

# **Commercial Union Life Assurance Company Limited**

Registered office: St Helen's, 1 Undershaft, London, EC3P 3DQ

**Annual FSA Insurance Returns for the year ended  
31st December 2002**



Accounts and statements pursuant to the  
Financial Services and Markets Act 2000

**Index to Appendices 9.1, 9.3, 9.4 and 9.6 of IPRU (INS)**Name of insurer **Commercial Union Life Assurance Company Limited**

Global Business

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

Global Business

Financial year ended **31st December 2002**

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Returns under the Accounts and Statements Rules

**Covering page to form 9**

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

Global business

Financial year ended **31st December 2002**

..... **GN WITHERS**  
Chief Executive

..... **J A NEWMAN**  
Director

..... **M N URMSTON**  
Director

26<sup>th</sup> March 2003

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

Global business

Financial year ended **31st December 2002**

	Company registration number	GL/UK/CM	Period ended			Units
			day	month	year	
<b>R9</b>	<b>79678</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2002</b>	<b>£000</b>
	As at the end of this financial year	As at the end of the previous year	Source			
	<b>1</b>	<b>2</b>	Form	Line	Column	

**GENERAL INSURANCE BUSINESS****Available assets**

Other than long term insurance business assets allocated towards general insurance business required minimum margin	<b>11</b>			See instructions 1 and 2
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**Required minimum margin**

Required minimum margin for general insurance business	<b>12</b>			12 . 49
Excess (deficiency) of available assets over the required minimum margin (11-12)	<b>13</b>			

**LONG TERM INSURANCE BUSINESS****Available assets**

Long term insurance business admissible assets	<b>21</b>	13344925	13869617	10 . 11
Other than long term insurance business assets allocated towards long term insurance business required minimum margin	<b>22</b>	56305		See instructions 1 and 3
Total mathematical reserves (after distribution of surplus)	<b>23</b>	12550869	12369412	See instruction 4
Other insurance and non-insurance liabilities	<b>24</b>	343938	279923	See instruction 5
Available assets for long term insurance business required minimum margin (21+22-23-24)	<b>25</b>	506423	1220282	

**Implicit Items admitted under Rule 2.10(5) as modified**

Future profits	<b>31</b>	411807	405000	
Zillmerising	<b>32</b>			
Hidden reserves	<b>33</b>			

Total of available assets and implicit items (25+31+32+33)	<b>34</b>	918230	1625282	
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**Required minimum margin**

Required minimum margin for long term insurance business	<b>41</b>	494168	486252	60 . 69
Explicit required minimum margin (1/6 x 41, or minimum guarantee fund if greater)	<b>42</b>	82361	81042	
Excess (deficiency) of available assets over explicit required minimum margin (25-42)	<b>43</b>	424062	1139240	
Excess (deficiency) of available assets and implicit items over the required minimum margin (34-41)	<b>44</b>	424062	1139030	

**CONTINGENT LIABILITIES**

Quantifiable contingent liabilities in respect of other than long term insurance business as shown in a supplementary note to Form 15	<b>51</b>			See instruction 6
Quantifiable contingent liabilities in respect of long term insurance business as shown in a supplementary note to Form 14	<b>52</b>			See instruction 6

**Analysis of the effect of financial engineering on long-term available assets**Name of insurer **Commercial Union Life Assurance Company Limited**

Global business

Financial year ended **31st December 2002**

		Company registration number	GL/UK/CM	Period ended			Units	
		R9A	79678	GL	31	12	2002	£000
		As at the end of this financial year		As at the end of the previous year		Source		
		1		2				
Required minimum margin for long term insurance business	11	494168				See instruction 2		
Excess (deficiency) of available assets and implicit items over the required minimum margin	12	424062				See instruction 3		
Total available assets and implicit items (11+12)	13	918230						
Analysed as follows:								
Value of implicit items	14	411807				See instruction 5		
Financial reinsurance- ceded	15					See instruction 6		
Financial reinsurance- accepted	16	52971				See instruction 7		
Outstanding contingent loans	17					See instruction 8		
Any other charges on future profits	18					See instruction 9		
Sum of financial engineering adjustments (14+15-16+17+18)	19	358836						
Other assets (13-19)	20	559394						
Total available assets and implicit items (19+20)	21	918230						

**Statement of net assets**Name of insurer **Commercial Union Life Assurance Company Limited**

Global business

Financial year ended **31st December 2002**

R10	Company registration number	GL/UK/CM	Period ended			Units
			day	month	year	
	<b>79678</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2002</b>	<b>£000</b>

		As at the end of this financial year 1	As at the end of the previous year 2	Source		
				Form	Line	Column
Long term insurance business - admissible assets	<b>11</b>	13344925	13869617	13	. 89	. 1
Long term insurance business - liabilities and margins	<b>12</b>	13344925	13869617	14	. 59	. 1

Other than Long term insurance business - admissible assets	<b>21</b>			13	. 89	. 1
Other than Long term insurance business - liabilities	<b>22</b>			15	. 69	. 1
Net admissible assets (21-22)	<b>23</b>					
Other assets allowed to be taken into account in covering the required minimum margin	Unpaid amounts (including share premium) on partly paid shares	<b>24</b>				
	Supplementary contributions for a mutual carrying on general insurance business	<b>25</b>				
Liabilities allowed to be left out of account in covering the required minimum margin	Subordinated loan capital	<b>26</b>				
	Cumulative preference share capital	<b>27</b>				
Available assets (23 to 27)	<b>29</b>					

**Represented by:**

Paid up share capital (other than cumulative preference share capital)	<b>51</b>			
Amounts included in lines 24 to 27 above	<b>52</b>			
Amounts representing the balance of net assets	<b>56</b>			
Total (51 to 56) and equal to line 29 above	<b>59</b>			

**Movement of balance of net assets for solvency purposes - as per line 56**

Balance brought forward at the beginning of the financial year	<b>61</b>			10	. 56	. 2
Retained profit/(loss) for the financial year	<b>62</b>			16	. 59	. 1
Movement in asset valuation differences	<b>63</b>			See instruction 2		
Decrease/(increase) in the provision for adverse changes	<b>64</b>			See instruction 3		
Other movements (particulars to be specified by way of supplementary note)	<b>65</b>					
Balance carried forward at the end of the financial year (61 to 65)	<b>69</b>					

