

Returns under the Accounts and Statements Rules

Covering page to Form 2

Name of insurer **Norwich Union Annuity 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 **Norwich Union Annuity Ltd**

Global business

 Financial year ended **31st December 2008**

Solo solvency calculation

	Company registration number	GL/ UK/ CM	day	month	year	units	
	R2	3253948	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	11	997056	975668
Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund	12	141046	150203
Capital resources available to cover long-term insurance business capital resources requirement (11+12)	13	1138102	1125871

Guarantee fund

Guarantee Fund requirement	21	236239	217223
Excess (deficiency) of available capital resources to cover guarantee fund requirement	22	901863	908648

Minimum capital requirement (MCR)

Long-term insurance capital requirement	31	708717	651670
Resilience capital requirement	32	66500	39100
Base capital resources requirement	33	2518	2231
Individual minimum capital requirement	34	775217	690770
Capital requirements of regulated related undertakings	35		
Minimum capital requirement (34+35)	36	775217	690770
Excess (deficiency) of available capital resources to cover 50% of MCR	37	750493	780486
Excess (deficiency) of available capital resources to cover 75% of MCR	38	556689	607794

Enhanced capital requirement

With-profits insurance capital component	39		
Enhanced capital requirement	40	775217	690770

Capital resources requirement (CRR)

Capital resources requirement (greater of 36 and 40)	41	775217	690770
Excess (deficiency) of available capital resources to cover long-term insurance business CRR (13-41)	42	362885	435101

Contingent liabilities

Quantifiable contingent liabilities in respect of long-term insurance business as shown in a supplementary note to Form 14	51		
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Components of capital resources
**Form 3
(Sheet 1)**

 Name of insurer **Norwich Union Annuity Ltd**

Global business

 Financial year ended **31st December 2008**

	Company registration number	GL/ UK/ CM	day	month	year	units	
	R3	3253948	GL	31	12	2008	£000
	General insurance business	Long-term insurance business	Total as at the end of this financial year	Total as at the end of the previous year			
	1	2	3	4			

Core tier one capital

Permanent share capital	11		50000	50000	50000
Profit and loss account and other reserves	12		1154998	1154998	1225098
Share premium account	13		750	750	750
Positive valuation differences	14		18837	18837	
Fund for future appropriations	15				
Core tier one capital in related undertakings	16				
Core tier one capital (sum of 11 to 16)	19		1224585	1224585	1275848

Tier one waivers

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

Other tier one capital

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

Total tier one capital before deductions (19+24+25+26+27+28)	31		1224585	1224585	1275848
Investments in own shares	32				
Intangible assets	33				
Amounts deducted from technical provisions for discounting	34				
Other negative valuation differences	35				70356
Deductions in related undertakings	36				
Deductions from tier one (32 to 36)	37				70356
Total tier one capital after deductions (31-37)	39		1224585	1224585	1205492

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

 Name of insurer **Norwich Union Annuity Ltd**

Global business

 Financial year ended **31st December 2008**

	Company registration number	GL/UK/CM	day	month	year	units	
	R3	3253948	GL	31	12	2008	£000
	General insurance business	Long-term insurance business	Total as at the end of this financial year	Total as at the end of the previous year			
	1	2	3	4			

Tier two capital

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

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

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

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

 Name of insurer **Norwich Union Annuity Ltd**

Global business

 Financial year ended **31st December 2008**

	Company registration number	GL/UK/CM	day	month	year	units	
	R3	3253948	GL	31	12	2008	£000
	General insurance business	Long-term insurance business	Total as at the end of this financial year	Total as at the end of the previous year			
	1	2	3	4			

Total capital resources

Positive adjustments for regulated non-insurance related undertakings	71				
Total capital resources before deductions (39+69+71)	72		1224585	1224585	1205492
Inadmissible assets other than intangibles and own shares	73		86483	86483	79621
Assets in excess of market risk and counterparty limits	74				
Deductions for related ancillary services undertakings	75				
Deductions for regulated non-insurance related undertakings	76				
Deductions of ineligible surplus capital	77				
Total capital resources after deductions (72-73-74-75-76-77)	79		1138102	1138102	1125871

Available capital resources for GENPRU/INSRU tests

Available capital resources for guarantee fund requirement	81		1138102	1138102	1125871
Available capital resources for 50% MCR requirement	82		1138102	1138102	1125871
Available capital resources for 75% MCR requirement	83		1138102	1138102	1125871

Financial engineering adjustments

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

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

 Name of insurer **Norwich Union Annuity 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	3253948	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	21		
	debts and loans	22		
Other insurance dependants	shares	23		
	debts and loans	24		
Non-insurance dependants	shares	25		
	debts and loans	26		
Other group undertakings	shares	27		
	debts and loans	28		
Participating interests	shares	29		
	debts and loans	30		

Other financial investments

Equity shares	41		
Other shares and other variable yield participations	42		
Holdings in collective investment schemes	43	105694	121113
Rights under derivative contracts	44		
Fixed interest securities	Approved	45	14551
	Other	46	
Variable interest securities	Approved	47	
	Other	48	
Participation in investment pools	49		
Loans secured by mortgages	50		
Loans to public or local authorities and nationalised industries or undertakings	51		
Loans secured by policies of insurance issued by the company	52		
Other loans	53		
Bank and approved credit & financial institution deposits	One month or less withdrawal	54	
	More than one month withdrawal	55	
Other financial investments	56		

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

 Name of insurer **Norwich Union Annuity 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	3253948	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		60		
Claims outstanding		61		
Provision for unexpired risks		62		
Other		63		

Debtors and salvage

Direct insurance business	Policyholders		71		
	Intermediaries		72		
Salvage and subrogation recoveries			73		
Reinsurance	Accepted		74		
	Ceded		75		
Dependants	Due in 12 months or less		76		
	Due in more than 12 months		77		
Other	Due in 12 months or less		78	1402	1609
	Due in more than 12 months		79		

Other assets

Tangible assets		80		
Deposits not subject to time restriction on withdrawal with approved institutions		81	24273	16602
Cash in hand		82		
Other assets (particulars to be specified by way of supplementary note)		83		
Accrued interest and rent		84	309	244
Deferred acquisition costs (general business only)		85		
Other prepayments and accrued income		86		

Deductions from the aggregate value of assets		87		
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Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)		89	146229	153300
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Analysis of admissible assets
**Form 13
(Sheet 3)**

 Name of insurer **Norwich Union Annuity 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	3253948	GL	31	12	2008	£000	1
						As at end of this financial year	As at end of the previous year	
						1	2	

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

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	146229	153300
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93		
Capital resources requirement deduction of regulated related undertakings	94		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	95		
Inadmissible assets of regulated related insurance undertakings	96		
Book value of related ancillary services undertakings	97		
Other differences in the valuation of assets (other than for assets not valued above)	98		
Deferred acquisition costs excluded from line 89	99		
Reinsurers' share of technical provisions excluded from line 89	100		
Other asset adjustments (may be negative)	101	(1500)	
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 101)	102	144729	153300
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103		

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

 Name of insurer **Norwich Union Annuity 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	3253948	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		3934		3541

Investments in group undertakings and participating interests

UK insurance dependants	shares	21				
	debts and loans	22				
Other insurance dependants	shares	23				
	debts and loans	24				
Non-insurance dependants	shares	25			250	251
	debts and loans	26				
Other group undertakings	shares	27				
	debts and loans	28			161455	117109
Participating interests	shares	29				
	debts and loans	30				

Other financial investments

Equity shares	41			136
Other shares and other variable yield participations	42			
Holdings in collective investment schemes	43			141031
Rights under derivative contracts	44		31400	2017
Fixed interest securities	Approved	45	945458	1112604
	Other	46	3994433	3719504
Variable interest securities	Approved	47		78226
	Other	48	322191	24219
Participation in investment pools	49			
Loans secured by mortgages	50		11166693	11011481
Loans to public or local authorities and nationalised industries or undertakings	51			
Loans secured by policies of insurance issued by the company	52			
Other loans	53			
Bank and approved credit & financial institution deposits	One month or less withdrawal	54		
	More than one month withdrawal	55		
Other financial investments	56			

