623	1.42	46.58	41.63
Other (including unrated)	<b>38</b>	9126	10.24	11.80	11.13
<b>Total other fixed interest securities</b>	<b>39</b>	3278675	5.18	7.01	6.59
<b>Approved variable interest securities</b>	<b>41</b>	627004	6.34	2.00	2.00
<b>Other variable interest securities</b>	<b>51</b>	285578	2.63	5.34	5.01
<b>Total (11+21+39+41+51)</b>	<b>61</b>	8965563	7.30	4.50	4.34

**Long-term insurance business: Summary of mathematical reserves**
**Form 50**

 Name of insurer **Commercial Union Life Assurance Company 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>	1432990	437947		1870937	2252664
Form 51 - non-profit	<b>12</b>	294589	1614754	33000	1942343	1855337
Form 52	<b>13</b>	5763125	2064924		7828049	8335325
Form 53 - linked	<b>14</b>	64116	1072886		1137002	1500838
Form 53 - non-linked	<b>15</b>	123	84058		84181	112851
Form 54 - linked	<b>16</b>		606		606	673
Form 54 - non-linked	<b>17</b>		84		84	85
<b>Total</b>	<b>18</b>	7554943	5275259	33000	12863202	14057773

**Reinsurance - external**

Form 51 - with-profits	<b>21</b>					289
Form 51 - non-profit	<b>22</b>					11040
Form 52	<b>23</b>					458
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>					11787

**Reinsurance - intra-group**

Form 51 - with-profits	<b>31</b>					
Form 51 - non-profit	<b>32</b>					
Form 52	<b>33</b>					
Form 53 - linked	<b>34</b>	63785	1055822		1119607	1483443
Form 53 - non-linked	<b>35</b>		41905		41905	58022
Form 54 - linked	<b>36</b>					
Form 54 - non-linked	<b>37</b>					
<b>Total</b>	<b>38</b>	63785	1097727		1161512	1541465

**Net of reinsurance**

Form 51 - with-profits	<b>41</b>	1432990	437947		1870937	2252375
Form 51 - non-profit	<b>42</b>	294589	1614754	33000	1942343	1844297
Form 52	<b>43</b>	5763125	2064924		7828049	8334867
Form 53 - linked	<b>44</b>	331	17064		17395	17395
Form 53 - non-linked	<b>45</b>	123	42153		42276	54829
Form 54 - linked	<b>46</b>		606		606	673
Form 54 - non-linked	<b>47</b>		84		84	85
<b>Total</b>	<b>48</b>	7491158	4177532	33000	11701690	12504521



**Long-term insurance business: Summary of mathematical reserves**
**Form 50**

 Name of insurer **Commercial Union Life Assurance Company 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>		364319	364319	355688
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>		364319	364319	355688

**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>				
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>				

**Net of reinsurance**

Form 51 - with-profits	<b>41</b>				
Form 51 - non-profit	<b>42</b>				
Form 52	<b>43</b>		364319	364319	355688
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>		364319	364319	355688

**Long-term insurance business: Summary of mathematical reserves**
**Form 50**

 Name of insurer **Commercial Union Life Assurance Company 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>	1432990	437947		1870937	2252664
Form 51 - non-profit	<b>12</b>	294589	1614754	33000	1942343	1855337
Form 52	<b>13</b>	5763125	1700605		7463730	7979637
Form 53 - linked	<b>14</b>	64116	1072886		1137002	1500838
Form 53 - non-linked	<b>15</b>	123	84058		84181	112851
Form 54 - linked	<b>16</b>		606		606	673
Form 54 - non-linked	<b>17</b>		84		84	85
<b>Total</b>	<b>18</b>	7554943	4910940	33000	12498883	13702085

**Reinsurance - external**

Form 51 - with-profits	<b>21</b>					289
Form 51 - non-profit	<b>22</b>					11040
Form 52	<b>23</b>					458
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>					11787

**Reinsurance - intra-group**

Form 51 - with-profits	<b>31</b>					
Form 51 - non-profit	<b>32</b>					
Form 52	<b>33</b>					
Form 53 - linked	<b>34</b>	63785	1055822		1119607	1483443
Form 53 - non-linked	<b>35</b>		41905		41905	58022
Form 54 - linked	<b>36</b>					
Form 54 - non-linked	<b>37</b>					
<b>Total</b>	<b>38</b>	63785	1097727		1161512	1541465

**Net of reinsurance**

Form 51 - with-profits	<b>41</b>	1432990	437947		1870937	2252375
Form 51 - non-profit	<b>42</b>	294589	1614754	33000	1942343	1844297
Form 52	<b>43</b>	5763125	1700605		7463730	7979179
Form 53 - linked	<b>44</b>	331	17064		17395	17395
Form 53 - non-linked	<b>45</b>	123	42153		42276	54829
Form 54 - linked	<b>46</b>		606		606	673
Form 54 - non-linked	<b>47</b>		84		84	85
<b>Total</b>	<b>48</b>	7491158	3813213	33000	11337371	12148833

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

**Form 51**  
**(Sheet 1)**

Name of insurer **Commercial Union Life Assurance Company 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	4659	93175	702	n/a	n/a	n/a	60966
120	Conventional endowment with-profits OB savings	11163	197429	5098	n/a	n/a	n/a	144966
125	Conventional endowment with-profits OB target cash	108048	1619203	68041	n/a	n/a	n/a	874158
175	Group conventional deferred annuity with-profits	6	28	30	n/a	n/a	n/a	297
205	Miscellaneous conventional with-profits	125	6619	51	n/a	n/a	n/a	6425
210	Additional reserves with-profits OB			98	n/a	n/a	n/a	346178
300	Regular premium non-profit WL/EA OB	27124	80790	742	n/a	n/a	n/a	63700
305	Single premium non-profit WL/EA OB	546	1366		n/a	n/a	n/a	1658
325	Level term assurance	15371	784822	2407	n/a	n/a	n/a	6567
330	Decreasing term assurance	11336	1980158	7094	n/a	n/a	n/a	13838
340	Accelerated critical illness (guaranteed premiums)		77733	843	n/a	n/a	n/a	15879
360	Income protection non-profit (guaranteed premiums)	498	4135	47	n/a	n/a	n/a	2
390	Deferred annuity non-profit	2693	701	342	n/a	n/a	n/a	9455
395	Annuity non-profit (PLA)	1477	1332		n/a	n/a	n/a	11240
400	Annuity non-profit (CPA)	3964	9561		n/a	n/a	n/a	134617
415	Collective Life		28851		n/a	n/a	n/a	71
435	Miscellaneous non-profit	1486	210516	476	n/a	n/a	n/a	37562

**Long-term insurance business : Valuation summary of non-linked contracts** (other than accumulating with-profit contracts)**Form 51**  
**(Sheet 2)**Name of insurer **Commercial Union Life Assurance Company 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
155	Conventional pensions endowment with-profits	11341	387075	1496	n/a	n/a	n/a	392362
175	Group conventional deferred annuity with-profits	379	2603	6328	n/a	n/a	n/a	38216
205	Miscellaneous conventional with-profits	285	8850	4	n/a	n/a	n/a	5269
210	Additional reserves with-profits OB				n/a	n/a	n/a	2100
300	Regular premium non-profit WL/EA OB	4513	13341	5	n/a	n/a	n/a	18636
325	Level term assurance	3705	153851	442	n/a	n/a	n/a	1154
330	Decreasing term assurance	1440	21760	57	n/a	n/a	n/a	260
390	Deferred annuity non-profit	18601	38479	5704	n/a	n/a	n/a	481228
400	Annuity non-profit (CPA)	52433	90040		n/a	n/a	n/a	1109283
410	Group Life	73	171375	864	n/a	n/a	n/a	778
435	Miscellaneous non-profit	2473	111084	639	n/a	n/a	n/a	3415

**Long-term insurance business : Valuation summary of non-linked contracts** (other than accumulating with-profit contracts)**Form 51**  
**(Sheet 3)**Name of insurer **Commercial Union Life Assurance Company Ltd**Total business / subfund **With Profit**Financial year ended **31st December 2008**Units **£000****Overseas / Gross**

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>
435	Miscellaneous non-profit				n/a	n/a	n/a	33000

**Long-term insurance business: Valuation summary of accumulating with-profits contracts****Form 52  
(Sheet 1)**Name of insurer **Commercial Union Life Assurance Company Ltd**Total business / subfund **Stakeholder**Financial year ended **31st December 2008**Units **£000****UK Pension / Gross**

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		297238
535	Group money purchase pensions UWP		67759	7696	67759	67081		67081

**Long-term insurance business: Valuation summary of accumulating with-profits contracts****Form 52  
(Sheet 2)**Name of insurer **Commercial Union Life Assurance Company 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	30739	5510409		5498795	5210408		5210408
515	Life UWP endowment regular premium – target cash		46155	5549	46155	43641		43641
525	Individual pensions UWP		29046	1593	29046	27189	29	27218
571	Trustee investment plan UWP				93	93		93
575	Miscellaneous UWP		594164		588281	481765		481765