**Analysis of admissible assets**Name of insurer **Commercial Union Life Assurance Company Limited**

Global business

Financial year ended **31st December 2002**Category of assets **Total long term insurance business assets**

			Company registration number	GL/UK/CM	Period ended			Units	Category of assets		
			R13	79678	GL	31	12	2002	£000	10	
Investments						As at the end of this financial year 1			As at the end of the previous year 2		
Land and buildings						11	1349299			1001248	
Investments in group undertakings and participating interests	UK insurance business dependants	Shares	21	9242							
		Debt securities issued by, and loans to, dependants	22								
	Other insurance dependants	Shares	23								
		Debt securities issued by, and loans to, dependants	24								
	Non-insurance dependants	Shares	25								
		Debt securities issued by, and loans to, dependants	26								
	Other group undertakings and participating interests	Shares	27								
		Debt securities issued by, and loans to, group undertakings	28								
		Participating interests	29				24053				
		Debt securities issued by, and loans to, undertakings in which the insurer has a participating interest	30								
Total sheet 1 (11 to 30)						39	1358541			1025301	



**Analysis of admissible assets**Name of insurer **Commercial Union Life Assurance Company Limited**

Global business

Financial year ended **31st December 2002**Category of assets **Total long term insurance business assets**

		Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
		R13	79678	GL	31 day	12 month	2002 year	£000	10
Investments (continued)					As at the end of this financial year 1		As at the end of the previous year 2		
Deposits with ceding undertakings									
Assets held to cover linked liabilities									
Other financial investments	Equity shares			41	4934705		6929234		
	Other shares and other variable yield securities			42					
	Holdings in collective investment schemes			43	144518		461020		
	Rights under derivative contracts			44	69588		18106		
	Debt securities and other fixed income securities	Fixed interest	Approved securities	45	4106100		3138307		
			Other	46	2209637		1849979		
		Variable interest	Approved securities	47	6710				
			Other	48	82691		82422		
	Participation in investment pools			49					
	Loans secured by mortgages			50					
	Other loans	Loans to public or local authorities and nationalised industries or undertakings		51					
		Loans secured by policies of insurance issued by the company		52	5586		6847		
		Other		53					
	Deposits with approved credit institutions and approved financial institutions	Withdrawal subject to a time restriction of one month or less		54	19318		46		
		Withdrawal subject to a time restriction of more than one month		55					
	Other			56					
Deposits with ceding undertakings				57					
Assets held to match linked liabilities	Index linked			58	31823		38844		
	Property linked			59	18449		19883		
Reinsurers' share of technical provisions	Provision for unearned premiums			60					
	Claims outstanding			61					
	Provision for unexpired risks			62					
	Other			63					
Total sheet 2 (41 to 63)				69	11629125		12544688		

**Analysis of admissible assets**Name of insurer **Commercial Union Life Assurance Company Limited**

Global business

Financial year ended **31st December 2002**Category of assets **Total long term insurance business assets**

		Company registration number	GL/UK/CM	Period ended			Units	Category of assets		
				day	month	year				
		R13	79678	GL	31	12	2002	£000	10	
Debtors					As at the end of this financial year 1		As at the end of the previous year 2			
Other assets										
Debtors arising out of direct insurance operations	Policyholders			71	9738		23155			
	Intermediaries			72						
Salvage and subrogation recoveries				73						
Debtors arising out of reinsurance operations	Due from ceding insurers and intermediaries under reinsurance business accepted			74	34761		45445			
	Due from reinsurers and intermediaries under reinsurance contracts ceded			75						
Other debtors	Due from dependants	Due in 12 months or less after the end of the financial year		76						
		Due more than 12 months after the end of the financial year		77						
	Other	Due in 12 months or less after the end of the financial year		78	134647		132641			
		Due more than 12 months after the end of the financial year		79						
Tangible assets				80						
Cash at bank and in hand	Deposits not subject to time restriction on withdrawal, with approved credit institutions and approved financial institutions and local authorities			81	62297					
	Cash in hand			82						
Other assets (particulars to be specified by way of supplementary note)				83						
Prepayments and accrued income	Accrued interest and rent			84	101162		79102			
	Deferred acquisition costs			85						
	Other prepayments and accrued income			86	14654		19285			
Deductions (under rules 4.14(2)(b) and 4.14(3)) from the aggregate value of assets				87						
Total sheet 3 (71 to 86 less 87)				88	357259		299628			
Grand total of admissible assets (39+69+88)				89	13344925		13869617			
Reconciliation to asset values determined in accordance with the insurance accounts rules										
Total admissible assets (as per line 89 above)				91	13344925		13869617			
Total assets in excess of the admissibility limits of Appendix 4.2 (as valued in accordance with those Rules before applying admissibility limits)				92	12817					
Solvency margin deduction for subsidiary undertakings which are insurance undertakings				93	14931					
Other differences in the valuation of assets (other than for assets not valued above)				94	22336		(35935)			
Assets of a type not valued above, (as valued in accordance with the insurance accounts rules)				95						
Total assets determined in accordance with the insurance accounts rules (91 to 95)				99	13395009		13833682			
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance					100	16503		378		

**Analysis of admissible assets**Name of insurer **Commercial Union Life Assurance Company Limited**

Global business

Financial year ended **31st December 2002**Category of assets **Commercial Union Life Fund**

			Company registration number	GL/UK/CM	Period ended			Units	Category of assets		
			R13	79678	GL	31	12	2002	£000	11	
Investments						As at the end of this financial year 1			As at the end of the previous year 2		
Land and buildings						11	1349299			1001248	
Investments in group undertakings and participating interests	UK insurance business dependants	Shares	21	9242							
		Debt securities issued by, and loans to, dependants	22								
	Other insurance dependants	Shares	23								
		Debt securities issued by, and loans to, dependants	24								
	Non-insurance dependants	Shares	25								
		Debt securities issued by, and loans to, dependants	26								
	Other group undertakings and participating interests	Shares	27								
		Debt securities issued by, and loans to, group undertakings	28								
		Participating interests	29				24053				
Debt securities issued by, and loans to, undertakings in which the insurer has a participating interest		30									
Total sheet 1 (11 to 30)						39	1358541			1025301	