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

 Name of insurer **Norwich Union Annuity 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	3253948	GL	31	12	2008	£000	10
						As at end of this financial year	As at end of the previous year	
						1	2	

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

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	19041352	17762540
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93		
Capital resources requirement deduction of regulated related undertakings	94		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	95		
Inadmissible assets of regulated related insurance undertakings	96		
Book value of related ancillary services undertakings	97		
Other differences in the valuation of assets (other than for assets not valued above)	98		
Deferred acquisition costs excluded from line 89	99	86483	79621
Reinsurers' share of technical provisions excluded from line 89	100	371399	373333
Other asset adjustments (may be negative)	101		2026
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 101)	102	19499234	18217520
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103	11255	31626

Long-term insurance business liabilities and margins
Form 14

Name of insurer **Norwich Union Annuity 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	
		1	2	
Mathematical reserves, after distribution of surplus		11	17717929	16291748
Cash bonuses which had not been paid to policyholders prior to end of the financial year		12		
Balance of surplus / (valuation deficit)		13	391000	
Long term insurance business fund carried forward (11 to 13)		14	18108929	16291748
Claims outstanding	Gross amount	15		
	Reinsurers' share	16		
	Net (15-16)	17		
Provisions	Taxation	21	263	4629
	Other risks and charges	22		
Deposits received from reinsurers		23		
Creditors	Direct insurance business	31	72802	180253
	Reinsurance accepted	32		
	Reinsurance ceded	33	23451	31543
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions		36		
Creditors	Taxation	37	42881	19400
	Other	38	186970	259299
Accruals and deferred income		39		
Provision for "reasonably foreseeable adverse variations"		41		
Total other insurance and non-insurance liabilities (17 to 41)		49	326367	495124
Excess of the value of net admissible assets		51	606056	975668
Total liabilities and margins		59	19041352	17762540
Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance		61	11036	9843
Amounts included in line 59 attributable to liabilities in respect of property linked benefits		62		
Total liabilities (11+12+49)		71	18044296	16786872
Increase to liabilities – DAC related		72		
Reinsurers' share of technical provisions		73	371399	373333
Other adjustments to liabilities (may be negative)		74	19276	(68330)
Capital and reserves and fund for future appropriations		75	1064263	1125645
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (71 to 75)		76	19499234	18217520

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

 Name of insurer **Norwich Union Annuity Ltd**

Global business

 Financial year ended **31st December 2008**

	Company registration number	GL/ UK/ CM	day	month	year	units	
	R15	3253948	GL	31	12	2008	£000
						As at the end of this financial year	As at the end of the previous year
						1	2

Technical provisions (gross amount)

Provision for unearned premiums		11			
Claims outstanding		12			
Provision for unexpired risks		13			
Equalisation provisions	Credit business	14			
	Other than credit business	15			
Other technical provisions		16			
Total gross technical provisions (11 to 16)		19			

Provisions and creditors

Provisions	Taxation	21			221
	Other risks and charges	22			
Deposits received from reinsurers		31			
Creditors	Direct insurance business	41			
	Reinsurance accepted	42			
	Reinsurance ceded	43			
Debenture loans	Secured	44			
	Unsecured	45			
Amounts owed to credit institutions		46			
Creditors	Taxation	47		2096	2404
	Foreseeable dividend	48			
	Other	49		3087	472
Accruals and deferred income		51			
Total (19 to 51)		59		5183	3097
Provision for "reasonably foreseeable adverse variations"		61			
Cumulative preference share capital		62			
Subordinated loan capital		63			
Total (59 to 63)		69		5183	3097

Amounts included in line 69 attributable to liabilities to related insurers, other than those under contracts of insurance or reinsurance	71				
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Amounts deducted from technical provisions for discounting	82				
Other adjustments (may be negative)	83		(1940)		
Capital and reserves	84		141486		150203
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (69-82+83+84)	85		144729		153300

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

 Name of insurer **Norwich Union Annuity Ltd**

Global business

 Financial year ended **31st December 2008**

		Company registration number	GL/ UK/ CM	day	month	year	units	
		R16	3253948	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						
Investment income	Income	14			8369		8145	
	Value re-adjustments on investments	15						
	Gains on the realisation of investments	16					29	
Investment charges	Investment management charges, including interest	17			1501		110	
	Value re-adjustments on investments	18			14952		60	
	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			(8084)		8004	
Tax on profit or loss on ordinary activities		31			1072		(1097)	
Profit or loss on ordinary activities after tax (29-31)		39			(9156)		9101	
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			(9156)		9101	
Dividends (paid or foreseeable)		51						
Profit or loss retained for the financial year (49-51)		59			(9156)		9101	

Analysis of derivative contracts

Form 17

Name of insurer **Norwich Union Annuity 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	3253948	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	3260				112111		
	Interest rates	12	146750	56862			870580	410000	
	Inflation	13		33057			75000		
	Credit index / basket	14		1131			428000		
	Credit single name	15							
	Equity index	16							
	Equity stock	17							
	Land	18							
	Currencies	19			5584			40182	
	Mortality	20							
	Other	21							
In the money options	Swaptions	31							
	Equity index calls	32							
	Equity stock calls	33							
	Equity index puts	34							
	Equity stock puts	35							
	Other	36							
Out of the money options	Swaptions	41							
	Equity index calls	42							
	Equity stock calls	43							
	Equity index puts	44							
	Equity stock puts	45							
	Other	46							
Total (11 to 46)		51	150010	96634			1485691	450182	
Adjustments for variation margin		52	(118610)	(73072)					
Total (51 + 52)		53	31400	23562					

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

Long-term insurance business: Revenue account

Form 40

Name of insurer **Norwich Union Annuity Ltd**
 Name and number of fund/Summary **Total Long-Term Insurance Business**
 Financial year ended **31st December 2008**
 Units **£000**

	Financial year	Previous year
	1	2

Income

Earned premiums	11	2454253	1859549
Investment income receivable before deduction of tax	12	1106588	1000658
Increase (decrease) in the value of non-linked assets brought into account	13	(426740)	(679711)
Increase (decrease) in the value of linked assets	14		
Other income	15		
Total income	19	3134101	2180496

Expenditure

Claims incurred	21	1199695	1085655
Expenses payable	22	85630	73114
Interest payable before deduction of tax	23	11603	18033
Taxation	24	19991	(9348)
Other expenditure	25		
Transfer to (from) non technical account	26		
Total expenditure	29	1316919	1167454

Business transfers-in	31		
Business transfers-out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	1817182	1013042
Fund brought forward	49	16291748	15278706
Fund carried forward (39+49)	59	18108930	16291748

Long-term insurance business: Analysis of premiums

Form 41

Name of insurer **Norwich Union Annuity 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				
Single premiums	12	11927	2483520	25946	2521393
					1927074

Reinsurance - external

Regular premiums	13				
Single premiums	14	692	66448		67140
					67525

Reinsurance - intra-group

Regular premiums	15				
Single premiums	16				

Net of reinsurance

Regular premiums	17				
Single premiums	18	11235	2417072	25946	2454253
					1859549

Total

Gross	19	11927	2483520	25946	2521393	1927074
Reinsurance	20	692	66448		67140	67525
Net	21	11235	2417072	25946	2454253	1859549

Long-term insurance business: Analysis of claims

Form 42

Name of insurer **Norwich Union Annuity 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	1	59	60	55
Disability periodic payments	12				
Surrender or partial surrender	13	638	899	1591	1567
Annuity payments	14	25144	1238752	1293519	1195389
Lump sums on maturity	15				
Total	16	25783	1239710	1295170	1197011

Reinsurance - external

Death or disability lump sums	21				
Disability periodic payments	22				
Surrender or partial surrender	23				
Annuity payments	24	7616	70919	78535	77141
Lump sums on maturity	25				
Total	26	7616	70919	78535	77141