**Long-term insurance business: Valuation summary of accumulating with-profits contracts****Form 52  
(Sheet 3)**Name of insurer **Commercial Union Life Assurance Company 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	35726	1077365	24680	1066892	1035564	15665	1051229
535	Group money purchase pensions UWP	10081	351759	20668	363052	349619		349619
571	Trustee investment plan UWP				24475	22845		22845
575	Miscellaneous UWP	9	3544	24	264265	264265	517	264782
610	Additional reserves UWP						12130	12130



**Long-term insurance business: Valuation summary of property linked contracts****Form 53  
(Sheet 1)**Name of insurer **Commercial Union Life Assurance Company 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	6333	63785		63785	63785	123	63908
715	Life property linked endowment regular premium - savings	26	331	1	331	331		331

**Long-term insurance business: Valuation summary of property linked contracts****Form 53  
(Sheet 2)**Name of insurer      **Commercial Union Life Assurance Company 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		63785		63785	63785		63785

**Long-term insurance business: Valuation summary of property linked contracts****Form 53  
(Sheet 3)**Name of insurer **Commercial Union Life Assurance Company 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	95882	877973	27648	862824	862824	38405	901229
735	Group money purchase pensions property linked	31375	203616	7992	203616	203616	45653	249269
755	Trustee investment plan				6446	6446		6446

**Long-term insurance business: Valuation summary of property linked contracts****Form 53  
(Sheet 4)**Name of insurer **Commercial Union Life Assurance Company 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>
725	Individual pensions property linked		862824	27648	862824	862824		862824
735	Group money purchase pensions property linked		186595	7751	186552	186552	41905	228457
755	Trustee investment plan				6446	6446		6446

**Long-term insurance business: Valuation summary of index linked contracts****Form 54  
(Sheet 1)**Name of insurer **Commercial Union Life Assurance Company 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
905	Index linked annuity	394	78		606	606	42	648
910	Miscellaneous index linked						42	42

**Long-term insurance business - analysis of valuation interest rate****Form 57  
(Sheet 1)**Name of insurer **Commercial Union Life Assurance Company 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 Stakeholder	379046		3.80	3.91
TOTAL	379046	n/a	n/a	n/a

**Long-term insurance business - analysis of valuation interest rate****Form 57  
(Sheet 2)**Name of insurer **Commercial Union Life Assurance Company 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 Assurances	1398124	3.20	3.81	3.91
UK L&GA NP Form 51 Assurances	93551	2.65	3.31	4.01
UK L&GA NP Form 51 in Payment Annuities	135124		3.65	3.78
UK L&GA NP Form 51 in Deferred Annuities	47852		3.35	4.01
UK Pens WP Form 51	452441		3.80	3.91
UK Pens NP Form 51	530424		3.35	4.01
UK Pens NP Form 51 in Payment Annuities	1084329		3.65	3.78
UK L&GA WP Form 52	5623730	3.20	3.81	3.91
UK Pens WP Form 52	1811355		3.80	3.91
OS L&GA WP Form 52	550028		3.80	3.91
UK Pens NP Form 53	42237		3.70	4.01
Misc	158961			
TOTAL	11928156	n/a	n/a	n/a

**Long-term insurance business: distribution of surplus****Form 58**Name of insurer **Commercial Union Life Assurance Company 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>	12325202	12758764
Bonus payments in anticipation of a surplus	<b>12</b>	164303	151077
Transfer to non-technical account	<b>13</b>	77212	41472
Transfer to other funds / parts of funds	<b>14</b>		
Subtotal (11 to 14)	<b>15</b>	12566717	12951313
Mathematical reserves	<b>21</b>	11701690	12504521
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	<b>29</b>	865027	446792

**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>	865027	446792
Total	<b>39</b>	865027	446792

**Distribution of surplus**

Bonus paid in anticipation of a surplus	<b>41</b>	164303	151077
Cash bonuses	<b>42</b>		
Reversionary bonuses	<b>43</b>	623512	254243
Other bonuses	<b>44</b>		
Premium reductions	<b>45</b>		
Total allocated to policyholders (41 to 45)	<b>46</b>	787815	405320
Net transfer out of fund / part of fund	<b>47</b>	77212	41472
Total distributed surplus (46+47)	<b>48</b>	865027	446792
Surplus carried forward	<b>49</b>		
Total (48+49)	<b>59</b>	865027	446792

**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 **Commercial Union Life Assurance Company 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>	379046	370591
Bonus payments in anticipation of a surplus	<b>12</b>	9440	14053
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>	388486	384644
Mathematical reserves	<b>21</b>	364319	355688
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	<b>29</b>	24167	28956

**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>	24167	28956
Total	<b>39</b>	24167	28956

**Distribution of surplus**

Bonus paid in anticipation of a surplus	<b>41</b>	9440	14053
Cash bonuses	<b>42</b>		
Reversionary bonuses	<b>43</b>	14727	14903
Other bonuses	<b>44</b>		
Premium reductions	<b>45</b>		
Total allocated to policyholders (41 to 45)	<b>46</b>	24167	28956
Net transfer out of fund / part of fund	<b>47</b>		
Total distributed surplus (46+47)	<b>48</b>	24167	28956
Surplus carried forward	<b>49</b>		
Total (48+49)	<b>59</b>	24167	28956

**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: distribution of surplus****Form 58**Name of insurer **Commercial Union Life Assurance Company 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>	11946156	12388173
Bonus payments in anticipation of a surplus	<b>12</b>	154863	137024
Transfer to non-technical account	<b>13</b>	77212	41472
Transfer to other funds / parts of funds	<b>14</b>		
Subtotal (11 to 14)	<b>15</b>	12178231	12566669
Mathematical reserves	<b>21</b>	11337371	12148833
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	<b>29</b>	840860	417836

**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>	840860	417836
Total	<b>39</b>	840860	417836

**Distribution of surplus**

Bonus paid in anticipation of a surplus	<b>41</b>	154863	137024
Cash bonuses	<b>42</b>		
Reversionary bonuses	<b>43</b>	608785	239340
Other bonuses	<b>44</b>		
Premium reductions	<b>45</b>		
Total allocated to policyholders (41 to 45)	<b>46</b>	763648	376364
Net transfer out of fund / part of fund	<b>47</b>	77212	41472
Total distributed surplus (46+47)	<b>48</b>	840860	417836
Surplus carried forward	<b>49</b>		
Total (48+49)	<b>59</b>	840860	417836

**Percentage of distributed surplus allocated to policyholders**

Current year	<b>61</b>	90.82	90.07
Current year - 1	<b>62</b>	90.07	90.09
Current year - 2	<b>63</b>	90.09	90.13
Current year - 3	<b>64</b>	90.13	90.16

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

**Form 59A**

Name of insurer **Commercial Union Life Assurance Company Ltd**

Original insurer **Commercial Union Life Assurance Company 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	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	15	12366	1706		CWP	N	12366
Endowment assurance	20	19557	680		CWP	N	19557
Endowment assurance	25	37604	3696		CWP	N	37604
Regular premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Regular premium pension	10	n/a	n/a	n/a	n/a	n/a	n/a
Regular premium pension	15	54632	1174		UWP	N	54632
Regular premium pension	20	92958	4202		UWP	N	92958
Single premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	10	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	15	24742	654		UWP	N	24742
Single premium pension	20	46965	2465		UWP	N	46965

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

**Form 59B**

Name of insurer **Commercial Union Life Assurance Company Ltd**

Original insurer **Commercial Union Life Assurance Company 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	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	10	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	15	10337			CWP	N	20049
Endowment assurance	20	19010			CWP	N	24093
With-profits bond	2	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	3	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	5	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	10	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	2	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	3	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	10	n/a	n/a	n/a	n/a	n/a	n/a

**Long-term insurance capital requirement**
**Form 60**

 Name of insurer **Commercial Union Life Assurance Company 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%	204891	204891			
Classes I (other), II and IX	12	0.1%	294673	294673	1.00	295	237
Classes I (other), II and IX	13	0.15%					
Classes I (other), II and IX	14	0.3%	4005676	4005676		12017	10292
Classes III, VII and VIII	15	0.3%	344711	344711	1.00	1034	106
<b>Total</b>	16		4849951	4849951		13346	10635

**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%	4766696	4766696	1.00	47667	49156
Classes III, VII and VIII (investment risk)	33	1%	7518762	7489523	1.00	74895	77614
Classes III, VII and VIII (expenses fixed 5 yrs +)	34	1%	1131336	59217	0.85	9616	12558
Classes III, VII and VIII (other)	35	25%					
Class IV (other)	36	1%					
Class V	37	1%					
Class VI	38	1%	4030	4030	1.00	40	26
<b>Total</b>	39					132218	139355

**Insurance market risk capital component**

Life protection and permanent health reinsurance	41	0%	5613	5613			
Classes I (other), II and IX	42	3%	4766696	4766696	1.00	143001	147469
Classes III, VII and VIII (investment risk)	43	3%	7518762	7489523	1.00	224686	232842
Classes III, VII and VIII (expenses fixed 5 yrs +)	44	0%	1131336	59217			
Classes III, VII and VIII (other)	45	0%	60277	123			
Class IV (other)	46	3%					
Class V	47	0%					
Class VI	48	3%	4030	4030	1.00	121	78
<b>Total</b>	49		13486714	12325202		367808	380389

<b>Long term insurance capital requirement</b>	51					513372	530379
--	----	--	--	--	--	--------	--------

**Supplementary notes**

Name of insurer **Commercial Union Life Assurance Company Limited**  
Global business  
Financial year ended **31<sup>st</sup> December 2008**

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

	<b>£'000</b>
i) Net admissible assets	
Form 13 Line 89 (Long term business)	15,175,005
Form 13 Line 89 (Other than long term business)	82,677
Form 14 Lines 11, 12 and 49	(13,543,922)
Form 15 Line 69	(233)
	<hr/> 1,713,527
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 undertaking	27,826
	<hr/>
Total i) to v) above	1,741,353
Form 3, line 79	1,741,353

**0307 Financial Reinsurance - accepted**

The impact of the financial reinsurance shown at line 93 is to increase mathematical reserves by £33m. The amount of contingent asset for payments from cedants is £33m. The commutation value of the reinsurance arrangement at the end of the financial year is £33m.