**Analysis of admissible assets**Name of insurer **Commercial Union Life Assurance Company Limited**

Global business

Financial year ended **31st December 2002**Category of assets **Commercial Union Life Fund**Company  
registration  
number

GL/UK/CM

Period ended  
day month year

Units

Category  
of  
assets

<b>R13</b>	<b>79678</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2002</b>	<b>£000</b>	<b>11</b>
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**Investments (continued)**  
**Deposits with ceding undertakings**  
**Assets held to cover linked liabilities**
As at the end of  
this financial  
year  
1As at the end of  
the previous  
year  
2

Other financial investments	Equity shares		41	4934705	6929234	
	Other shares and other variable yield securities		42			
	Holdings in collective investment schemes		43	144518	461020	
	Rights under derivative contracts		44	69588	18106	
	Debt securities and other fixed income securities	Fixed interest	Approved securities	45	4019431	3056043
			Other	46	2205665	1848791
		Variable interest	Approved securities	47	6710	
			Other	48	82691	82422
	Participation in investment pools		49			
	Loans secured by mortgages		50			
	Other loans	Loans to public or local authorities and nationalised industries or undertakings		51		
		Loans secured by policies of insurance issued by the company		52	5586	6847
		Other		53		
	Deposits with approved credit institutions and approved financial institutions	Withdrawal subject to a time restriction of one month or less		54	15318	
		Withdrawal subject to a time restriction of more than one month		55		
	Other		56			
Deposits with ceding undertakings			57			
Assets held to match linked liabilities	Index linked		58	31823	38844	
	Property linked		59	18449	19883	
Reinsurers' share of technical provisions	Provision for unearned premiums		60			
	Claims outstanding		61			
	Provision for unexpired risks		62			
	Other		63			
Total sheet 2 (41 to 63)			69	11534484	12461190	

**Analysis of admissible assets**Name of insurer **Commercial Union Life Assurance Company Limited**

Global business

Financial year ended **31st December 2002**Category of assets **Commercial Union Life Fund**Company  
registration  
number

GL/UK/CM

Period ended  
day month year

Units

Category  
of  
assets

<b>R13</b>	<b>79678</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2002</b>	<b>£000</b>	<b>11</b>
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Debtors Other assets			As at the end of this financial year 1	As at the end of the previous year 2	
Debtors arising out of direct insurance operations	Policyholders		71	9694	23155
	Intermediaries		72		
Salvage and subrogation recoveries			73		
Debtors arising out of reinsurance operations	Due from ceding insurers and intermediaries under reinsurance business accepted		74	32890	41731
	Due from reinsurers and intermediaries under reinsurance contracts ceded		75		
Other debtors	Due from dependants	Due in 12 months or less after the end of the financial year	76		
		Due more than 12 months after the end of the financial year	77		
	Other	Due in 12 months or less after the end of the financial year	78	132079	132641
		Due more than 12 months after the end of the financial year	79		
Tangible assets			80		
Cash at bank and in hand	Deposits not subject to time restriction on withdrawal, with approved credit institutions and approved financial institutions and local authorities		81	62271	
	Cash in hand		82		
Other assets (particulars to be specified by way of supplementary note)			83		
Prepayments and accrued income	Accrued interest and rent		84	99984	78039
	Deferred acquisition costs		85		
	Other prepayments and accrued income		86	14654	19285
Deductions (under rules 4.14(2)(b) and 4.14(3)) from the aggregate value of assets			87		
Total sheet 3 (71 to 86 less 87)			88	351572	294851
Grand total of admissible assets (39+69+88)			89	13244597	13781342

**Reconciliation to asset values determined in accordance with the  
insurance accounts rules**

Total admissible assets (as per line 89 above)	<b>91</b>	13244597	13781342
Total assets in excess of the admissibility limits of Appendix 4.2 (as valued in accordance with those Rules before applying admissibility limits)	<b>92</b>	12817	
Solvency margin deduction for subsidiary undertakings which are insurance undertakings	<b>93</b>	14931	
Other differences in the valuation of assets (other than for assets not valued above)	<b>94</b>	22336	(38547)
Assets of a type not valued above, (as valued in accordance with the insurance accounts rules)	<b>95</b>		
Total assets determined in accordance with the insurance accounts rules (91 to 95)	<b>99</b>	13294681	13742795

Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	<b>100</b>	15924	
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**Analysis of admissible assets**Name of insurer **Commercial Union Life Assurance Company Limited**

Global business

Financial year ended **31st December 2002**Category of assets **Permanent Health Fund**

			Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
			R13	79678	GL	31	12	2002	£000	12
Investments						As at the end of this financial year 1			As at the end of the previous year 2	
Land and buildings						11				
Investments in group undertakings and participating interests	UK insurance business dependants	Shares	21							
		Debt securities issued by, and loans to, dependants	22							
	Other insurance dependants	Shares	23							
		Debt securities issued by, and loans to, dependants	24							
	Non-insurance dependants	Shares	25							
		Debt securities issued by, and loans to, dependants	26							
	Other group undertakings and participating interests	Shares	27							
		Debt securities issued by, and loans to, group undertakings	28							
		Participating interests	29							
Debt securities issued by, and loans to, undertakings in which the insurer has a participating interest		30								
Total sheet 1 (11 to 30)						39				

**Analysis of admissible assets**Name of insurer **Commercial Union Life Assurance Company Limited**

Global business

Financial year ended **31st December 2002**Category of assets **Permanent Health Fund**Company  
registration  
number

GL/UK/CM

Period ended  
day month year

Units

Category  
of  
assets

<b>R13</b>	<b>79678</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2002</b>	<b>£000</b>	<b>12</b>
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**Investments (continued)**  
**Deposits with ceding undertakings**  
**Assets held to cover linked liabilities**
As at the end of  
this financial  
year  
1As at the end of  
the previous  
year  
2