Reinsurance - intra-group

Death or disability lump sums	31				
Disability periodic payments	32				
Surrender or partial surrender	33				
Annuity payments	34		16940	16940	34215
Lump sums on maturity	35				
Total	36		16940	16940	34215

Net of reinsurance

Death or disability lump sums	41	1	59	60	55
Disability periodic payments	42				
Surrender or partial surrender	43	638	899	1591	1567
Annuity payments	44	17528	1150893	1198044	1084033
Lump sums on maturity	45				
Total	46	18167	1151851	1199695	1085655

Long-term insurance business: Analysis of expenses

Form 43

Name of insurer **Norwich Union Annuity 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	287	18917	59	19263	16980
Commission - other	12					
Management - acquisition	13	326	34403	29	34758	30063
Management - maintenance	14	1026	22781	251	24058	21113
Management - other	15	418	7089	44	7551	5114
Total	16	2057	83190	383	85630	73270

Reinsurance - external

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

Reinsurance - intra-group

Commission - acquisition	31					
Commission - other	32					
Management - acquisition	33					
Management - maintenance	34					156
Management - other	35					
Total	36					156

Net of reinsurance

Commission - acquisition	41	287	18917	59	19263	16980
Commission - other	42					
Management - acquisition	43	326	34403	29	34758	30063
Management - maintenance	44	1026	22781	251	24058	20957
Management - other	45	418	7089	44	7551	5114
Total	46	2057	83190	383	85630	73114

Long-term insurance business: Summary of new business

Form 46

Name of insurer **Norwich Union Annuity Ltd**

Total business

Financial year ended **31st December 2008**

Units **£000**

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

Regular premium business	11				
Single premium business	12	207	51315	386	51908
Total	13	207	51315	386	51908

Amount of new regular premiums

Direct insurance business	21				
External reinsurance	22				
Intra-group reinsurance	23				
Total	24				

Amount of new single premiums

Direct insurance business	25	11927	2483520	19676	2515123	1877619
External reinsurance	26					
Intra-group reinsurance	27			6270	6270	6318
Total	28	11927	2483520	25946	2521393	1883937

Long-term insurance business: Analysis of new business**Form 47
(Sheet 1)**Name of insurer **Norwich Union Annuity Ltd**

Total business

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

UK Life / Direct insurance business

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
395	Annuity non-profit (PLA)			207	11927

Long-term insurance business: Analysis of new business**Form 47
(Sheet 2)**Name of insurer **Norwich Union Annuity Ltd**

Total business

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

UK Pension / Direct insurance business

Product code number 1	Product description 2	Regular premium business		Single premium business	
		Number of policyholders / scheme members 3	Amount of premiums 4	Number of policyholders / scheme members 5	Amount of premiums 6
390	Deferred annuity non-profit			248	25564
400	Annuity non-profit (CPA)			43009	1534759
401	Annuity non-profit (bulk transfer)			1827	209630
905	Index linked annuity			336	43823
906	Index linked annuity (bulk transfer)			5253	628292
907	Index linked deferred annuity			642	41452

Long-term insurance business: Analysis of new business**Form 47
(Sheet 3)**Name of insurer **Norwich Union Annuity Ltd**

Total business

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

Overseas / Direct insurance business

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
395	Annuity non-profit (PLA)			385	19492
905	Index linked annuity			1	184

Long-term insurance business: Analysis of new business**Form 47
(Sheet 4)**Name of insurer **Norwich Union Annuity Ltd**

Total business

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

Overseas / Reinsurance accepted intra-group

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
395	Annuity non-profit (PLA)				6270

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

Form 48

Name of insurer **Norwich Union Annuity 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	3934	3934	273	6.10	
Approved fixed interest securities	12	956515	1068626	26604	4.16	
Other fixed interest securities	13	4113221	4113221	311477	7.92	
Variable interest securities	14	331514	331514	18804	6.91	
UK listed equity shares	15					
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18	12109128	11997017	868624	6.04	
Total	19	17514312	17514312	1225782	6.38	

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

Land and buildings	21					
Approved fixed interest securities	22					
Other fixed interest securities	23					
Variable interest securities	24					
UK listed equity shares	25					
Non-UK listed equity shares	26					
Unlisted equity shares	27					
Other assets	28					
Total	29					

Overall return on with-profits assets

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

Long-term insurance business: Fixed and variable interest assets

Form 49

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

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK government approved fixed interest securities	11	284703	16.05	3.87	3.76
Other approved fixed interest securities	21	783923	15.72	4.22	4.11
Other fixed interest securities					
AAA/Aaa	31	501800	11.04	5.49	5.40
AA/Aa	32	1147790	9.58	7.15	6.75
A/A	33	1572543	8.77	8.05	7.43
BBB/Baa	34	881370	6.49	9.36	8.38
BB/Ba	35	2039	3.27	48.07	
B/B	36	3035	4.75	40.09	7.15
CCC/Caa	37				
Other (including unrated)	38	4644	1.31	114.80	
Total other fixed interest securities	39	4113221	8.77	7.93	7.18
Approved variable interest securities	41				
Other variable interest securities	51	331514	8.07	6.91	6.59
Total (11+21+39+41+51)	61	5513361	10.09	7.13	6.53

Long-term insurance business: Summary of mathematical reserves

Form 50

Name of insurer **Norwich Union Annuity Ltd**
 Total business / subfund **Total Long-Term Insurance Business**
 Financial year ended **31st December 2008**
 Units **£000**

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

Form 51 - with-profits	11				
Form 51 - non-profit	12	192371	15932641	420629	16545641
Form 52	13				
Form 53 - linked	14				
Form 53 - non-linked	15				
Form 54 - linked	16				
Form 54 - non-linked	17	10532	1538842	5079	1554453
Total	18	202903	17471483	425708	18100094

Reinsurance - external

Form 51 - with-profits	21				
Form 51 - non-profit	22	12115	88351	1812	102278
Form 52	23				
Form 53 - linked	24				
Form 53 - non-linked	25				
Form 54 - linked	26				
Form 54 - non-linked	27	5877	21536		27413
Total	28	17992	109887	1812	129691

Reinsurance - intra-group

Form 51 - with-profits	31				
Form 51 - non-profit	32		252474		252474
Form 52	33				
Form 53 - linked	34				
Form 53 - non-linked	35				
Form 54 - linked	36				
Form 54 - non-linked	37				
Total	38		252474		252474

Net of reinsurance

Form 51 - with-profits	41				
Form 51 - non-profit	42	180256	15591816	418817	16190889
Form 52	43				
Form 53 - linked	44				
Form 53 - non-linked	45				
Form 54 - linked	46				
Form 54 - non-linked	47	4655	1517306	5079	1527040
Total	48	184911	17109122	423896	17717929

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

**Form 51
(Sheet 1)**

Name of insurer **Norwich Union Annuity Ltd**
 Total business / subfund **Total Long-Term Insurance Business**
 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
395	Annuity non-profit (PLA)	5680	20578		n/a	n/a	n/a	181940
400	Annuity non-profit (CPA)	3424	1254		n/a	n/a	n/a	10161
440	Additional reserves non-profit OB				n/a	n/a	n/a	270

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

**Form 51
(Sheet 2)**

Name of insurer **Norwich Union Annuity Ltd**

Total business / subfund **Total Long-Term Insurance Business**

Financial year ended **31st December 2008**

Units **£000**

UK Life / Reinsurance ceded external

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
395	Annuity non-profit (PLA)		2515		n/a	n/a	n/a	12114
400	Annuity non-profit (CPA)				n/a	n/a	n/a	1

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

**Form 51
(Sheet 3)**

Name of insurer **Norwich Union Annuity Ltd**
 Total business / subfund **Total Long-Term Insurance Business**
 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
390	Deferred annuity non-profit	300	2231		n/a	n/a	n/a	31040
400	Annuity non-profit (CPA)	600723	1274727		n/a	n/a	n/a	15518806
440	Additional reserves non-profit OB				n/a	n/a	n/a	382795

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

**Form 51
(Sheet 4)**

Name of insurer **Norwich Union Annuity Ltd**
 Total business / subfund **Total Long-Term Insurance Business**
 Financial year ended **31st December 2008**
 Units **£000**