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

	<b>£'000</b>
a) Positive valuation differences in respect of assets where valuation in GENPRU and INSPRU exceeds the valuation that the firm uses for external financial reporting purposes.	-
b) Positive valuation differences in respect of liabilities where valuation in GENPRU and INSPRU is lower than the valuation that the firm uses for external financial reporting purposes This represents mathematical reserves and the removal of DIR	1,119,640
c) Negative valuation differences in respect of assets where valuation in GENPRU and INSPRU is lower than the valuation that the firm uses for external financial reporting purposes. This represents prior year transfers from the PHI fund.	(11,185)
d) Negative valuation differences in respect of liabilities where valuation in GENPRU and INSPRU exceeds the valuation that the firm uses for external financial reporting purposes.	-
	<hr/>
Net positive valuation difference included in line 14	1,108,456

**0313 Reconciliation of profit and loss account and other reserves**

	<b>£'000</b>
Profit and loss account and other reserves at the end of the previous financial year (Form 3 Line 12 Column 4)	54,169
Profit/(loss) retained for the financial year (Form 16 Line 59)	36,285
Profit and loss account and other reserves at the end of the previous financial year (Form 3 Line 12 Column 3)	<hr/> <hr/> 90,454

**Supplementary notes**

Name of insurer **Commercial Union Life Assurance Company Limited**

Global business

Financial year ended **31<sup>st</sup> December 2008**

**Code**

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

The Long-term insurance business Fund held £2.2m in unlisted securities, £15.0m in unlisted equities and £1,324.9 of units in unregulated collective investment schemes. There were no holdings in listed securities, which are not readily realisable, or reversionary interests or remainders in property.

**1302 Aggregate value of hybrid securities – other than long term insurance business**  
**1309**

The Company held hybrid securities of £396.8m in the Long-term insurance business 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 are limited to 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% 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 insurer's base capital resources requirement and its long-term insurance liabilities, excluding property linked liabilities and net of reinsurance ceded.

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

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

**Supplementary notes**

Name of insurer **Commercial Union Life Assurance Company Limited**  
 Global business  
 Financial year ended **31<sup>st</sup> December 2008**

**Code**

**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 effected other than in the ordinary course of insurance business and in respect of related companies.

**1404 Implicit provision required by INSPRU 3.2.17R**

Included in line 38 is £122m relating to an implicit provision required by INSPRU 3.2.17R.

**1405 Other adjustments to liabilities**

**£'000**

Technical provisions adjustment	1,095,516
Disallow deferred income reserve	24,124
Total	<u>1,119,640</u>

**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 £47m. 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 insurance 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.



**Supplementary notes**

Name of insurer **Commercial Union Life Assurance Company Limited**  
 Global business  
 Financial year ended **31<sup>st</sup> December 2008**

**Code****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.

**4009 Related party transactions**

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

Connected Party	CGNU Life Assurance Limited
Nature of relationship	Fellow group undertaking
Nature of transactions during the period	<b>Reinsurance accepted</b>
Value of transactions during the period	Premiums £830m
	Claims £480m
	Commission £42m
	Expenses £13m
Amounts unpaid at the end of the period	£23m owed by CGNU Life Assurance Limited
Amounts written off in the period	£nil

**4300 Form omitted**

The Form relating to the stakeholder fund has been omitted as all entries (including comparatives) would be blank.

**4400 Form omitted**

This Form has been omitted as all entries (including comparatives) would be blank.

**4500 Form omitted**

This Form has been omitted as all entries (including comparatives) would be blank.

**4803 Redemption of securities**

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

**4804 Yields for other assets**

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

Other group undertakings (Form 13 Line 28)	Yield
Loans secured by mortgages (Form 13 Line 50)	5.1%
Loans secured by insurance policies (Form 13 Line 52)	5.9%
Direct insurance debtors (Form 13 Line 71)	5.0%
Other debtors (Form 13 Line 78)	Nil
	Nil

**4806 Returns on assets backing with-profits liabilities**

All of the assets on Long Term Business Form 13 except those held to cover linked liabilities on Form 13, lines 58 and 59 have been used to calculate the investment returns shown in lines 21-29 column 5.

# Supplementary notes

Name of insurer **Commercial Union Life Assurance Company Limited**  
 Global business  
 Financial year ended **31<sup>st</sup> December 2008**

## Code

### 4901 Rating Agency

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

Aviva Investors investment managers have provided ratings for securities for which there is no published rating.

### 5301 No record of benefits

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

Code	Number of schemes
755	1

### 5103 Miscellaneous product codes

Since 1% of gross mathematical reserves = £135m, then any miscellaneous product codes that exceed £10m are mentioned below.

#### Product 435 Miscellaneous non-profit

##### **UK Life Gross**

Miscellaneous Assurance	£2.8m
Future Claims and Expenses	£7.1m
Unprocessed Movements	£27.7m
Total	£37.6m

##### **Overseas Gross**

Hibernian Financial Reassurance	£33.0m
---------------------------------	--------

### 5203 Miscellaneous product codes

Since 1% of gross mathematical reserves = £135m, 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 £481.8m

##### **UK Pension Gross**

Group Defined Benefit (Red Plan)	£264.3m
Waiver of premium	£0.5m
Total	£264.8m

**5104** Mathematical reserves for product codes 395 and 400 are approximated in UK Life. 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.

### 5600 Form omitted

This Form has been omitted as all entries (including comparatives) would be blank.

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

Name of insurer **Commercial Union Life Assurance Company 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**

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

This fund is open to new with-profits business.

**3. Discretionary charges and benefits**

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

The Company reinsures Unitised with-profit business from CGNU and NUL (RBS). The details about the MVR rates applied by these companies over 2008 are shown in section 3(1) of their Appendix 9.4 documents.

- (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:**

**Sterling Pensions**

The increase in policy charge was 3.8%.

**Sterling Group Plan**

The increase applied was 3.7 %.

**Prime Series**

Policy charges were increased by 3.8%.

Prime Personal Pension – no changes to Plan fees.

**Life Products**

There are no changes to Plan fees for Life Products.

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

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

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

Name of insurer

**Commercial Union Life Assurance Company Limited**

Global business

Financial year ended

**31 December 2008**

- (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)**

Unless otherwise stated, commentary refers to business written directly in the CU Life Fund.

Methodology and basis used to reserve for the business written by CGNU and NUL (RBS) and reassured into CU Life is covered in the Appendix 9.4 document for CGNU.

**(1) Valuation methodology**

£10m is less than 1% of gross mathematical reserves = £135m. Therefore £10m has been used as the materiality limit for this section.

All conventional regular premium business is valued on a gross premium basis with the following exceptions:

- For direct written regular premium Mortgage Protection assurances, the reserve is taken to be 4.6 times the annualised premium.
- For group life contracts the reserve is taken to be 100% of the office yearly premium.
- For contingent assurances the reserve is taken to be the single premium paid or three times the annual premium.
- For assurances against issue risks, the reserve is taken to be the one times the annual premium and the total is less than £10m.

For policies on substandard lives, the difference between the premium payable and the normal premium has been treated as an extra premium for whole life assurances and endowment assurances issued on or after 1 January 1964 and a reserve is held equal to one year's extra premium.

- The reserve in respect of extra premiums charged for occupation or residence has been taken as one year's extra premium. This is less than £10m.
- Annuities in payment are valued according to age next birthday at the valuation date less half a year. The valuation factors allow for certain guaranteed term conditions. The valuation factors for certain contracts where the annuitant was a substandard life at commencement allow for the shortened life expectancy.
- Deferred Annuities: the reserve is taken as the value of benefits secured by the annual or the single premiums payable prior to the policy anniversary following the valuation date. The benefit at the vesting

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

Name of insurer **Commercial Union Life Assurance Company Limited**

Global business

Financial year ended **31 December 2008**

date that is valued is the higher of the value of the annuity and the corresponding cash option, if one exists.

- For certain annuity contracts which return premiums with interest on death, pre-retirement mortality is ignored. Otherwise the value of any benefit payable on death during the deferred period is added to the value of the annuities.
- The reserve for deferred annuities which have passed the vesting date, and for which the Company accumulates the cash option at a rate of interest different from the valuation rate, is calculated by accumulating the benefit applicable at the vesting date at that rate of interest.
- An additional reserve is held in respect of premiums under "controlled funding" schemes which have not yet been applied to purchase benefits. This reserve is calculated by carrying out a notional allocation of the premiums using average ages and valuing the resulting benefits.