Other financial investments	Equity shares		41			
	Other shares and other variable yield securities		42			
	Holdings in collective investment schemes		43			
	Rights under derivative contracts		44			
	Debt securities and other fixed income securities	Fixed interest	Approved securities	45	86669	82264
			Other	46	3972	1188
		Variable interest	Approved securities	47		
			Other	48		
	Participation in investment pools		49			
	Loans secured by mortgages		50			
	Other loans	Loans to public or local authorities and nationalised industries or undertakings		51		
		Loans secured by policies of insurance issued by the company		52		
		Other		53		
	Deposits with approved credit institutions and approved financial institutions	Withdrawal subject to a time restriction of one month or less		54	4000	46
		Withdrawal subject to a time restriction of more than one month		55		
	Other		56			
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			
Total sheet 2 (41 to 63)			69	94641	83498	

**Analysis of admissible assets**Name of insurer **Commercial Union Life Assurance Company Limited**

Global business

Financial year ended **31st December 2002**Category of assets **Permanent Health Fund**

		Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
		R13	79678	GL	31	12	2002	£000	12
Debtors					As at the end of this financial year 1		As at the end of the previous year 2		
Other assets									
Debtors arising out of direct insurance operations	Policyholders				71	44			
	Intermediaries				72				
Salvage and subrogation recoveries					73				
Debtors arising out of reinsurance operations	Due from ceding insurers and intermediaries under reinsurance business accepted				74	1871		3714	
	Due from reinsurers and intermediaries under reinsurance contracts ceded				75				
Other debtors	Due from dependants	Due in 12 months or less after the end of the financial year			76				
		Due more than 12 months after the end of the financial year			77				
	Other	Due in 12 months or less after the end of the financial year			78	2568			
		Due more than 12 months after the end of the financial year			79				
Tangible assets					80				
Cash at bank and in hand	Deposits not subject to time restriction on withdrawal, with approved credit institutions and approved financial institutions and local authorities				81	26			
	Cash in hand				82				
Other assets (particulars to be specified by way of supplementary note)					83				
Prepayments and accrued income	Accrued interest and rent				84	1178		1063	
	Deferred acquisition costs				85				
	Other prepayments and accrued income				86				
Deductions (under rules 4.14(2)(b) and 4.14(3)) from the aggregate value of assets					87				
Total sheet 3 (71 to 86 less 87)					88	5687		4777	
Grand total of admissible assets (39+69+88)					89	100328		88275	
Reconciliation to asset values determined in accordance with the insurance accounts rules									
Total admissible assets (as per line 89 above)					91	100328		88275	
Total assets in excess of the admissibility limits of Appendix 4.2 (as valued in accordance with those Rules before applying admissibility limits)					92				
Solvency margin deduction for subsidiary undertakings which are insurance undertakings					93				
Other differences in the valuation of assets (other than for assets not valued above)					94			2612	
Assets of a type not valued above, (as valued in accordance with the insurance accounts rules)					95				
Total assets determined in accordance with the insurance accounts rules (91 to 95)					99	100328		90887	
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance					100	579		378	



**Long term insurance business liabilities and margins**Name of insurer **Commercial Union Life Assurance Company Limited**

Global business

Financial year ended **31st December 2002**Category of assets **Total long term insurance business assets**

		Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
		R14	79678	GL	31	12	2002	£000	10
			As at the end of this financial year 1	As at the end of the previous year 2		Source			
Mathematical reserves, after distribution of surplus			11	12432080		12196484		See Instruction 2	
Cash bonuses which had not been paid to policyholders prior to end of the financial year			12					See Instruction 3	
Balance of surplus/(valuation deficit)			13	8353		54345		See Instruction 4	
Long term insurance business fund carried forward (11 to 13)			14	12440433		12250829		See Instruction 5	
Claims outstanding which had fallen due for payment before the end of the financial year	Gross amount		15	27340		25866			
	Reinsurers' share		16						
	Net (15-16)		17	27340		25866			
Provisions for other risks and charges	Taxation		21	2625					
	Other		22	749		937			
Deposits received from reinsurers			23						
Creditors and other liabilities	Arising out of insurance operations	Direct insurance business	31	7539		14807			
		Reinsurance accepted	32						
		Reinsurance ceded	33	457		19945			
	Debenture loans	Secured	34						
		Unsecured	35						
	Amounts owed to credit institutions		36	13001		28635			
	Other creditors	Taxation	37	51599		21885			
		Other	38	191095		153552			
Accruals and deferred income			39	49533		14296			
Provision for adverse changes (calculated in accordance with rule 5.3)			41						
Total other insurance and non-insurance liabilities (17 to 41)			49	343938		279923			
Excess of the value of net admissible assets			51	560554		1338865		See Instruction 6	
Total liabilities and margins			59	13344925		13869617			
Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance			61	26349		19275			
Amounts included in line 59 attributable to liabilities in respect of property linked benefits			62	18449		19883			
Amount of any additional mathematical reserves included in line 51 which have been taken into account in the appointed actuary's certificate			63	118789		172928		See Instruction 7	

**Long term insurance business liabilities and margins**Name of insurer **Commercial Union Life Assurance Company Limited**

Global business

Financial year ended **31st December 2002**Category of assets **Commercial Union Life Fund**

		Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
		R14	79678	GL	31	12	2002	£000	11
				As at the end of this financial year 1	As at the end of the previous year 2		Source		
Mathematical reserves, after distribution of surplus		11	12358418		12124073		See Instruction 2		
Cash bonuses which had not been paid to policyholders prior to end of the financial year		12					See Instruction 3		
Balance of surplus/(valuation deficit)		13	8333		54325		See Instruction 4		
Long term insurance business fund carried forward (11 to 13)		14	12366751		12178398		See Instruction 5		
Claims outstanding which had fallen due for payment before the end of the financial year	Gross amount		15	27340		25866			
	Reinsurers' share		16						
	Net (15-16)		17	27340		25866			
Provisions for other risks and charges	Taxation		21						
	Other		22	749		937			
Deposits received from reinsurers		23							
Creditors and other liabilities	Arising out of insurance operations	Direct insurance business	31	7490		14426			
		Reinsurance accepted	32						
		Reinsurance ceded	33	417		12736			
	Debenture loans	Secured	34						
		Unsecured	35						
	Amounts owed to credit institutions		36	13001		28635			
	Other creditors	Taxation	37	51599		21885			
		Other	38	173252		148594			
Accruals and deferred income		39	49533		14296				
Provision for adverse changes (calculated in accordance with rule 5.3)		41							
Total other insurance and non-insurance liabilities (17 to 41)		49	323381		267375				
Excess of the value of net admissible assets		51	554465		1335569		See Instruction 6		
Total liabilities and margins		59	13244597		13781342				
Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance		61	24933		19275				
Amounts included in line 59 attributable to liabilities in respect of property linked benefits		62	18449		19883				
Amount of any additional mathematical reserves included in line 51 which have been taken into account in the appointed actuary's certificate		63	118789		170253		See Instruction 7		