UK Pension / Reinsurance ceded external

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
400	Annuity non-profit (CPA)		15044		n/a	n/a	n/a	88351

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

**Form 51
(Sheet 5)**

Name of insurer **Norwich Union Annuity Ltd**
 Total business / subfund **Total Long-Term Insurance Business**
 Financial year ended **31st December 2008**
 Units **£000**

UK Pension / Reinsurance ceded intra-group

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
400	Annuity non-profit (CPA)		21278		n/a	n/a	n/a	252474

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

**Form 51
(Sheet 6)**

Name of insurer **Norwich Union Annuity Ltd**
 Total business / subfund **Total Long-Term Insurance Business**
 Financial year ended **31st December 2008**
 Units **£000**

Overseas / Gross

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
390	Deferred annuity non-profit	1	2		n/a	n/a	n/a	10
395	Annuity non-profit (PLA)	3454	14520		n/a	n/a	n/a	204404
400	Annuity non-profit (CPA)	5877	16215		n/a	n/a	n/a	215588
440	Additional reserves non-profit OB				n/a	n/a	n/a	627

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

**Form 51
(Sheet 7)**

Name of insurer **Norwich Union Annuity Ltd**
 Total business / subfund **Total Long-Term Insurance Business**
 Financial year ended **31st December 2008**
 Units **£000**

Overseas / Reinsurance ceded external

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
395	Annuity non-profit (PLA)		120		n/a	n/a	n/a	1580
400	Annuity non-profit (CPA)		16		n/a	n/a	n/a	232

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

**Form 54
(Sheet 1)**

Name of insurer **Norwich Union Annuity Ltd**
 Total business / subfund **Total Long-Term Insurance Business**
 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
905	Index linked annuity	115	2163				10525	10525
915	Additional reserves index linked						7	7

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

**Form 54
(Sheet 2)**

Name of insurer **Norwich Union Annuity Ltd**
Total business / subfund **Total Long-Term Insurance Business**
Financial year ended **31st December 2008**
Units **£000**

UK Life / Reinsurance ceded external

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
905	Index linked annuity		1228				5877	5877

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

**Form 54
(Sheet 3)**

Name of insurer **Norwich Union Annuity Ltd**
 Total business / subfund **Total Long-Term Insurance Business**
 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	15817	66097				1474209	1474209
907	Index linked deferred annuity	1167	5048				62361	62361
915	Additional reserves index linked						2272	2272

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

**Form 54
(Sheet 4)**

Name of insurer **Norwich Union Annuity Ltd**
Total business / subfund **Total Long-Term Insurance Business**
Financial year ended **31st December 2008**
Units **£000**

UK Pension / Reinsurance ceded external

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
905	Index linked annuity		1626				21536	21536

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

**Form 54
(Sheet 5)**

Name of insurer **Norwich Union Annuity Ltd**
 Total business / subfund **Total Long-Term Insurance Business**
 Financial year ended **31st December 2008**
 Units **£000**

Overseas / Gross

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
905	Index linked annuity	77	326				5071	5071
915	Additional reserves index linked						8	8

Long-term insurance business: index linked business

Form 56

Name of insurer **Norwich Union Annuity Ltd**

Total business

Financial year ended **31st December 2008**

Units **£000**

		Value of assets	Mean term
		1	2
Analysis of assets			
Approved variable interest securities	11	354888	13
Other variable interest securities	12	478751	11
Approved fixed interest securities	13	83452	16
Other fixed interest securities	14	437377	9
Cash and deposits	15		
Equity index derivatives	16		
Inflation swaps	17	(6815)	
Other assets	18	192289	
Variation margin	19	(12902)	
Total (11 to 19)	20	1527040	
Credit rating of other fixed interest and other variable interest securities			
AAA/Aaa	31	219994	11
AA/Aa	32	195781	9
A/A	33	391774	10
BBB/Baa	34	108038	7
BB/Ba	35	217	3
B/B	36	324	5
CCC/Caa	37		
Other (including unrated)	38		
Total other fixed interest and other variable interest securities	39	916128	10

Long-term insurance business - analysis of valuation interest rate**Form 57
(Sheet 1)**

Name of insurer **Norwich Union Annuity Ltd**
Total business / subfund **Total Long-Term Insurance Business**
Financial year ended **31st December 2008**
Units **£000**

Product Group 1	Net mathematical reserves 2	Net valuation interest rate 3	Gross valuation interest rate 4	Risk adjusted yield on matching assets 5
UK L&GA NP Form 51	179986	5.52	5.52	5.75
UK Pens NP Form 51	15209020		5.52	5.75
OS L&GA NP Form 51	418191	5.52	5.52	5.75
UK L&GA NP Form 54	4648	2.33	2.33	2.55
UK Pens NP Form 54	1515034		2.33	2.55
OS L&GA NP Form 54	5071	2.33	2.33	2.55
Miscellaneous	385979			
TOTAL	17717929	n/a	n/a	n/a

Long-term insurance business: distribution of surplus

Form 58

Name of insurer **Norwich Union Annuity Ltd**
 Total business / subfund **Total Long-Term Insurance Business**
 Financial year ended **31st December 2008**
 Units **£000**

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

Valuation result

Fund carried forward	11	18108929	16291748
Bonus payments in anticipation of a surplus	12		
Transfer to non-technical account	13		
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	18108929	16291748
Mathematical reserves	21	17717929	16291748
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	391000	

Composition of surplus

Balance brought forward	31		
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	391000	
Total	39	391000	

Distribution of surplus

Bonus paid in anticipation of a surplus	41		
Cash bonuses	42		
Reversionary bonuses	43		
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46		
Net transfer out of fund / part of fund	47		
Total distributed surplus (46+47)	48		
Surplus carried forward	49	391000	
Total (48+49)	59	391000	

Percentage of distributed surplus allocated to policyholders

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

Long-term insurance capital requirement
Form 60

 Name of insurer **Norwich Union Annuity 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%				
Classes I (other), II and IX	12	0.1%				
Classes I (other), II and IX	13	0.15%				
Classes I (other), II and IX	14	0.3%				
Classes III, VII and VIII	15	0.3%				
Total	16					

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%	16545641	16190889	0.98	161909
Classes III, VII and VIII (investment risk)	33	1%	1554453	1527040	0.98	15270
Classes III, VII and VIII (expenses fixed 5 yrs +)	34	1%				
Classes III, VII and VIII (other)	35	25%				
Class IV (other)	36	1%				
Class V	37	1%				
Class VI	38	1%				
Total	39					177179

Insurance market risk capital component

Life protection and permanent health reinsurance	41	0%				
Classes I (other), II and IX	42	3%	16545641	16190889	0.98	485727
Classes III, VII and VIII (investment risk)	43	3%	1554453	1527040	0.98	45811
Classes III, VII and VIII (expenses fixed 5 yrs +)	44	0%				
Classes III, VII and VIII (other)	45	0%				
Class IV (other)	46	3%				
Class V	47	0%				
Class VI	48	3%				
Total	49		18100094	17717929		531538

Long term insurance capital requirement	51					708717
						651670

Supplementary notesName of insurer **Norwich Union Annuity Limited**

Global business

Financial year ended **31st December 2008****Code****0204 Section 148 Waivers****Rate of interest 648787**

The Financial Services Authority, on the application of the firm, made a direction under section 148 of the Financial Services and Markets Act 2000 in September 2006. The effect of the direction is to modify the provisions of INSPRU 3.1.35R and INSPRU 3.1.39R so that a more appropriate rate of interest will be used for assets taken in combination. This modification applies solely to fixed interest securities or assets linked to an index of retail prices which are considered by the actuarial function holder to be backing the non-profit (non-linked or index-linked) annuity business of the firm.