**Unitised with-profit business:**

Unitised with-profit business is valued initially by determining the lower of the current non-guaranteed surrender value and the bid value of units (after allowing for contractual surrender charges where applicable). 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.

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. Future expense inflation is taken into account.

In the case of the Group Defined Benefit contract, additional reserves are held for the guaranteed annuity options associated with internal transfers from the Group Deferred Annuity contract.

**Internal linked contracts**

For linked contracts the reserve is the sum of the unit liability and a sterling reserve. The unit liability is the value of the units allocated to contracts using the fund price. A gross premium cash flow method was applied to individual policy clusters to investigate the requirement for sterling reserves for linked contracts. A minimum sterling reserve, equal to the level of claims expenses less any surrender penalty, is held for each cluster.

**Other linked contracts**

For the Abbey National Plan the reserve is the deemed total accumulated investment at the valuation date, together with an additional reserve for expenses.

For index linked immediate and reversionary annuities the reserve is calculated by discounting the annuities payable, allowing for interest, mortality, expenses, and growth in the Retail Prices Index.

Additional reserves are held to cover future anticipated expenses in excess of the allowances included in the reserves held for individual contracts.

**(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

**Commercial Union Life Assurance Company Limited**

Global business

Financial year ended

**31 December 2008**

<b>Product Group</b>	<b>31 December 2008</b>	<b>31 December 2007</b>
<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%

**(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 0.55%. 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 1.61%.

**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.

<b>Corporate Bond Deductions</b>								
<b>Rating</b>	<b>AAA</b>	<b>AA</b>	<b>A</b>	<b>BBB</b>	<b>BB</b>	<b>B</b>	<b>C</b>	<b>Alternative Investments</b>
<b>Deduction</b>	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 0.88%. 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%.

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

Name of insurer

**Commercial Union Life Assurance Company Limited**

Global business

Financial year ended

**31 December 2008****(4) Mortality assumptions**

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

<b>Product</b>	<b>Mortality basis 31/12/2008</b>	<b>Mortality basis 31/12/2007</b>
<b>CULAC 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
DTA on Low Cost Endowment	91.2% TM00 sel / 91.2% TF00 sel	132% AM92 / 132% AF92 Sel 2
Unitised With Profits	108.1% AM00 sel / 108.1% AF00 sel	120% AM92/AF92
Pure Endowments	60% AM00 ult / 60% AF00 ult	50% AM92/50% AF92
Term assurance	88.0% TM00 sel / 88.0% TF00 sel	75% TM92/75% TF92 (NS) 160% TM92/220% TF92 (S)
Mortgage Protection	91.2% TM00 sel / 91.2% TF00 sel	85% TM92/90% TF92 (NS) 165% TM92/210% TF92 (S)
<b>CULAC: General Annuities</b>		
Immediate Annuities – Individual	74% IML00/77% IFL00	74% IML00/77% IFL00
Immediate Annuities – Group; GAOs in payment	90.5% PCMA00/85% PCFA00 (assume all business pre 1/1/03)	90.5% PCMA00/85% PCFA00 (assume all business pre 1/1/03)
Individual deferred annuity In deferment Post vesting	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% PCFA00	50% AM92/50% AF92 90.5% PCMA00/85% PCFA00
<b>CULAC: Pensions Business</b>		
Immediate Annuities;	90.5% PCMA00/85% PCFA00	90.5% PCMA00/85% PCFA00
GAOs in payment	90.5% PCMA00/85% PCFA00	90.5% PCMA00/85% PCFA00
Pure Endowment & Endowment	60% AM00 ult / 60% AF00 ult	50% AM92/50% AF92
Unitised With Profits	106% AM00 ult / 106% AF00 ult	50% AM92/AF92
Term assurance	88.0% TM00 sel / 88.0% TF00 sel	75% TM92/75% TF92 (NS) 160% TM92/220% TF92 (S)
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% PCFA00
Widows Death in Service In deferment Post vesting	AM92/AF92 90.5% PCMA00/85% PCFA00	AM92/AF92 90.5% PCMA00/85% PCFA00
Current Cost Term Insurance	1 periodic premium	1 periodic premium

Notes on tables:

- M tables apply to male lives, F tables to female lives.
- 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:

	<b>31 December 2008</b>	<b>31 December 2007</b>
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'.

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

Name of insurer

**Commercial Union Life Assurance Company Limited**

Global business

Financial year ended

**31 December 2008****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:

- (a) any possible detrimental impact of significant changes in the incidence of disease on the mortality experience of the insurer;
- (b) 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 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**

Morbidity experience is assumed to be according to the IC94 table of decrement rates published by the Society of Actuaries in Ireland Working Party 1994. Lives are rated up by a period of 8 years and then this value is increased by 0.887%. A further deterioration rate of 1.5% per annum of policy duration is then applied. The following rates are an example of the morbidity rates used per mille for a policy at inception.

Age	Male	Female
25	1.501	2.203
35	4.966	5.048
45	12.022	9.972
55	26.150	20.137

These rates were also used in the previous financial year.

**(6) Expense assumptions:**

Expense assumptions are taken as 120% (130% for 2007) of the amounts detailed in the Management Services Agreement (MSA) plus an aggregate provision of £6.3m. These loadings are used to set a long-term assumption for additional costs arising within the business (e.g. project costs, regulatory fees, audit fees) and to give a margin for adverse deviation.

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

On deferred annuities an additional 5.4% is included in expenses as an allowance for the cost of paying annuities.



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

Name of insurer

**Commercial Union Life Assurance Company Limited**

Global business

Financial year ended

**31 December 2008**

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.

<b>CULAC</b>		
<b>Renewal Admin (£ per policy) (includes European business)</b>	<b>2008</b>	<b>2007</b>
<b>Product Classes</b>		
CWP savings endowment (product code 120)	46.92	36.33
CWP target cash endowment (125)	46.92	36.33
CWP Pensions (155 / 165)	38.22	55.21
Term Assurance (325 / 330)	13.59	36.33
Income Protection (360 / 365)	13.59	36.33
Annuity (400)	17.47	31.59
UWP bond (500)	46.92	37.45
UWP regular premium pension (525 / 545)	38.22	55.21
UWP single premium pension (525 / 545)	38.22	55.21
UWP group regular premium pension (535)	48.53	55.21
UWP group single premium pension (535)	48.53	55.21
UL bond (700)	46.92	37.45
UL regular premium pension (725)	38.22	55.21
UL single premium pension (725)	38.22	55.21
UL group regular premium pension (735)	48.53	46.72
UL group single premium pension (735)	48.53	46.72

For reinsurance accepted from CGNU see the CGNU FSA Return.

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

**Assumed future expense inflation:**

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

**Zillmer adjustments:**

No Zillmer adjustments were made to net premium reserves.

**Investment expenses:**

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

<b>Asset Class</b>	<b>Reduction in asset yield</b>
Equity	0.262%
Property	0.203%
Gilts	0.046%
Other Fixed Interest	0.076%
Cash	0.058%

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

**Tax relief**

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

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

Name of insurer

**Commercial Union Life Assurance Company Limited**

Global business

Financial year ended

**31 December 2008****(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%

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

**(8) Bonus Assumptions:****Conventional with-profit business:**

The Company is a realistic basis life firm. Accordingly, no allowance has been made for future annual or final bonus on Conventional with-profit business. This is consistent with INSPRU 1.2.31G. 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 Pensions:</b>			
Pensions implicit	4.00%	4.00%	Units purchased prior to 1/1/1993 with implicit annual management charge
Pensions explicit	5.00%	5.00%	Units purchased prior to 1/1/1993 with explicit annual management charge

**(9) Persistency assumptions:**

For Conventional and unit-linked business, we have assumed 100% persistency.

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.

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

Name of insurer

**Commercial Union Life Assurance Company Limited**

Global business

Financial year ended

**31 December 2008****Lapse rate assumptions:**

Product		Average lapse/surrender/paid-up rate for the policy years			
		1-5	6-10	11-15	16-20
Level term	Lapse	0%	0%	0%	0%
Decreasing term	Lapse	0%	0%	0%	0%
Accelerated critical illness	Lapse	0%	0%	0%	0%
Income protection	Lapse	0%	0%	0%	0%
CWP savings endowment	Surrender	0%	0%	0%	0%
CWP target cash endowment	Surrender	0%	0%	0%	0%
UWP savings endowment	Surrender	0%	0%	0%	0%
UWP target cash endowment	Surrender	0%	0%	0%	0%
UWP bond	Surrender	2.14%	10.58%	7.13%	7.13%
UWP bond	Automatic withdrawals	100% of current	100% of current	100% of current	100% of current
UL bond	Surrender	0%	0%	0%	0%
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	1.13%	1.13%	1.13%	1.13%
UWP indiv pension single premium	Surrender	1.13%	1.13%	1.13%	1.13%
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 indiv pension single premium	Surrender	0%	0%	0%	0%

**(10) Other basis items:****Option Take-Up Rates**Guaranteed Annuity Rate Options:

We have assumed that current option take-up is 92%. This includes a margin over current experience of just over 10%.