**Long term insurance business liabilities and margins**Name of insurer **Commercial Union Life Assurance Company Limited**

Global business

Financial year ended **31st December 2002**Category of assets **Permanent Health Fund**

		Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
		R14	79678	GL	31	12	2002	£000	12
				As at the end of this financial year 1	As at the end of the previous year 2		Source		
Mathematical reserves, after distribution of surplus		11	73662	72411	See Instruction 2				
Cash bonuses which had not been paid to policyholders prior to end of the financial year		12			See Instruction 3				
Balance of surplus/(valuation deficit)		13	20	20	See Instruction 4				
Long term insurance business fund carried forward (11 to 13)		14	73682	72431	See Instruction 5				
Claims outstanding which had fallen due for payment before the end of the financial year	Gross amount		15						
	Reinsurers' share		16						
	Net (15-16)		17						
Provisions for other risks and charges	Taxation		21	2625					
	Other		22						
Deposits received from reinsurers		23							
Creditors and other liabilities	Arising out of insurance operations	Direct insurance business	31	49	381				
		Reinsurance accepted	32						
		Reinsurance ceded	33	40	7209				
	Debenture loans	Secured	34						
		Unsecured	35						
	Amounts owed to credit institutions		36						
	Other creditors	Taxation	37						
		Other	38	17843	4958				
Accruals and deferred income		39							
Provision for adverse changes (calculated in accordance with rule 5.3)		41							
Total other insurance and non-insurance liabilities (17 to 41)		49	20557	12548					
Excess of the value of net admissible assets		51	6089	3296	See Instruction 6				
Total liabilities and margins		59	100328	88275					
Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance		61	1416						
Amounts included in line 59 attributable to liabilities in respect of property linked benefits		62							
Amount of any additional mathematical reserves included in line 51 which have been taken into account in the appointed actuary's certificate		63		2675	See Instruction 7				

**Analysis of derivative contracts**Name of insurer **Commercial Union Life Assurance Company Limited**

Global business

Insurance Business **Long term**Financial year ended **31st December 2002**Category of assets **Total long term insurance business assets**

			Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
			R17	79678	GL	31	12	2002	£000	10
Derivative contracts			As at the end of this financial year				As at the end of the previous year			
			Assets 1		Liabilities 2		Assets 3		Liabilities 4	
Futures contracts	Fixed-interest securities	11								
	Equity shares	12								
	Land	13								
	Currencies	14	20034	14554	13151	9765				
	Other	15								
Options	Fixed-interest securities	21		4					1504	
	Equity shares	22	49390	35029	4955	707				
	Land	23								
	Currencies	24								
	Other	25	164	358						
Contracts for differences	Fixed-interest securities	31								
	Equity shares	32								
	Land	33								
	Currencies	34								
	Other	35								
Adjustments for variation margin		41								
Total (11 to 41)		49	69588	49945	18106	11976				

**Analysis of derivative contracts**Name of insurer **Commercial Union Life Assurance Company Limited**

Global business

Insurance Business **Long term**Financial year ended **31st December 2002**Category of assets **Commercial Union Life Fund**

			Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
			R17	79678	GL	31	12	2002	£000	11
Derivative contracts			As at the end of this financial year				As at the end of the previous year			
			Assets 1		Liabilities 2		Assets 3		Liabilities 4	
Futures contracts	Fixed-interest securities	11								
	Equity shares	12								
	Land	13								
	Currencies	14	20034	14554	13151	9765				
	Other	15								
Options	Fixed-interest securities	21		4					1504	
	Equity shares	22	49390	35029	4955	707				
	Land	23								
	Currencies	24								
	Other	25	164	358						
Contracts for differences	Fixed-interest securities	31								
	Equity shares	32								
	Land	33								
	Currencies	34								
	Other	35								
Adjustments for variation margin		41								
Total (11 to 41)		49	69588	49945	18106	11976				

**Long term insurance business : Revenue account**Name of insurer **Commercial Union Life Assurance Company Limited**

Global business

Ordinary insurance business

Financial year ended **31st December 2002**Name and number of fund/Summary **Summary**

	Company registration number	GL/UK/CM	Period ended			Units	OB/IB	No of fund/ Summary	No of part of Fund	
			day	month	year					
	R40	79678	GL	31	12	2002	£000	OB	99	0
Items to be shown net of reinsurance ceded							The financial year 1	Previous year 2		
Earned premiums							11	1626050	2538214	
Investment income receivable before deduction of tax							12	563812	489991	
Increase (decrease) in the value of non-linked assets brought into account							13	(896547)	(169025)	
Increase (decrease) in the value of linked assets							14	(2015)	(509)	
Other income							15			
Total income (11 to 15)							19	1291300	2858671	
Claims incurred							21	948080	764443	
Expenses payable							22	158367	338321	
Interest payable before deduction of tax							23	6565	24804	
Taxation							24	(58883)	46036	
Other expenditure							25			
Transfer to (from) non technical account							26	47567	57928	
Total expenditure (21 to 26)							29	1101696	1231532	
Increase (decrease) in fund in financial year (19-29)							39	189604	1627139	
Fund brought forward							49	12250829	10623690	
Fund carried forward (39+49)							59	12440433	12250829	

**Long term insurance business : Revenue account**Name of insurer **Commercial Union Life Assurance Company Limited**

Global business

Ordinary insurance business

Financial year ended **31st December 2002**Name and number of fund/Summary **Commercial Union Life Fund 1**