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

	£'000
i) Net admissible assets	
Form 13 Line 89 (Long term business)	19,041,352
Form 13 Line 89 (Other than long term business)	146,229
Form 14 Lines 11, 12 and 49	(18,044,296)
Form 15 Line 69	(5,183)
	<hr/> 1,138,102
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	-
Total i) to iv) above	1,138,102
Form 3, line 79	1,138,102

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

	£'000
a) Positive valuation differences in respect of assets where valuation in GENPRU and INSPRU exceeds the valuation that the firm uses for external financial reporting purposes	-
b) Positive valuation differences in respect of liabilities where valuation in GENPRU and INSPRU is lower than the valuation that the firm uses for external financial reporting purposes	
- Deferred tax provision	175,935
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	-
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	
- Mathematical reserves	(157,098)
Net positive valuation difference included in line 14	18,837

Supplementary notesName of insurer **Norwich Union Annuity Limited**

Global business

Financial year ended **31st December 2008****Code****0313 Reconciliation of profit and loss account and other reserves**

	£'000
Profit and loss account and other reserves at the end of the previous financial year (Form 3 Line 12 Column 4)	1,225,098
Profit retained for the financial year	(8,717)
Profit arising in the long-term insurance fund that has not been transferred to the shareholder fund	(61,383)
Profit and loss account and other reserves at the end of this financial year (Form 3 Line 12 Column 3)	1,154,998

1301 Aggregate values of assets**1308**

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

	Category 1 £m	Category 10 £m
Unlisted investments on line 46 and 48	-	1,117
Listed investments on lines 41, 46 and 48 which are not readily realisable	-	-
Units in collective investment schemes that are not schemes falling within the UCITS Directive or are not authorised unit trust schemes or recognised schemes within the meaning of Part XVII of the Act	97	-
Reversionary interests or remainders in property other than land or buildings	-	-

1304 Amounts set off**1310**

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

1305 Counterparty limits**1319**

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

Deposits

The maximum permitted exposure to counterparties is set out in the Investment Management Agreement with Aviva Investors Global Services Limited and approved by the Norwich Union Life Investment Committee. Each fund cannot hold more than 2% of funds under management (but subject to minimum of £20m and a maximum of £100m) with individual 'Tier 1' counterparties, 1.5% of funds under management (but subject to a minimum of £15m and a maximum of £75m) with individual 'Tier 2' counterparties and 0.5% of funds under management (but subject to a minimum of £10m and a maximum of £50m) with individual 'Tier 3' counterparties. Tier 1 represents AAA rated institutions, Tier 2 represents institutions rated AA- or better whilst Tier 3 represents institutions rated A- or better.

Fixed income securities

Exposure to non-government bonds is limited to holdings, which are deemed to be of a suitable investment grade determined by senior investment management. The maximum extent to which, in accordance with investment guidelines operated by the company, it was permitted to be exposed to any one counterparty and connected companies rated AA- or higher during the financial year was 5% and 3% for any one counterparty and connected companies rated BBB- to A+. The maximum extent to which fully secured mortgage debt was permitted to be exposed to any one counterparty and connected companies was 10%. Over the financial year there were no breaches of the above limits.

Supplementary notesName of insurer **Norwich Union Annuity Limited**

Global business

Financial year ended **31st December 2008****Code****1306 Counterparty exposure**
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.

1302 Hybrid securities

The aggregate value of hybrid securities is £291m

1318 Other asset adjustments

Amounts included in Form 13 line 101 are analysed as follows.

	Category 1 £'000	Category 10 £'000
Gross up of intercompany liabilities	1,500	-

1401 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.

1402 Contingent liabilities
1502

Deferred tax arising from potential tax on capital gains is nil.

There are no contingent liabilities applicable to long term insurance business.

There are no charges over any assets of the Company.

There are no guarantees, indemnities or any other contractual commitments in respect of related companies.

There are no other fundamental uncertainties.

1404 Implicit provision required by INSPRU 3.2.17R(3)

The amount of implicit provision required by INSPRU 3.2.17R(3) included in line 38 is £96,634k.

1405 Other adjustments to liabilities

Amounts included in Form 14 line 74 are analysed as follows.

	Total
	£'000
Adjustment to mathematical reserves	(157,099)
Adjustment to deferred tax provision	176,375
Total	<u>19,276</u>

Supplementary notesName of insurer **Norwich Union Annuity Limited**

Global business

Financial year ended **31st December 2008****Code****1507 Other adjustments to liabilities**

Amounts included in Form 15 line 83 are analysed as follows.

	Total
	£'000
Gross up of intercompany liabilities	(1,500)
Adjustment to deferred tax provision	(440)
Total	<u>(1,940)</u>

1601 Rates of exchange
4005

The Company conducts all its business in the UK and Offshore Islands. Currency swaps are in place in respect of all investments denominated in currencies other than Sterling.

1700 Form omitted

No Category 1 Form 17 has been prepared on the basis that there are no derivative contracts for this category of assets.

1701 Variation margin

The aggregate amount of any excess variation margin which has been received by the Company is £3,385k.

The variation margin is allocated as follows:

	£'000
Form 13 line 44	(118,610)
Form 14 line 38	73,072

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

4008 Management services

Management services have been provided throughout the financial year to the Company by Norwich Union Life Services Limited.

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

4009 Related party transactions

There were no related party transactions during the year which exceeded 5% of the long-term insurance liabilities.

4702 UK and overseas annuities

UK Life and Overseas new immediate annuities are all assumed to be 395 Annuity non-profit (PLA) contracts and not to arise as a result of any funds held within a pension arrangement.

For Bulk Purchase Annuities, the single premiums have been apportioned between product codes in proportion to the split of the corresponding reserves.

Supplementary notes

Name of insurer **Norwich Union Annuity Limited**

Global business

Financial year ended **31st December 2008**

Code

4703 UK and overseas annuities

Where a policyholder holds a plan with both non-linked and index-linked benefits the policyholder count is assigned to column 5 for the index-linked product code. Where a policyholder holds more than one plan, the policyholder count is assigned to column 5 for each plan.

4802 Expected interest

Expected interest from three debentures currently in default is not included in column 3 of Form 48. The total expected interest is £2,919k. The yield on these assets is not required to support the valuation basis rates of interest in Forms 51 and 57.

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 Yield for assets line 18

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

	Yield
Deposits not subject to time restriction (Form 13 Line 81)	2.17%
Shares in non-insurance dependants (Form 13 Line 25)	Nil
Direct insurance debtors (Form 13 line 71)	Nil
Reinsurance debtors (Form 13 line 74)	Nil
Other debtors (Form 13 line 78)	Nil

4901 Credit rating
5601

The credit rating analysis on Forms 49 and 56 have been prepared using the second highest published rating of those provided by Standard & Poor's, Fitch, and Moody's.

Internally assigned ratings have been used for securities that are not rated by external agencies.

5102 Number of policyholders
5402

Where a policyholder holds a plan with both non-linked and index-linked benefits the policyholder count is assigned to column 3 for the index-linked product code. Where a policyholder holds more than one plan, the policyholder count is assigned to column 3 for each plan.

5104 Apportionment between product codes
5404

The Bulk Purchase Annuity reserves have been split between product codes 390, 400, 905 and 907 using information available at a scheme level. This information includes number of members, annuity amounts and escalation type.

Valuation report prepared by the actuarial function holder – IPRU (INS) Appendix 9.4Name of Company **Norwich Union Annuity 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) No interim valuations have been carried out.

2. Product Range

There have been no significant changes to the product range during 2008.

3. Discretionary charges and benefits

- (1) There is no accumulating with-profits business.
- (2) Not applicable.
- (3) There are no deposit administration benefits.
- (4) The guaranteed annuity benefit is calculated incorporating an allowance for service charges.
- (5) Not applicable.
- (6) There is no accumulating with profit business.
- (7) Not applicable.
- (8) Not applicable.
- (9) Not applicable.
- (10) Not applicable.

4. Valuation basis

- (1) The conventional immediate and deferred annuity business is valued by discounting future benefit payments and maintenance expenses

The mathematical reserve for RPI-linked annuities is determined with an explicit allowance of 3% for future increases in annuity payments, which is consistent with the treatment of the matching assets. The treatment of RPI-linked annuities which are subject to maximum and minimum percentage annual increases is described in 5 (4) below.