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

The same proportion was used in respect of deferred annuities with a guaranteed cash option.

Guaranteed Minimum Pensions on Section 32 policies:

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

**Taxation**

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

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

A reserve has been made for deferred taxation, including Capital Gains Tax, which has been adjusted for the proportion of BLAGAB business in the fund. No discounting has been applied to the tax rate used; this

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

Name of insurer **Commercial Union Life Assurance Company Limited**

Global business

Financial year ended **31 December 2008**

is 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 allowance is necessary for derivative contracts in the determination of the amount of the long-term liabilities.
- (12) The effect on mathematical reserves of specified changes in the valuation methodology arising from changes in INSPRU valuation rules during the reporting period are shown in the table below:

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

**5. Options and Guarantees**

**(1) Guaranteed Annuity Rate Options:**

**(a) Method:**

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

- Calculate the amount of the cash benefit that we have assumed will be converted into an annuity (using the option take-up rates given in section 4(10)).
- Determine the amount of annuity that this cash would buy if it were to be converted on guaranteed terms.
- Calculate the present value of the resulting annuity using the annuitant mortality basis given in section 4(4) and in-payment interest rate basis given in 4(2).
- If the total is greater than the total policy benefit at retirement then add on the difference. Discount the result to valuation date at the discount rate given in section 4(2).
- Add on the reserve for the expenses of administering the annuity.

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

- Regulatory-peak annuitant mortality assumptions are used (as given in 4(4))
- Regulatory-peak option take-up rates are used (as given in 4(10))
- Realistic-peak (realistic valuation) annuity interest rates and discounting are used
- Realistic-peak assumptions for persistency are used

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

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

If this second reserve is larger than the base Regulatory-peak figure, an allowance for stochastic variation is added to the Regulatory-peak reserve. The allowance at 31 December 2008 is zero.

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

Name of insurer

**Commercial Union Life Assurance Company Limited**

Global business

Financial year ended

**31 December 2008**

(b)

**Guaranteed Annuity Rate 1: Annuity interest rate 7.5%**

(i) Product Name	With-Profits Pensionmaker and Retirementmaker	Non-Profit Pensionmaker and Retirementmaker
(ii) Basic Reserve (£m)	81.4	4.1
(iii) Spread of O/S durations:		
Less than 1 year	2.1%	1.4%
2-5 years	18.4%	12.2%
6-10 years	30.7%	25.7%
11-20 years	37.7%	41.4%
over 20 years	11.1%	19.3%
(iv) Guarantee Reserve (£m)	62.3	3.1
(v) Guaranteed Annuity Rate	11.2%	11.2%
(vi) Increments allowed?	Increments are allowed for these policies, however the increments are not subject to the guarantee.	Increments are allowed for these policies, however the increments are not subject to the guarantee.
(vii) Form of the annuity	Paid monthly in advance, single life, 5-year gtee period	Paid monthly in advance, single life, 5-year gtee period
(viii) Retirement Ages	60 until 75	60 until 75

**Guaranteed Annuity Rate 2: Annuity interest rate 5.25%**

(i) Product Name	With-Profits Pensionmaker and Retirementmaker	Non-Profit Pensionmaker and Retirementmaker	With-Profits Sterling Transfer Bonds	Non-Profit Sterling Transfer Bonds
(ii) Basic Reserve (£m)	144.0	4.8	21.9	1.9
(iii) Spread of O/S durations:				
Less than 1 year	2.9%	8.1%	8.9%	2.4%
2-5 years	21.4%	18.1%	34.4%	9.6%
6-10 years	25.8%	20.0%	36.3%	39.0%
11-20 years	44.5%	49.7%	19.9%	48.2%
over 20 years	5.5%	4.0%	0.4%	0.8%
(iv) Guarantee Reserve (£m)	82.1	3.6	10.9	1.2
(v) Guaranteed Annuity Rate	10.0%	10.0%	10.0%	10.0%
(vi) Increments allowed?	Increments are allowed for these policies, however the increments are not subject to the guarantee.	Increments are allowed for these policies, however the increments are not subject to the guarantee.	Increments are allowed for these policies, however the increments are not subject to the guarantee.	Increments are allowed for these policies, however the increments are not subject to the guarantee.
(vii) Form of the annuity	Paid monthly in advance, single life, 5-year gtee period	Paid monthly in advance, single life, 5-year gtee period	Paid monthly in advance, single life, 5-year gtee period	Paid monthly in advance, single life, 5-year gtee period
(viii) Retirement Ages	60 until 75	60 until 75	60 until 75	60 until 75

**(2) Guaranteed surrender and unit-linked maturity values:****Unitised with-profit:**

The Company's direct-written Unitised with-profit Life policies are able to select regular withdrawal payments without an MVR being applied.

No other directly-written business has a guaranteed surrender value. Guaranteed surrender values exist on the UWP Life business reinsured from CGNU, NUL (RBS) and NUIL. The valuation methodology, basis and table of reserves are shown in section 5.2 of the Appendix 9.4 report for CGNU Life Assurance Company and NUL (RBS).

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

Name of insurer **Commercial Union Life Assurance Company Limited**

Global business

Financial year ended **31 December 2008**

**Unit-Linked:**

No reserve is necessary for the investment performance guarantees either in the internal linked Life Cash Fund, Pension Secure Growth Fund, and Pension Safety Net since the nature of assets held is such as to provide the investment guarantee.

**(3) Guaranteed Insurability Options**

- (a) For convertible term assurances the option premium is accumulated at 3.25% per annum compound for the average duration of in force policies to cover the conversion options.

For other individual assurances where guaranteed insurability options exist, the reserve taken is an appropriate accumulation of the option premium.

- (b) The total sum assured for conversion and renewal options is less than £1bn and is therefore not included here in accordance with rule 9.3(b).

**(4) Other guarantees and options**

**(a) Guaranteed annuity under Unitised with-profit Red Plan contracts**

An initiative transferred Group Defined Benefit business from the Conventional Deferred Annuity Red Plan contract to Unitised With-Profits Pensions policies. As part of the transfer, the Company agreed to guarantee to provide an amount of annuity at retirement for each member. The members were allowed to convert this annuity to cash on guaranteed terms and these guaranteed terms were used to determine the amount of money used to buy units in the Unitised With-Profits fund. Excess returns on the UWP policies, together with future contributions, would be used to purchase additional annuity for the scheme members.

The benefit payable by the Company on the retirement of a member is:

(Market value of annuity amount) +  
 $\max[\text{UWP fund value} - \min\{\text{Market value of annuity, Guaranteed value of annuity}\}, 0]$ .

Under the deterministic model used in the Regulatory-peak valuation,

- i) Market value of annuity > Guaranteed value of annuity in all cases
- ii) UWP fund value > Guaranteed value of annuity.

This means that the benefit payable becomes:

(Market value of annuity amount) – (Guaranteed value of annuity) + UWP benefit.

Please note that the liability is not a Guaranteed Annuity Option on the UWP benefit (as defined by section 5(1)). Instead, it is a deferred annuity added to a call option on the UWP fund value. A Guaranteed Annuity Option could be expressed using a similar formula but the annuity being valued would vary in line with the UWP benefit (whereas the annuity in this case is fixed).

We have reserved for this by discounting the difference in annuity value and adding it to the current face value of units. This is expected to be a sizeable overstatement of the amount required. It is certainly expected to cover whatever small margin may be needed to allow for stochastic variation in annuity interest rates.

Members do not have to take their annuity amount in this form – they can choose to convert it to cash on the guaranteed terms mentioned. We have assumed that members will choose to convert 5% of their benefit. This is the equivalent of 95% option take-up in a Guaranteed Annuity Option calculation.

**Basis:**

The market value of the annuity has been valued using the same annuity interest rates/discount rates/mortality as for Guaranteed Annuity Option calculations (figures given in section 4(2) and 4(4)).

Base reserve = Face Value of units = £194.0m

Reserve for the guarantee = £85.5m.

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

Name of insurer **Commercial Union Life Assurance Company Limited**

Global business

Financial year ended **31 December 2008**

**(b) 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.

The amount of business invested in products that may incorporate a Guaranteed Minimum Pension guarantee is £32.8m. The reserve for the guarantee is £3.5m.

**6. Expense reserves**

- (1) The aggregate amount arising during 2009 from expenses allowances is £51,162,000.

In the case of premium paying contracts an explicit allowance for expenses is made in the gross premium valuation of conventional regular premium business. The allowance represents the assumed expenses during 2009.

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

- (2) Gross Premium Valuation has been used for all business. All allowances for expenses are explicit.
- (3) The figure for maintenance expenses in line 14 of Form 43 is £45,661,000. The difference between this figure and the figure in 6 (1) is primarily 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).
- (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.

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

Name of insurer **Commercial Union Life Assurance Company Limited**

Global business

Financial year ended **31 December 2008**

- 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, CGNU 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.

**7. Mismatching Reserves**

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

Life and Annuity Fund			
Mathematical Reserves and matching assets (£000)			
Assets	Sterling	Euros	US Dollars
Sterling	11,924,420	-	-
Euro	-	264,441	-
Dollar	-	-	118,947

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

- (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).