	Company registration number	GL/UK/CM	Period ended			Units	OB/IB	No of fund/ Summary	No of part of Fund	
			day	month	year					
	R40	79678	GL	31	12	2002	£000	OB	1	99
Items to be shown net of reinsurance ceded							The financial year 1	Previous year 2		
Earned premiums							11	1622827	2534665	
Investment income receivable before deduction of tax							12	559746	486097	
Increase (decrease) in the value of non-linked assets brought into account							13	(897048)	(170992)	
Increase (decrease) in the value of linked assets							14	(2015)	(509)	
Other income							15			
Total income (11 to 15)							19	1283510	2849261	
Claims incurred							21	940617	758232	
Expenses payable							22	157810	337705	
Interest payable before deduction of tax							23	6563	24800	
Taxation							24	(57400)	46140	
Other expenditure							25			
Transfer to (from) non technical account							26	47567	57928	
Total expenditure (21 to 26)							29	1095157	1224805	
Increase (decrease) in fund in financial year (19-29)							39	188353	1624456	
Fund brought forward							49	12178398	10553942	
Fund carried forward (39+49)							59	12366751	12178398	

**Long term insurance business : Revenue account**Name of insurer **Commercial Union Life Assurance Company Limited**

Global business

Ordinary insurance business

Financial year ended **31st December 2002**Name and number of fund/Summary **Permanent Health Fund 2**

	Company registration number	GL/UK/CM	Period ended			Units	OB/IB	No of fund/ Summary	No of part of Fund	
			day	month	year					
	R40	79678	GL	31	12	2002	£000	OB	2	0
Items to be shown net of reinsurance ceded							The financial year 1	Previous year 2		
Earned premiums							11	3223	3549	
Investment income receivable before deduction of tax							12	4066	3894	
Increase (decrease) in the value of non-linked assets brought into account							13	501	1967	
Increase (decrease) in the value of linked assets							14			
Other income							15			
Total income (11 to 15)							19	7790	9410	
Claims incurred							21	7463	6211	
Expenses payable							22	557	616	
Interest payable before deduction of tax							23	2	4	
Taxation							24	(1483)	(104)	
Other expenditure							25			
Transfer to (from) non technical account							26			
Total expenditure (21 to 26)							29	6539	6727	
Increase (decrease) in fund in financial year (19-29)							39	1251	2683	
Fund brought forward							49	72431	69748	
Fund carried forward (39+49)							59	73682	72431	



**Long term insurance business : Analysis of premiums and expenses**Name of insurer **Commercial Union Life Assurance Company Limited**

Global business

Ordinary insurance business

Financial year ended **31st December 2002**Name and number of fund/Summary **Summary**

		Company registration number	GL/UK/CM	Period ended			Units	OB/IB	No of fund/ Summary	No of part of Fund	
		R41	79678	GL	31	12	2002	£000	OB	99	0
						Gross		Payable to or recoverable from reinsurers		Net of reinsurance (1-2)	
						1		2		3	
Earned premiums in the financial year	Life assurance and general annuity contracts	Single premium			11	932116				932116	
		Regular premium			12	215958		147		215811	
	Pension business contracts	Single premium			13	355561		40700		314861	
		Regular premium			14	226497		75835		150662	
	Permanent health contracts	Single premium			15	208				208	
		Regular premium			16	16839		4447		12392	
	Other contracts	Single premium			17						
		Regular premium			18						
	Total premiums	Single premium			19	1287885		40700		1247185	
		Regular premium			29	459294		80429		378865	
Total premiums at lines 19 and 29 attributable to	UK contracts			31	1739074		121129		1617945		
	Overseas contracts			32	8105				8105		
Expenses payable in the financial year	Commission payable in connection with acquisition of business				41	40415		469		39946	
	Other commission payable				42	10941		3404		7537	
	Management expenses in connection with acquisition of business				43	38921				38921	
	Management expenses in connection with maintenance of business				44	47584				47584	
	Other management expenses				45	24379				24379	
	Total expenses (41 to 45)				49	162240		3873		158367	
	Total expenses at line 49 attributable to	UK contracts			51	161815		3873		157942	
		Overseas contracts			52	425				425	

**Long term insurance business : Analysis of premiums and expenses**Name of insurer **Commercial Union Life Assurance Company Limited**

Global business

Ordinary insurance business

Financial year ended **31st December 2002**Name and number of fund/Summary **Commercial Union Life Fund 1**

		Company registration number	GL/UK/CM	Period ended			Units	OB/IB	No of fund/ Summary	No of part of Fund	
		R41	79678	GL	31	12	2002	£000	OB	1	99
					Gross		Payable to or recoverable from reinsurers		Net of reinsurance (1-2)		
					1		2		3		
Earned premiums in the financial year	Life assurance and general annuity contracts	Single premium			11	932116				932116	
		Regular premium			12	215958		147		215811	
	Pension business contracts	Single premium			13	355561		40700		314861	
		Regular premium			14	226497		75835		150662	
	Permanent health contracts	Single premium			15						
		Regular premium			16	9665		288		9377	
	Other contracts	Single premium			17						
		Regular premium			18						
	Total premiums	Single premium			19	1287677		40700		1246977	
		Regular premium			29	452120		76270		375850	
Total premiums at lines 19 and 29 attributable to	UK contracts			31	1731692		116970		1614722		
	Overseas contracts			32	8105				8105		
Expenses payable in the financial year	Commission payable in connection with acquisition of business				41	40208		469		39739	
	Other commission payable				42	9805				9805	
	Management expenses in connection with acquisition of business				43	38741				38741	
	Management expenses in connection with maintenance of business				44	46134				46134	
	Other management expenses				45	23391				23391	
	Total expenses (41 to 45)				49	158279		469		157810	
	Total expenses at line 49 attributable to	UK contracts			51	157854		469		157385	
		Overseas contracts			52	425				425	

**Long term insurance business : Analysis of premiums and expenses**Name of insurer **Commercial Union Life Assurance Company Limited**

Global business

Ordinary insurance business

Financial year ended **31st December 2002**Name and number of fund/Summary **Permanent Health Fund 2**