- (2) The following table gives the valuation interest rates at the end of 2008 compared with those at the end of 2007. Non-linked and index-linked liabilities are backed by different assets and hence have different valuation interest rates. Index linked yields are real yields.

Product Group	Valuation interest rates	
	2008 %	2007 %
Non-linked pensions annuities	5.521	5.227
Non-linked life and general annuities	5.521	5.227
Index linked pensions annuities	2.332	1.317
Index linked life and general annuities	2.332	1.317
Bulk Purchase Annuities – Non-linked	5.521	4.813
Bulk Purchase Annuities – Index linked	2.332	4.813

Valuation report prepared by the actuarial function holder – IPRU (INS) Appendix 9.4Name of Company **Norwich Union Annuity Limited**

Global business

Financial year ended **31 December 2008**

- (3) In accordance with INSPRU 3.1.41R, a prudent adjustment, excluding that part of the yield estimated to represent compensation for the risk that the income from the asset might not be maintained or that capital repayments might not be received as they fall due, was made to the yield on assets.

This adjustment took account of:

- (a) Market margins of gross yield over the yields of risk-free investments of a similar term in the same currency, where available
- (b) The reasonableness of the net of adjustment yields over the yields of risk-free investments of a similar term in the same currency, taking account of the points above
- (c) The future outlook for bad debt experience.
- (d) The historic experience of bad debts for each of the major fixed interest asset classes
- (e) The need to take a prudent view of the above.

The deductions for bad debts were:

	31/12/2008	31/12/2007
Commercial mortgages (NUMF)	0.50%	0.50%
Healthcare mortgages (GPFC)	0.10%	0.10%
Non-linked equity release mortgages funded pre 2006	0.90%	0.90%
Non-linked equity release mortgages 2006 funded	0.72%	0.72%
Non-linked equity release mortgages funded 2007 onwards	0.90%	0.90%
RPI linked equity release mortgages pre 2007	2.25%	2.25%
RPI linked equity release mortgages 2007 onwards	3.60%	3.60%
Index linked property	0.69%	0.69%
Corporate Bonds – AAA	0.09%	0.09%
Corporate Bonds – AA	0.28%	0.28%
Corporate Bonds – A	0.32%	0.32%
Corporate Bonds – BBB	0.67%	0.67%
Corporate Bonds – BB	1.68%	1.68%
Corporate Bonds – B	3.10%	3.10%
Corporate Bonds – C	4.95%	4.95%
Corporate Bonds – unrated	0.67%	0.67%
Private placements	<i>See Note</i>	<i>See Note</i>
Swaps	0.00%	0.00%

Note: Rating-specific deductions were applied to private placements in line with the corporate bond deductions in the above table.

The valuation rate of interest used is net of a deduction of 0.08% which provides a prudent margin for cash flow reinvestment and disinvestment risk.

An additional deduction was made to the valuation rate of interest in respect of short-term commercial mortgage defaults. This has the impact of increasing reserves by £250m.

- (4) Except for Bulk Purchase Annuities, mortality is based on UK standard published tables with prudent allowance for current experience, and adjustments for improving longevity. For Bulk Purchase Annuities, mortality for pensions in payment is based upon "NUA Model C" mortality with prudent allowance for current experience, and adjustments for improving longevity. The policyholders predominantly reside in the country of operation, except for business written in the Minor Sterling category.

The 2008 mortality basis is largely unchanged from the 2007 mortality basis for the majority of NUA annuity business. The only change for the NUA (excluding Provident Mutual originated business and Bulk Purchase Annuity business) base tables was to reduce by three percentage points the margins for adverse deviations.

Valuation report prepared by the actuarial function holder – IPRU (INS) Appendix 9.4Name of Company **Norwich Union Annuity Limited**

Global business

Financial year ended **31 December 2008**

The following tables summarise the standard NUA mortality basis and improvement rates.

	Base table	31 December 2008	
		Male %	Female %
Pensions Annuity (business up to 31/12/2000)	PCMA00/PCFA00	88.5	83.0
Pension Annuity (business post 31/12/2000)	PCMA00/PCFA00	78.0	73.5
General Annuity	IML00/IFL00	69.0	72.0
Improvement rates applied to both Pension and General Annuities	Medium cohort applicable from 2005	100.0	75.0
	Minimum rate p.a.	2.0	1.5

	Base table	31 December 2007	
		Male %	Female %
Pensions Annuity (business up to 31/12/2000)	PCMA00/PCFA00	85.5	80.0
Pension Annuity (business post 31/12/2000)	PCMA00/PCFA00	75.0	70.5
General Annuity	IML00/IFL00	69.0	72.0
Improvement rates applied to both Pension and General Annuities	Medium cohort applicable from 2005	100.0	75.0
	Minimum rate p.a.	2.0	1.5

The mortality basis for long term care immediate annuities is based on the same base tables as general annuities with individual loadings as advised by the underwriters at the point of sale and an additional margin for prudence.

The mortality basis for the non-profit pension immediate annuity business that had been written in Provident Mutual and was transferred into NUA is unchanged. The 2008 and 2007 mortality bases and improvement rates for this Provident Mutual originated business are as follows.

	31 December 2008			31 December 2007		
	Base table	Male %	Female %	Base table	Male %	Female %
Individual business	IML00/IFL00	90.0	90.0	IML00/IFL00	90.0	90.0
Group business	PCMA00/PCFA00	100.0	110.0	PCMA00/PCFA00	100.0	110.0
Improvement rates applied to both Individual and Group business	Medium cohort applicable from 2005	100.0	75.0	Medium cohort applicable from 2005	100.0	75.0
	Minimum rate p.a.	2.0	1.5	Minimum rate p.a.	2.0	1.5

Valuation report prepared by the actuarial function holder – IPRU (INS) Appendix 9.4Name of Company **Norwich Union Annuity Limited**

Global business

Financial year ended **31 December 2008**

Bulk Purchase Annuity Mortality in Deferment						
	31 December 2008			31 December 2007		
	Base table	Male %	Female %	Base table	Male %	Female %
Bulk Purchase Annuities	AM00 (ultimate) / AF00 (ultimate)	83.6	86.0	AM00 (ultimate) / AF00 (ultimate)	83.6	86.0
Improvement rates	Medium cohort applicable from 2005	100.0	75.0	Medium cohort applicable from 2005	100.0	75.0
	Minimum rate p.a.	2.0	1.5	Minimum rate p.a.	2.0	1.5

The base mortality table used for Bulk Purchase Annuity mortality in payment is a bespoke table and is denoted "NUA Model C". The mortality basis for Bulk Purchase Annuity mortality in payment is shown in the table below.

Bulk Purchase Annuity Mortality in Payment: Modified "NUA Model C"						
	31 December 2008			31 December 2007		
	Base table	Male %	Female %	Base table	Male %	Female %
* Bulk Purchase Annuities	NUA Model C	93.5-100.98	93.5-107.525	NUA Model C	93.5	93.5
Improvement rates	Medium cohort applicable from 2005	100.0	75.0	Medium cohort applicable from 2005	100.0	75.0
	Minimum rate p.a.	2.0	1.5	Minimum rate p.a.	2.0	1.5

* Note - The Bulk Purchase Annuity mortality rates are scheme dependant.

No allowance is made or reserve held in addition to the assumptions above, in respect of possible changes in the incidence of disease or developments in medical science.

The resulting life expectancies from the valuation date for annuities in payment are shown in the table below at sample ages. Bulk Purchase Annuities life expectancies are shown for the average policyholder.