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



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

Name of insurer

**Commercial Union Life Assurance Company Limited**

Global business

Financial year ended

**31 December 2008**

illiquid assets for cash over the period of a year without distorting the price we would receive (and have used in our asset valuation).

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

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

An estimate of the Company's claims amounts for 2009 is £1,200m. Expected income, in 2009, from assets currently held in the fund is £595m and £1,475m is held in deposit-style assets. Premium income for 2008 was around £1,160m 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-profit 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.

The amount of provision is £294.95m.

**(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 £24.67m.

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

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

Name of insurer **Commercial Union Life Assurance Company Limited**

Global business

Financial year ended **31 December 2008**

- 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: £6,059

Percentage of complaints leading to a claim: 71%

Claims processing expense: £341 per complaint.

**(3) Pensions Review Reserve**

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

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

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

The reserve held was £12.13m.

**(4) System migration costs**

A provision of £10.2m 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).

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

Name of insurer **Commercial Union Life Assurance Company Limited**

Global business

Financial year ended **31 December 2008**

(a)

(d) NUL&P

(e) The value of units for unit-linked pensions contracts (issued on a group basis on or after 1 October 1998) is ceded 100% to NUL&P. All death benefits and waiver of premium benefits are also ceded under the treaty. Also the value of units allocated to internal linked funds under Sterling Personal Pension Plan, Sterling Free-Standing AVC, Sterling Executive Pension Plan, Sterling Group (unitised) Plan, and Trustee Investment Plan are reinsured.

(f) The premium payable by the Company during 2008 was £59,557,000.

(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 £1,097,727,000.

(k) N/A; see (h).

(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.

(b)

(d) NUL&P

(e) The value of units allocated to internal linked funds under Classic Investment Bond and Premier Bond are reinsured

(f) The premium payable by the Company during 2008 was £0.

(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 £63,785,000.

(k) N/A, see (h).

(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.

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

The figures below are for business written directly by CULAC. Business reinsured in from CGNU, NUL (RBS) and NUIL is shown in section 10(1) of the Appendix 9.4 reports for CGNU and NUL (RBS).

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

Name of insurer

**Commercial Union Life Assurance Company Limited**

Global business

Financial year ended

**31 December 2008**

(1)

Product	Amount of mathematical reserve (£m)	Regular bonus (2007)	Regular bonus (2008)	Guaranteed bonus (2008)
<b>Conventional Life</b>				
New Series	1,080.5	0% SA/1.5% RB	3.5% SA/5% RB	0.00%
<b>Conventional Pensions</b>				
Red Plan Deferred Annuity	30.3	0.5% of Annuity Purchased	5% of Annuity Purchased	0.00%
All other Conventional Pensions business	411.0	0% SA/0% RB	3.5% SA/3.5% RB	0.00%
<b>Unitised Life - direct written</b>				
All units purchased	767.8	3.25%	3.25%	0.00%
<b>Unitised Pensions - direct written</b>				
Sterling Group Plan (Deposit Admin)	83.4	3.50%	7.00%	0.00%
Units purchased pre 1/1/1993 implicit	22.9	4.00%	4.00%	4.00%
Units purchased after 31/12/1992 implicit	342.0	3.50%	3.50%	0.00%
Units purchased pre 1/1/1993 explicit	135.7	N/A	5.00%	5.00%
Units purchased after 31/12/1992 explicit	303.1	N/A	4.50%	0.00%
Sterling Group Plan (UWP) (non gteed RB)	35.9	3.50%	3.50%	0.00%
Red Plan	279.5	3.50%	3.50%	0.00%

Rates above for conventional business include special bonus.

For Unitised business (other than Deposit Admin) 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.

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.

- (2) The figures for bonus awarded on Unitised with-profit business show the percentage increase in unit price during the year.
- (3) For super-compound business both rates are shown (the rate applying to the base benefit is shown as a percentage of SA, the rate applying to regular bonus awarded to date is shown as a percentage of RB).
- (4) The figures above are not weighted averages.

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

Name of insurer **Commercial Union 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%

- (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 **Commercial Union 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).

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		432	1,884
Asset Share (ind)	1,363		
Regulatory Reserve	3		
BRV	86		
Conventional Pensions		264	533
Asset Share (ind)	148		
Regulatory Reserve	1		
BRV	120		
Direct written UWP Life		121	944
Asset Share (ind)	823		
Direct written UWP Pensions		229	1,327
Asset Share (ind)	967		
Asset Share (group)	131		
Reinsured-in UWP Life		1,019	5,983
Asset Share (ind)	4,957		
Regulatory Reserve	7		
Reinsured-in UWP Pensions		96	694
Asset Share (ind)	598		
Regulatory Reserve	0		
Reinsured-in UWP Stakeholder		22	399
Asset Share (ind)	377		
Regulatory Reserve	0		
Miscellaneous Other	14	-133	-119
<b>Total</b>	<b>9,595</b>	<b>2,051</b>	<b>11,646</b>

The majority of the Commercial Union Life Assurance Company Limited (CULAC) with-profit benefit reserves are asset shares calculated on a per-policy basis. All direct-written CULAC business asset shares are charged actual expenses. Investment returns from 1 October 1998 have been allocated to asset shares using the combined returns from CGNU Life Assurance Company Limited (CGNU Life) and CULAC.

The Company does not write any new business directly other than increments on existing contracts. New business has been reassured in on an original terms basis from CGNU Life from 1998 onwards. Currently 45% of UWP new business written by CGNU Life is reassured into CULAC.

Conventional Life consists mainly of conventional endowments and £81m of whole life contracts. Conventional life also includes £89m of conventional endowments reassured in from CGNU Life. 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.

**Abstract of valuation report for realistic valuation – IPRU (INS) Appendix 9.4A**Name of insurer **Commercial Union Life Assurance Company Limited**

Global business

Financial year ended **31 December 2008**

The BRV figure of £86m for conventional life relates mainly to whole life policies, which are entirely BRV. £5m of this figure relates to the BRV used for endowment Paid Up policies.

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. £26m worth of the conventional Red Plan liability uses a discounted benefit basis (BRV).

UWP Life consists of unitised single premium bonds. There are no contractual no-MVR dates on CULAC Bonds.

UWP Pensions consists of individual and group unitised pension contracts. No-MVR guarantees apply at the selected retirement date and at age 75. UWP pension units purchased up to 31 December 1992 have a minimum guaranteed regular bonus of 4% p.a.

Reinsured-in UWP business is the business that has been reinsured in from CGNU Life since 1 October 1998 in various proportions. The proportions are:

From:	CGNU Life	CULAC
1 October 1998	50%	50%
1 January 1999	25%	75%
2 October 2000	40%	60%
1 January 2002	55%	45%

Reinsured-in UWP Life mainly consists of unitised bonds with £45m 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.

On reinsured-in 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 CGNU Life written UWP bonds.

UWP Life Bonds	Date Sold	No-MVR Anniversary
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 – 27/4/2008	RPI any point on or after 5th
JV RPI Bond	30/1/2006 – 27/4/2008	RPI any point on or after 5th
NUIL RPI Bond	30/1/2006 onwards	RPI any point on or after 5th
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).

Reinsured-in UWP Pensions consists mainly of individual and Group personal pensions and pension single premium bond. As for reinsured-in 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.

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

Name of insurer **Commercial Union Life Assurance Company Limited**

Global business

Financial year ended **31 December 2008**

Reinsured in 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.

'Miscellaneous other' consists of reserves held to cover other liabilities to the fund that cannot be assigned to certain product types such as Pension transfer review reserves 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 £133m

(2) Not applicable

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

**(1) Table of methods**

Method	With-profit benefits reserve (%)
Asset Share (individual)	97
Asset Share (group)	1
BRV	2
Regulatory Reserve	0
Miscellaneous Other	0
<b>Total</b>	<b>100</b>

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

The asset shares calculated on a grouped basis relate to two UWP pension contracts (Sterling Group plan – UWP and Deposit Admin variants). The asset shares are grouped as follows:

- Product
- Bid Value of Units by year of unit purchase

Factors have then been applied to each of these groupings based on asset share to BVU ratios for sample model points. Sample model points are representative of the policies within each group allowing for average premium size and age etc.

**(2) Changes in valuation method**

(a) Individual personal pensions business (UWP directly written in CULAC), which migrated between admin. systems, now have an explicit charge deduction from asset share instead of an expenses deduction. At migration this had no impact to asset shares. At 31/12/08 this business has £428m of asset share.

(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.



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

Name of insurer **Commercial Union Life Assurance Company Limited**

Global business

Financial year ended **31 December 2008**

	<b>2008</b>			
	<b>Charged to WPBR</b>	<b>Not-Charged to WPBR</b>	<b>Non-Profit expenses</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Estimated initial expenses and commission	5	56	2	63
Renewal expenses and commission	67	-4	2	65
Shareholder Transfers	22	55	0	77

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 in CULAC and reinsured across from CGNU Life is written on a 90/10 basis, some more recent single premium bond new business reinsured from CGNU Life 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 £72m plus £22m of shareholder transfers. 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 written conventional business

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

Name of insurer **Commercial Union Life Assurance Company Limited**

Global business

Financial year ended **31 December 2008**

- CULAC UWP business (including £428m of individual personal pensions until the migration date during 2009)
- 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 and CULAC written 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 for CGNU Life and CULAC written business are also charged to the asset share.