		Company registration number	GL/UK/CM	Period ended			Units	OB/IB	No of fund/ Summary	No of part of Fund	
		R41	79678	GL	31	12	2002	£000	OB	2	0
					Gross		Payable to or recoverable from reinsurers		Net of reinsurance (1-2)		
					1		2		3		
Earned premiums in the financial year	Life assurance and general annuity contracts	Single premium			11						
		Regular premium			12						
	Pension business contracts	Single premium			13						
		Regular premium			14						
	Permanent health contracts	Single premium			15	208				208	
		Regular premium			16	7174		4159		3015	
	Other contracts	Single premium			17						
		Regular premium			18						
	Total premiums	Single premium			19	208				208	
		Regular premium			29	7174		4159		3015	
	Total premiums at lines 19 and 29 attributable to	UK contracts			31	7382		4159		3223	
		Overseas contracts			32						
Expenses payable in the financial year	Commission payable in connection with acquisition of business			41	207				207		
	Other commission payable			42	1136		3404		(2268)		
	Management expenses in connection with acquisition of business			43	180				180		
	Management expenses in connection with maintenance of business			44	1450				1450		
	Other management expenses			45	988				988		
	Total expenses (41 to 45)			49	3961		3404		557		
	Total expenses at line 49 attributable to	UK contracts			51	3961		3404		557	
		Overseas contracts			52						

**Long term insurance business : Analysis of claims**Name of insurer **Commercial Union Life Assurance Company Limited**

Global business

Ordinary insurance business

Financial year ended **31st December 2002**Name and number of fund/Summary **Summary**

		Company registration number	GL/UK/CM	Period ended			Units	OB/IB	No of fund/ Summary	No of part of Fund	
		R42	79678	GL	31	12	2002	£000	OB	99	0
Claims incurred in the financial year					Gross		Recoverable from reinsurers		Net of reinsurance (1-2)		
					1		2		3		
Life assurance and annuity contracts	On death			11	129952		830		129122		
	By way of lump sums on maturity			12	132475				132475		
	By way of annuity payments			13	6633		389		6244		
	By way of payments arising from other insured events			14							
	On surrender or partial surrender			15	377617		7225		370392		
	Total life assurance and annuity claims (11 to 15)			19	646677		8444		638233		
Pension business contracts	On death			21	10720		1698		9022		
	By way of lump sums on vesting			22	136079		13684		122395		
	By way of vested annuity payments			23	90305				90305		
	On surrender or partial surrender			24	109772		29272		80500		
	Total pension business claims (21 to 24)			29	346876		44654		302222		
Permanent health contracts	By way of lump sums			31							
	By way of periodical payments			32	9979		2354		7625		
	Total permanent health claims (31+32)			39	9979		2354		7625		
Other contracts	By way of lump sums			41							
	By way of periodical payments			42							
	Total claims (41+42)			49							
Total claims (19+29+39+49)				59	1003532		55452		948080		
Total claims at line 59 attributable to		UK contracts		61	1001633		55452		946181		
		Overseas contracts		62	1899				1899		

**Long term insurance business : Analysis of claims**Name of insurer **Commercial Union Life Assurance Company Limited**

Global business

Ordinary insurance business

Financial year ended **31st December 2002**Name and number of fund/Summary **Commercial Union Life Fund 1**

		Company registration number	GL/UK/CM	Period ended			Units	OB/IB	No of fund/ Summary	No of part of Fund	
		R42	79678	GL	31	12	2002	£000	OB	1	99
Claims incurred in the financial year					Gross		Recoverable from reinsurers		Net of reinsurance (1-2)		
					1		2		3		
Life assurance and annuity contracts	On death			11	129952		830		129122		
	By way of lump sums on maturity			12	132475				132475		
	By way of annuity payments			13	6633		389		6244		
	By way of payments arising from other insured events			14							
	On surrender or partial surrender			15	377617		7225		370392		
	Total life assurance and annuity claims (11 to 15)			19	646677		8444		638233		
Pension business contracts	On death			21	10720		1698		9022		
	By way of lump sums on vesting			22	136079		13684		122395		
	By way of vested annuity payments			23	90305				90305		
	On surrender or partial surrender			24	109772		29272		80500		
	Total pension business claims (21 to 24)			29	346876		44654		302222		
Permanent health contracts	By way of lump sums			31							
	By way of periodical payments			32	162				162		
	Total permanent health claims (31+32)			39	162				162		
Other contracts	By way of lump sums			41							
	By way of periodical payments			42							
	Total claims (41+42)			49							
Total claims (19+29+39+49)				59	993715		53098		940617		
Total claims at line 59 attributable to	UK contracts			61	991816		53098		938718		
	Overseas contracts			62	1899				1899		

**Long term insurance business : Analysis of claims**Name of insurer **Commercial Union Life Assurance Company Limited**

Global business

Ordinary insurance business

Financial year ended **31st December 2002**Name and number of fund/Summary **Permanent Health Fund 2**

		Company registration number	GL/UK/CM	Period ended			Units	OB/IB	No of fund/ Summary	No of part of Fund	
		R42	79678	GL	31	12	2002	£000	OB	2	0
Claims incurred in the financial year					Gross		Recoverable from reinsurers		Net of reinsurance (1-2)		
					1		2		3		
Life assurance and annuity contracts	On death				11						
	By way of lump sums on maturity				12						
	By way of annuity payments				13						
	By way of payments arising from other insured events				14						
	On surrender or partial surrender				15						
	Total life assurance and annuity claims (11 to 15)				19						
Pension business contracts	On death				21						
	By way of lump sums on vesting				22						
	By way of vested annuity payments				23						
	On surrender or partial surrender				24						
	Total pension business claims (21 to 24)				29						
Permanent health contracts	By way of lump sums				31						
	By way of periodical payments				32	9817		2354	7463		
	Total permanent health claims (31+32)				39	9817		2354	7463		
Other contracts	By way of lump sums				41						
	By way of periodical payments				42						
	Total claims (41+42)				49						
Total claims (19+29+39+49)					59	9817		2354	7463		
Total claims at line 59 attributable to		UK contracts			61	9817		2354	7463		
		Overseas contracts			62						

**Valuation report prepared by the appointed actuary – IPRU (INS) Appendix 9.4 – Life Fund**

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

Global business

Financial year ended **31 December 2002**

- 1 The investigation was made at 31 December 2002.
- 2 The date to which the previous investigation related was 31 December 2001
- 3 The valuation has been made in conformity with IPRU (INS) rule 5.6.
- 4 **Non linked contracts**

**(a) Accumulating with-profit policies**

**Personal Pension Plans**

This category consists of the contracts listed below, under which premiums can be invested in a unitised with profits fund (the Pensions With Profits Fund) as well as internal linked funds.