Expectations of life (years)	31 December 2008			
	Male		Female	
	65	75	65	75
Standard Pensions Annuity (Business Up To 31/12/2000)	23.7	14.5	25.8	16.3
Standard Pensions Annuity (Business Post 31/12/2000)	25.1	15.6	27.0	17.4
General Annuity	26.3	16.5	27.8	17.7
Provident Mutual originated individual annuity	23.7	14.3	25.8	15.9
Provident Mutual originated group annuity	22.5	13.5	23.1	14.1
Bulk Purchase Annuities	23.9	14.8	26.0	16.4

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Global business

Financial year ended **31 December 2008**

Expectations of life (years)	31 December 2007			
	Male		Female	
	65	75	65	75
Standard Pensions Annuity (Business Up To 31/12/2000)	23.9	14.6	26.0	16.5
Standard Pensions Annuity (Business Post 31/12/2000)	25.3	15.8	27.2	17.6
General Annuity	26.1	16.3	27.7	17.6
Provident Mutual originated individual annuity	23.5	14.2	25.7	15.8
Provident Mutual originated group annuity	22.3	13.3	23.0	14.0
Bulk Purchase Annuities	23.7	14.6	25.9	16.3

The resulting life expectancies at age 65 for deferred annuities are shown in the table below at sample ages:

Expectations of life (years)	At Age 65			
	Male		Female	
	31/12/08	31/12/07	31/12/08	31/12/07
Bulk Purchase Annuities:				
Current Age 45	29.2	29.0	29.4	29.3
Current Age 55	26.9	26.7	28.0	27.8

Given the increasing materiality of BPA business within NUA, the methodology for calculating expectations of life for BPA has been refined since the 2007 returns to more accurately reflect the mix of business. The expectations of life for 2007 have been restated to be consistent with the 2008 figures.

- (5) Not applicable.
- (6) The value of future maintenance expenses is calculated from current maintenance expense levels by broad category of business, increasing by future expense inflation over the lifetime of each contract. The following expense assumptions are based on the terms of the Management Services Agreement between Norwich Union Life Services Limited and Norwich Union Annuity Limited and increased by 10% in respect of project costs. Expense assumptions are shown for pension annuities only. The per policy expenses are shown gross and no tax relief is assumed.

	Per policy expense £ per annum	
	2008	2007
Annuity non-profit CPA (400)	16.48	23.33
Annuity non-profit (bulk transfer) (401)	27.50	25

An additional reserve of £10.7m has been established in respect of project cost overruns.

The assumed future inflation rate applying to maintenance expenses is 1.87% pa.

- (7) Not applicable.
- (8) Not applicable.
- (9) Not applicable.
- (10) The valuation interest rate was adjusted to allow for investment expenses based on actual investment charges incurred. There were no other material basis assumptions.
- (11) The company holds six interest rate swaps in its policyholder fund.

A swap is held in respect of matching asset and liability cash flows for index linked business.

A swap provides fixed interest cash flows in exchange for variable interest cash flows from certain mortgage assets used to back long-term fixed interest liabilities

Two swaps are held in respect of matching asset and liability cashflows for fixed interest business and provide long-term fixed interest cash flows in exchange for short and medium term cashflows

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Name of Company **Norwich Union Annuity Limited**

Global business

Financial year ended **31 December 2008**

Two swaps provide fixed interest cash flows in exchange for RPI linked cash flows from two corporate bond assets used to back long-term fixed interest liabilities.

The company holds currency swaps to hedge the risk of currency movements on corporate bonds denominated in US dollars backing liabilities denominated in Sterling.

An inflation swap is held to hedge the risk of inflation arising from RPI and LPI linked Bulk Purchase Annuity liabilities, backed by fixed interest corporate bonds.

Credit default swaps are held to provide exposure to credit markets until cash from new premiums is invested in suitable assets.

A long gilt future is held to provide exposure to gilt markets until cash from new premiums is invested in suitable assets.

The valuation interest rate used to determine the value of long-term index linked liabilities is derived from the rate of interest which equates the discounted value of aggregate cash flows, including cash flows arising from each of the swaps, with the total market value of the asset portfolio, including the market value of each of the swap.

Supplementary note 0204 gives details of the valuation interest rate approach.

- (12) There is no impact on mathematical reserves arising from changes in the INSPRU valuation rules effective from 31 December 2006.

5. Options and Guarantees

- (1) Not applicable.
- (2) For the G Plus Bond deferred annuity a guaranteed cash option is available in lieu of an annuity and the reserve is held for this option.
- (3) A reserve of £4.5m is held in respect of the guaranteed insurability option that exists on one bulk purchase annuity scheme. This option allows new member pensions to be placed with NUA over the next five years on guaranteed mortality assumptions, up to a limit of £200m.

The reserve held is 2.5% of the outstanding limit in respect of this guarantee. This outstanding limit was £177m at end December 2008, which resulted in the reserve of £4.5m.

- (4) Some RPI-linked annuities are subject to maximum and minimum percentage increases. For valuation purposes these are treated as being identical to normal RPI-linked annuities.

There are no other guarantees with any value.

6. Expense Reserves

- (1) Based on the non-linked business in force at 31 December 2008, the explicit allowance for maintenance expenses during 2009 is £10.7m and the implicit allowance for investment expenses, in the valuation rate of interest, during 2009 is £8.7m. All expenses have been treated as attributable.
- (2) The implicit allowance for investment expenses was estimated by applying the investment expense deductions by asset class assumed in the valuation interest rate calculation to the assets allocated to the valuation liabilities.
- (3) The maintenance expenses in line 14 of Form 43 are £24.1m. This compares with the total of £19.4m from 6(1). In 2008 the Management Services Agreement between Norwich Union Life Services Limited and Norwich Union Annuity Limited was renegotiated. The new Agreement has resulted in lower maintenance expenses charged to Norwich Union Annuity Limited for 2009 onwards, hence the significant difference.
- (4) The costs of acquiring new business assumed in the next twelve months would have little impact on the Company and would be charged to the new business written.

Valuation report prepared by the actuarial function holder – IPRU (INS) Appendix 9.4

Name of Company **Norwich Union Annuity Limited**

Global business

Financial year ended **31 December 2008**

- (5) An assessment was made of the cost of closure of the Company to new business at the end of 2008 and a reserve for £14.8m, corresponding to the full cost, was established on Form 51.
- (6) There are no expenses which have been treated as non-attributable.

7. Mismatching Reserves

- (1) Mathematical reserves for overseas business as reported in Forms 51 and 54 are all in respect of sterling liabilities and are fully matched by sterling assets.
- (2) Not applicable.
- (3) There are no significant liabilities in currencies different to the matching assets.
- (4) Two tests were applied at December 2008, in line with INSPRU 3.1.16R
 - (a) a rise in risk free interest yields for all outstanding terms of 20% of the long term gilt yield accompanied by a fall in property values of 20%
 - (b) a fall in risk free interest yields for all outstanding terms of 20% of the long term gilt yield accompanied by a fall in property values of 20%

For those fixed interest securities that are not risk free, we assume the yield differential to risk free does not reduce in a resilience test.

The most onerous scenario as at 31 December 2008 was test (a).

- (5) There are no investments outside of the United Kingdom at 31 December 2008 for the purposes of calculating the resilience capital requirement.
- (6) The assets and liabilities have been revalued on this interest basis.
 - (a) The calculations have led to a resilience capital requirement of £66.5m.
 - (b) The aggregate value of liabilities has decreased by £1,178.0m
 - (c) The aggregate value of assets has decreased by £1,244.6m
- (7) The valuation liabilities include an allowance of a 0.08% deduction from the valuation interest rate for duration mismatch as mentioned in section 4(3). No further reserve is required to satisfy INSPRU 1.1.34R.

8. Additional Special Reserves

An additional reserve to cover potential data quality issues is established at a level of 0.15% of the reserve for future annuity payments and expenses.

An additional reserve of £300m in respect of short-term corporate bond defaults has been established to protect against the significant widening of credit spreads in corporate bond markets.

9. Reinsurance

- (1) The Company has no facultative reinsurance with a reinsurer who is not authorised to carry out business in the United Kingdom.
- (2) There were 7 reinsurance treaties with external reinsurers where the Company was the ceding insurer and under which business was in force at the valuation date.