Policy charges are applied to the following product groups:

- CGNU Life written UWP implicit charge business sold 1 October 2001 onwards (implicit charge refers to bonuses being net of expenses)
- CGNU Life written UWP explicit charge business (2000 onwards individual pensions, stakeholder pensions and explicitly charged bonds). (explicit charge bonuses are gross of expenses)
- CULAC written UWP explicit charge individual pension (from 2009 migration date)

**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 CGNU Life and CULAC written 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 £2.9m (£1.0m in 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**

Business	Product Type	2006	2007	2008
Direct	Conventional Life	95%	93%	106%
	Conventional Pensions	99%	92%	80%
	UWP Life	92%	93%	102%
	UWP Pensions	n/a	n/a	107%
Reinsured in	Conventional Life	98%	92%	103%
	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 CGNU Life relate to all CGNU Life written business, and not just the business reinsured into CULAC.

**Abstract of valuation report for realistic valuation – IPRU (INS) Appendix 9.4A**Name of insurer **Commercial Union Life Assurance Company Limited**

Global business

Financial year ended **31 December 2008**

The figures for Conventional business for 2007 and 2008 are not directly comparable with 2006 because of enhancements in our analysis. There was no change in 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%

CULAC written business -16.04%

Asset shares for business written by CGNU Life 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.

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

**Bonus reserve valuation (BRV)** is used for 2% (£206m) of the with-profit benefits reserve. Two product categories constitute the majority of this business: conventional whole life policies (£81m) and paid-up conventional pension contracts (£93m). The prospective assumptions are as follows:

**(a) Economic Assumptions**

Future earned rate:	Whole Life	5.85%
Future earned rate:	Pensions	6.65%
Discount rate (benefits):	Whole Life	5.85%
Discount rate (premium, expenses):	Whole Life	4.75%
Discount rate:	Pensions	6.65%
Expense Inflation:		3.20%

The rates used are central estimates of the future earned rates (net rates for life products), consistent with the rates used in the derivation of future bonuses.

**(b) Investment returns and risk adjustments**

The assumed investment 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**

<b>Product Class</b>	<b>2008</b>
Conventional Whole Life	0% SA/1.5% bonus
Conventional Pension	0% SA/0% bonus

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

Name of insurer **Commercial Union Life Assurance Company Limited**

Global business

Financial year ended **31 December 2008**

(e) Future Expense Assumptions

Product Class	Renewal Expenses 2008 £m
Conventional Whole Life	£12.45
Conventional Pension	£36.05

(f) Future Assumed Lapse Rates

Product Class	Policy Duration									
%	1	2	3	4	5	6	7	8	9	10+
Conventional Whole Life	6.5	4.5	4.5	4.5	4	4	2.5	2	2	2
Conventional Pension	8	10	12	12	10	9	8	7	6	5

(g) Future mortality assumptions

Conventional whole life: 127%AMN00 Sel1/127%AFN00 Sel1

Conventional pensions: 100%AMN00 Sel1/100%AFN00 Sel1

(2) **Regulatory Reserves**

Regulatory reserves cover less than 0.5% of the with-profit benefits reserve.

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 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 original term, premium term, outstanding term and paid up status.

For unitised with-profit business:

- Product class (e.g. life bonds, individual pensions, and group deferred annuities)
- 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.

**Abstract of valuation report for realistic valuation – IPRU (INS) Appendix 9.4A**Name of insurer **Commercial Union Life Assurance Company Limited**

Global business

Financial year ended **31 December 2008**

- Group Deferred Annuities are grouped by age at entry, sex, GAO rate and escalation rate. 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, is modelled by scaling similar directly modelled business..
- (3) The principal changes to the valuation method for valuing the costs of guarantees, options or smoothing since the previous valuation have included switching to a new stochastic model, resulting in the following changes:
- 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 (in £m) and description of the guarantees, options and smoothing methods by product grouping.

Product Class	Planned Enhance to WPBR	Planned Dedns to WPBR for g'tee costs	Planned Dedns to WPBR for other costs	Contractual Guarantee costs	Non Contractual Commitments	Cost of Financial Options	Smoothing costs
Conventional life	84	0	0	77	219	0	0
Conventional Pensions	16	0	0	34	0	210	0
Direct - UWP life	103	12	0	8	0	0	0
Direct - UWP Pensions	67	0	0	129	0	0	0
Direct - UWP Stakeholder	0	0	0	0	0	0	0
RI - CWP Life	5	0	0	0	0	0	0
RI - UWP Life	252	37	0	758	0	0	0
RI - UWP Pensions	37	0	0	52	0	0	0
RI - UWP Stakeholder	0	0	0	22	0	0	0
Misc	0	0	6	0	0	0	-16

**Planned Enhancements to WPBR**

The Company has announced its intention to make an enhancement to policyholder benefits from the free reserves of the fund (known as the Special Distribution). The Special Distribution is to be made in three tranches over 2008, 2009 and 2010. The realistic liability planned enhancements to WPBR is in respect of the latter two tranches.

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

Name of insurer **Commercial Union Life Assurance Company Limited**

Global business

Financial year ended **31 December 2008**

**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**

This represents the expected charge to Asset Shares in respect of expenses incurred in the migration of business to the Admin Re platform.

**Contractual Guarantee Costs**

In addition to the figures in the table there is £21m 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.

Stochastic Reserve	£77m
Central Estimate	£12m
Option value	85%

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.

Stochastic Reserve	£34m
Central Estimate	£28m
Option value	16%

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	£441m	£222m	£104m
Central Estimate	£423m	£148m	£91m
Option value	4%	33%	12%

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	£52m
Central Estimate	£22m
Option value	57%

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

Name of insurer **Commercial Union Life Assurance Company Limited**

Global business

Financial year ended **31 December 2008**

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, or the amount as communicated to policyholders in other circumstances.

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

Payment of the mortgage promise is conditional on the investment earnings achieved on the estate. These must be sufficient to pay the shortfall amounts falling due each year. For the purposes of the valuation we have assumed that payments would be made with no reduction where the cost of payment exceeds investment earnings on the estate.

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

**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.

	CWP GAO	UWP GAO
Stochastic Reserve	£145m	£65m
Central Estimate	£137m	£65m
Option value	5%	1%

Guaranteed annuity options are very deeply in the money.

**Smoothing Costs**

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

This is offset by the 'smoothing retention', relative to 100% of asset share. This is designed to give broadly neutral smoothing costs allowing for the costs incurred to the valuation date, consistent with statements in the PPFMs for both CULAC and CGNU. The £16m miscellaneous smoothing cost reflects an adjustment to the smoothing retention required to achieve neutral smoothing costs.

(ii) **Description of the asset model**

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

Name of insurer **Commercial Union Life Assurance Company Limited**

Global business

Financial year ended **31 December 2008**

The distribution was calculated using the following assumptions:

Risk-free rate:

- Risk-free rate curve as shown below –

Outstanding term	Risk free annualised spot rate (%) – 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.

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.



**Abstract of valuation report for realistic valuation – IPRU (INS) Appendix 9.4A**Name of insurer **Commercial Union Life Assurance Company Limited**

Global business

Financial year ended **31 December 2008**

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%

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

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 **Commercial Union 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 are 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 is ignored in all calculations.

All options are assumed to be European-style.

Commentary on the results:

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

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

For 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 **Commercial Union 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.

**CULAC – 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	8.3	3	3	5	6	8	6	8	12	9	7	5	7	7	6	4	0	3	100
Mortgage promise	8.8	0	1	2	5	7	6	8	12	12	13	10	6	6	6	5	0	1	100
Conventional Pensions																			
Base guarantee	9.8	5	2	2	3	5	7	9	6	10	8	8	6	6	2	5	5	11	100
GAR option	7.3	23	4	5	5	5	5	6	5	6	4	5	4	4	3	3	3	10	100
Unitised Life: Direct																			
Death	11.0	4	5	5	5	5	5	5	5	5	5	5	5	4	4	4	4	25	100
Partial Surrenders	8.6	5	8	9	8	7	7	6	6	5	5	4	4	3	3	2	2	13	100
Unitised Life: Reinsured In																			
Death	21.6	2	2	2	2	2	2	2	2	1	1	1	1	1	1	1	1	76	100
Partial surrender	14.2	15	11	6	4	4	3	2	2	2	2	1	1	1	1	1	1	44	100
No-MVR (surrender)	1.6	21	49	29	-	0	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																			
Base gtee - Direct	11.9	1	4	4	5	5	5	5	5	5	6	6	5	5	4	5	4	27	100
Base gtee - Reinsured	13.8	-	-	11	2	-	10	5	-	10	5	-	9	3	-	7	4	34	100
GAR option	8.5	4	3	6	7	10	5	5	8	5	5	4	9	4	5	2	5	14	100
Stakeholder: base guarantee																			
Reinsured	12.5	1	6	3	4	7	9	3	4	4	2	6	8	3	3	3	2	32	100

The reinsured figures above relate to the UWP business reassured in from CGNU Life.