Valuation report prepared by the actuarial function holder – IPRU (INS) Appendix 9.4Name of Company **Norwich Union Annuity Limited**

Global business

Financial year ended **31 December 2008**

Treaties 1 to 3	
Reinsurer	Munich Re (Treaty 1 and 2) and Hannover Re (Treaty 3)
Nature of cover	50% (Treaty 1) or 90% (Treaties 2 and 3) Quota share on UK Long Term Care (Immediate Care) business
Premiums payable in 2008	£0.692m
Deposit back arrangements	Not applicable
Open/closed to new business	Treaty 1 was closed to new business in March 2001. New business is placed with either Munich Re under Treaty 2 or Hannover Re under Treaty 3.
Undischarged liabilities	None
Mathematical reserves ceded	Total reserves ceded under the 3 treaties are £18.120m
Retention limit for new policies	10% retained of each new annuity

Munich Re and Hannover Re are authorised to carry on insurance business in the UK and are not connected. The treaties are not subject to any material contingencies. There are no liabilities to refund reinsurance commission in the event of lapse or surrender of the contract under any of the treaties. None of the treaties is a financing arrangement.

Treaty 4	
Reinsurer	Hannover Re
Nature of cover	75% Quota share on UK Impaired Life Annuity business
Premiums payable in 2008	£NIL
Deposit back arrangements	Not applicable
Open/closed to new business	Closed to new business
Undischarged liabilities	None
Mathematical reserves ceded	£51.719m
Retention limit for new policies	Not applicable

The treaty is not subject to any material contingencies. There are no liabilities to refund reinsurance commission in the event of lapse or surrender of the contract under the treaty. The treaty is not a financing arrangement.

	Treaty 5	Treaty 6
Reinsurer	XL Re	Partner Re
Nature of cover	Quota share mortality swap where fixed premiums are payable in exchange for reinsurance claims linked to actual claims. The mortality risk is in respect of 7% of a defined block of in-force UK pension annuity business agreed at the treaty commencement date.	Quota share mortality swap where fixed premiums are payable in exchange for reinsurance claims linked to actual claims. The mortality risk is in respect of 3% of a defined block of in-force UK pension annuity business agreed at the treaty commencement date.
Premiums payable in 2008	£42.589m	£18.252m
Deposit back arrangements	Not applicable	Not applicable
Open/closed to new business	Closed to new business	Closed to new business
Undischarged liabilities	None	None
Mathematical reserves ceded	£18.206m	£7.803m
Retention limit for new policies	Not applicable	Not applicable

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Global business

Financial year ended **31 December 2008**

XL Re is authorised to carry on insurance business in the UK. Partner Re is not authorised to carry on insurance business in the UK. Neither reinsurer is connected. The treaties are not subject to any material contingencies. There are no liabilities to refund reinsurance commission in the event of lapse or surrender of the contract under either treaty. Neither treaty is a financing arrangement.

Treaty 7	
Reinsurer	RGA Reinsurance UK Limited
Nature of cover	Quota share mortality swap where fixed premiums are payable in exchange for reinsurance claims linked to actual claims. The mortality risk is in respect of new enhanced pension annuities written from the treaty commencement date.
Premiums payable in 2008	£5.607m
Deposit back arrangements	Not applicable
Open/closed to new business	Open to new business
Undischarged liabilities	None
Mathematical reserves ceded	£17.236m
Retention limit for new policies	25% retained of Purchase Price up to and including £1m, plus 100% retained of any Purchase Price in excess of £1m

RGA Reinsurance UK Limited is authorised to carry on insurance business in the UK and is not connected. The treaty is not subject to any material contingencies. There are no liabilities to refund reinsurance commission in the event of lapse or surrender of the contract under either treaty. The treaty is not a financing arrangement.

There was one reinsurance treaty with another Group company where the Company was the ceding insurer and under which business was in force at the valuation date.

Internal Reinsurance Treaty 34	
Reinsurer	NULAP (Non Profit Sub-Fund 2)
Nature of cover	100% reinsurance of non-profit immediate pension annuities which were originally written in Norwich Union Linked Life and were transferred to Norwich Union Annuity Limited as at 1 January 2005. The effect of the treaty is to transfer all the liabilities to NULAP as if the business had been written in NULAP.
Premiums payable in 2008	£NIL
Deposit back arrangements	Not applicable
Open/closed to new business	Closed to new business
Undischarged liabilities	None
Mathematical reserves ceded	£252.474m
Retention limit for new policies	Not applicable

NULAP is authorised to carry on insurance business in the UK and is a connected company. The treaties are not subject to any material contingencies. There are no liabilities to refund reinsurance commission in the event of lapse or surrender of the contract under either treaty. Neither treaty is a financing arrangement.

- (3) None of the above treaties are financing arrangements.

10. Reversionary bonus

Not relevant. The Company has no with profits business.

Returns under the Accounts and Statements Rules

Statement on derivatives required by IPRU (INS) 9.29

Name of Company **Norwich Union Annuity Limited**

Global business

Financial year ended **31st December 2008**

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

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

The speculative use of derivative contracts is prohibited.

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

No significant provisions have been required under INSPRU 3.2.17R for any derivative contracts held at any time during the financial year. All contracts held fall under the definition of approved, admissible contracts as detailed in INSPRU 3.2.5R.

Returns under the Accounts and Statements Rules

Statement on controllers required by IPRU (INS) 9.30

Name of insurer **Norwich Union Annuity Limited**

Global business

Financial year ended **31st December 2008**

100% of the issued share capital of the Company is held by Norwich Union Life & Pensions Limited.

100% of the issued share capital of Norwich Union Life & Pensions Limited 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.

Certificate by the directors required by IPRU (INS) 9.34(1) and IPRU (INS) Appendix 9.6

Name of insurer **Norwich Union Annuity 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; and
(c) the directors have, in preparing the return, taken and paid due regard to advice from every actuary appointed by the insurer to perform the actuarial function in accordance with SUP 4.3.13R.

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

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

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

27 March 2009

Returns under the Accounts and Statements Rules

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

Name of insurer **Norwich Union Annuity 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 the INSPRU Prudential Sourcebook for Insurers ("the Rules") made by the Financial Services Authority under section 138 of the Financial Services and Markets Act 2000 ("the Act").

- Forms 2, 3, 13 to 17, 40 to 43, 48, 49, 56, 58 and 60 (including the supplementary notes) ("the Forms");
- the statement required by rule 9.29 ("the statement"); and
- the report required by rule 9.31(a) ("the valuation report").

We are not required to examine and do not express an opinion on the following:

- a) Forms 46, 47, 50, 51, 54 and 57 (including the supplementary notes);
- b) the statement required by rule 9.30; and
- c) the certificate signed in accordance with rule 9.34(1).

This report is made solely to the insurer's directors, in accordance with rule IPRU(INS) 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 report) under the provisions of the Rules. The requirements of the Rules have been modified by the direction issued under section 148 of the Act on 30 September 2006 referred to in supplementary note 0204. Under rule IPRU(INS) 9.11 the Forms, the statement and the valuation report 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 report prepared in accordance with rule IPRU(INS) 9.31(a) are required to reflect appropriately the requirements of INSPRU 1.2.

It is our responsibility to form an independent opinion as to whether the Forms, the statement and the valuation report 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 report. The evidence included that previously obtained by us relating to the audit of the financial statements of the insurer for the financial year on which we reported on 27 March 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 report.

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 report are free from material misstatement, whether caused by fraud or other irregularity or error, and comply with rule IPRU(INS) 9.11.

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

Returns under the Accounts and Statements Rules

Independent auditors' report to the directors pursuant to rule 9.35 of the Interim Prudential Sourcebook for

Insurers

Name of insurer **Norwich Union Annuity Limited**

Global Business

Financial year ended **31st December 2008**

Opinion

In our opinion:

- (a) the Forms, the statement and the valuation report fairly state the information provided on the basis required by the Rules as modified and have been properly prepared in accordance with the provisions of those Rules; and
- (b) the methods and assumptions determined by the insurer and used to perform the actuarial investigation as set out in the valuation report prepared in accordance with rule IPRU(INS) 9.31(a) appropriately reflect the requirements of INSPRU 1.2.

Ernst & Young LLP
Registered Auditor
London
31 March 2009