**Abstract of valuation report for realistic valuation – IPRU (INS) Appendix 9.4A**Name of insurer **Commercial Union 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**

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).

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

<b>Cost of annuity rate guarantees</b>		£m
Base cost of GMP gtee on S32		18
Uplift (15%)		3
<b>Total</b>		<b>21</b>

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

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

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

Name of insurer **Commercial Union Life Assurance Company Limited**

Global business

Financial year ended **31 December 2008**

**(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**

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.

**Abstract of valuation report for realistic valuation – IPRU (INS) Appendix 9.4A**Name of insurer **Commercial Union Life Assurance Company Limited**

Global business

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

(i)

**(i) Projection at risk free rate**

UWP Bonus Rates

Product	31-Dec-08	31-Dec-13	31-Dec-18
UWP Life (Direct Written)	2.50%	2.58%	2.89%
UWP Pension (Direct Written)	2.75%	4.22%	4.76%
<b>Reinsured business (from CGNU life)</b>			
UWP Life (implicitly charged) : Unit purchased on policies written pre 01/10/98	2.50%	2.56%	2.79%
UWP Life (implicitly charged) : Unit purchased on policies written post 30/09/98	2.50%	1.70%	2.02%
UWP Life (Explicitly charged)	3.50%	2.46%	3.15%
UWP Pension (implicitly charged) : Unit purchased on policies written pre 01/10/98	2.75%	2.46%	2.92%
UWP Pension (implicitly charged) : Unit 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:

**Direct written business:**

- Units purchased on Pensions policies before 1 January 1993 have a guaranteed regular bonus rate of 4% pa.

**Reinsured business from CGNU Life:**

- No reinsured business has a guaranteed minimum regular bonus rate.
- 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:

Asset Class	31/12/2008	31/12/2013	31/12/2018
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 **Commercial Union Life Assurance Company Limited**

Global business

Financial year ended **31 December 2008****(ii) Projection at risk free rate plus 17.5%**

## UWP Bonus Rates

Product	31-Dec-08	31-Dec-13	31-Dec-18
UWP Life (Direct Written)	2.50%	2.94%	3.32%
UWP Pension (Direct Written)	2.75%	4.34%	5.02%
<b>Reinsured business (from CGNU life)</b>			
UWP Life (implicitly charged) : Unit purchased on policies written pre 01/10/98	2.50%	2.97%	3.25%
UWP Life (implicitly charged) : Unit purchased on policies written post 30/09/98	2.50%	2.11%	2.44%
UWP Life (Explicitly charged)	3.50%	2.89%	3.60%
UWP Pension (implicitly charged) : Unit purchased on policies written pre 01/10/98	2.75%	2.87%	3.41%
UWP Pension (implicitly charged) : Unit 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

Asset Class	31/12/2008	31/12/2013	31/12/2018
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

Product	31-Dec-08	31-Dec-13	31-Dec-18
UWP Life (Direct Written)	2.50%	2.19%	2.49%
UWP Pension (Direct Written)	2.75%	4.13%	4.54%
<b>Reinsured business (from CGNU life)</b>			
UWP Life (implicitly charged) : Unit purchased on policies written pre 01/10/98	2.50%	2.14%	2.35%
UWP Life (implicitly charged) : Unit purchased on policies written post 30/09/98	2.50%	1.29%	1.61%
UWP Life (Explicitly charged)	3.50%	2.06%	2.71%
UWP Pension (implicitly charged) : Unit purchased on policies written pre 01/10/98	2.75%	2.04%	2.45%
UWP Pension (implicitly charged) : Unit 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%

## Assets Backing With-Profit Benefits Reserve

Asset Class	31/12/2008	31/12/2013	31/12/2018
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%



**Abstract of valuation report for realistic valuation – IPRU (INS) Appendix 9.4A**Name of insurer **Commercial Union Life Assurance Company Limited**

Global business

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

CULAC		<b><u>Average surrender / paid-up rate for the policy years</u></b>			
		<b>1-5</b>	<b>6-10</b>	<b>11-15</b>	<b>16-20</b>
CWP savings endowment	surrender	8.0%	8.0%	5.8%	4.4%
CWP target cash endowment	surrender	8.0%	8.0%	5.8%	4.4%
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	100% of current	100% of current	100% of current	100% of current
	withdrawals				
CWP pension regular premium	PUP	0.0%	0.0%	0.0%	0.0%
CWP pension regular premium	surrender	1.5%	1.5%	1.5%	1.5%
CWP pension single premium	surrender	1.5%	1.5%	1.5%	1.5%
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.

There is no UWP endowment business in CULAC.

**At no-MVR date:**

At the no-MVR date the 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 assumptions.

**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

**Guaranteed Annuity Option take-up rate**

An initial take-up rate of 87% 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.

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

Name of insurer **Commercial Union Life Assurance Company Limited**

Global business

Financial year ended **31 December 2008**

**(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	45
Conventional Pensions	0	4
UWP Life	0	23
UWP Pensions	0	32
Reinsured – Conventional Life	0	1
Reinsured - UWP Life (incl. Overseas)	0	45
Reinsured - UWP Pensions	0	8
Reinsured – UWP Stakeholder	0	0
Miscellaneous	0	-111
<b>Total</b>	<b>0</b>	<b>48</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 £158m 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.

£12m is held in respect of future pension transfer review costs.

£7m is held in respect of the funding for the Aviva staff pension scheme deficit.

£20m is included for the cost of investigation and redress of mortgage endowment mis-selling complaints.

£9m is held to cover compensation costs other than those identified above.

£19m is held to cover the cost of future expenses not charged to asset shares.

£16m is included for Mortgage Endowment Legal Risk provision.

£2m is included for Mortgage Endowment Promise data provisions.

A credit of £196m 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:

**Abstract of valuation report for realistic valuation – IPRU (INS) Appendix 9.4A**Name of insurer **Commercial Union Life Assurance Company Limited**

Global business

Financial year ended **31 December 2008**

- 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 £1,199m.

The realistic current liabilities include a reduction of £20m 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 (RCM)**

(1)

(a)

<b>Fund</b>	<b>RCM (£m)</b>
CULAC	376.9

(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	1.86%	0.56%
long-term yield - % movement post-stress	+17.5%	-17.5%

For CULAC, the rise 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>
CULAC	1.37%	-7.46%

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

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

In addition, an allowance of £0.5m for reinsurance default risk was introduced 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.

**Abstract of valuation report for realistic valuation – IPRU (INS) Appendix 9.4A**Name of insurer **Commercial Union Life Assurance Company Limited**

Global business

Financial year ended **31 December 2008**

% increase in realistic liabilities = 1.04%

(v) Not applicable

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

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

Guaranteed Annuity Options

The initial take-up rate for guaranteed annuity options is assumed to reduce from 87% to 82% 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	6
Total	6

- (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.

**(c)**

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

Assets backing RCM	£m	%
UK equities	0.0	0.0%
Overseas equities	0.0	0.0%
Land and buildings	0.0	0.0%
Approved fixed interest securities	329.8	87.5%
Other fixed interest securities	1.8	0.5%
All other assets	45.3	12.0%
Total	376.9	100.0%

All assets backing the RCM are within the WP funds.

- (ii) Not applicable

**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.

**Abstract of valuation report for realistic valuation – IPRU (INS) Appendix 9.4A**Name of insurer **Commercial Union Life Assurance Company Limited**

Global business

Financial year ended **31 December 2008**

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	1,897
Futures on Equities - short term trading derivatives	-545
Mortgage Dollar Rolls - with US banks	56
Currency futures	(89)
Property swaps	(201)
Interest Rate Swaps	2
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.

**13. Analysis of working capital**

	<b>£m</b>
Working capital at 31/12/2007	1,210
Investment return on opening working capital	12
Profits on assets backing liabilities	-203
Economic assumption changes	-92
Non-economic assumption changes	17
Policyholder action assumption changes	-87
Other experience variances	-135
Impact of new business	-23
Changes in reinsurance and regulation	-8
Modelling changes and opening adjustments	51
Miscellaneous liabilities	21
Special distribution	0
Working capital at 31/12/2008	764

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

Name of insurer **Commercial Union Life Assurance Company Limited**

Global business

Financial year ended **31 December 2008**

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.
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 a small change in persistency assumptions
5. Experience variances include impact of premiums, claims and expenses. The reduction in working capital is primarily driven by adverse claims experience, in particular significant prior period claims and fewer lapses than expected.
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 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.

**Statement on derivatives required by IPRU (INS) 9.29**

Name of insurer **Commercial Union Life Assurance Company 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 following information relates to the With Profits and Stakeholder Funds.

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 INSPRU 3.2.17R, and where appropriate, all contracts held fell within the definition of a permitted derivative contract.

During the financial period, the company's use of derivatives included the granting of rights under derivative contracts for a fixed consideration. This was in the activity of Stock Underwriting. The fee income over the financial year was £0.6m.

Returns under the Accounts and Statements Rules

**Statement on controllers required by IPRU (INS) 9.30**

Name of insurer **Commercial Union Life Assurance Company 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 **Commercial Union Life Assurance Company 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 **Commercial Union Life Assurance Company 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 **Commercial Union Life Assurance Company 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 43, 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 54, 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 **Commercial Union Life Assurance Company 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