- Sterling Personal Pension Plan, Free-Standing AVC and Executive Pension Plan
- Optimiser Personal Pension Plan, Free-Standing AVC and Executive Pension Plan
- Lifestyler Personal Pension Plan, Free-Standing AVC and Executive Pension Plan

Further details of the Pensions With Profits Fund are provided below. The contracts are further described in paragraph 5 below, where details of contractual charges are given.

**i) Deductions from identifiable current benefit**

The Company reserves the right to adjust the value of units by applying a Market Value Reduction (MVR) in the following circumstances:

- Transfer to another provider.
- Early retirement.
- Switches to internal linked funds.
- The adjustment is not applied on normal retirement or death.
- The adjustment is applied at the Company's discretion. In determining an MVR the investment performance of the Pensions With Profits fund is compared with the return credited to the units being cancelled. An MVR may be applied when the investment performance is less than the credited return.
- A discretionary final bonus may also be added or adjusted at any time.

- ii) A market value reduction has been applied at certain times during the report period. The Market Value Reduction was expressed as a scale varying by year of unit purchase and the scale was revised on a number of occasions to reflect changing investment conditions.

**iii) Guaranteed investment returns**

The price of units in the Pensions With Profits Fund is guaranteed never to fall.

The value of units purchased on or before 31 December 1992 will increase by a minimum guaranteed rate of 4.0% per annum.

- iv) There are no guaranteed surrender values.

**v) Options**

Units in the Pensions With-Profits Fund may be switched to the internal linked funds at any time.

Switches and redirection of premiums into the Pensions With-Profits Fund are permitted, except within five years of the selected retirement date.

- A discretionary final bonus may also be added or adjusted at any time.

**Sterling Group (Unitised) Plan**

This is a contract under which premiums can be invested in a unitised with profits fund (the Pensions With Profits Fund) as well as internal linked funds.

Detail specific to the Pensions With Profits Fund is described below. The contract is further described in paragraph 5 below, where details of contractual charges are given.

**Valuation report prepared by the appointed actuary – IPRU (INS) Appendix 9.4 – Life Fund**Name of insurer **Commercial Union Life Assurance Company Limited**Financial year ended **31 December 2002****i) Deductions from identifiable current benefit**

- The Company reserves the right to adjust the bid value of units by applying an MVR on:
- Transfer to another provider.
- Early retirement.
- Switches to internal linked funds.
- The adjustment is not applied on normal retirement or death.
- The adjustment is applied at the Company's discretion. In determining an MVR the investment performance of the Pensions With Profits fund is compared with the return credited to the units being cancelled. An MVR may be applied when the investment performance is less than the credited return.

ii) A market value reduction has been applied at certain times during the report period. The Market Value Reduction was expressed as a scale varying by year of unit purchase and the scale was revised on a number of occasions to reflect changing investment conditions.

**iii) Guaranteed investment returns**

The price of units in the Pensions With Profits Fund is guaranteed never to fall. The value of units purchased on or before 31st December 1992 will increase by a minimum guaranteed rate of 4.0% per annum.

iv) There are no guaranteed surrender values.

**v) Options**

- Units in the Pensions With Profits Fund may be switched to the internal linked funds at any time.
- Switches and redirection of premiums into the Pensions With Profits Fund are permitted, except within 5 years of the selected retirement date.

**Sterling Group (Deposit Administration) Plan**

This is a group pensions contract under which premiums minus charges are accumulated in members' accounts to provide a cash sum at retirement. The cash sum is used to provide benefits for the scheme member.

i) The benefits are related to the identifiable current value of a member's account as follows:

**Retirement benefits**

- On or after the selected normal retirement date, the value of the member's account, plus any final bonus.
- Before the selected normal retirement date, the value of the member's account, plus any final bonus, less any discontinuance charges.
- These amounts, without further penalty (other than possible MVR), may be transferred to another insurance company to purchase pension benefits.

**Death benefits**

- The full value of a member's account, plus any final bonus. Additional life cover is also available.

**Leaving service (other than through death or retirement)**

- The member's account may be maintained in the scheme to provide benefits on death or retirement, less any discontinuance charge.
- The amount of the member's account, less any discontinuance charge and/or market value adjustment, may be transferred to another insurance company.
- In certain circumstances the member may take a refund of contributions, less a deduction for tax.

**Charges**

Initial charges:

- 6% of each regular contribution.
- 4% of each single and protected contribution, including transfers (prior to March 1993, transfers were charged at 1%).

Administration charges:

	Scheme	Member With contribution	Member Without contribution
Contracted out	£36.60	£2.80	£1.20
Not contracted out	£31.60	£2.40	£1.20

The level of charge is not guaranteed, except that in the first five policy years, the scheme and member charges are guaranteed not to increase by more than the increase in the National Average Earnings Index over the corresponding period.

Discontinuance charges:

A charge is currently made if contributions have not been paid for more than ten years and there are more than five complete years to Normal Retirement Date when contributions cease. The charge is a proportion of the value of the member's account relating to regular ordinary contributions.

	Number of years for which contributions have been paid										
	0	1	2	3	4	5	6	7	8	9	10
Charge	20%	20%	20%	16%	12%	10%	8%	6%	4%	2%	0%



**Valuation report prepared by the appointed actuary – IPRU (INS) Appendix 9.4 – Life Fund**Name of insurer **Commercial Union Life Assurance Company Limited**Financial year ended **31 December 2002**

Where contributions cease between five and ten years to retirement the charge increases linearly; 0% at five years increasing to the rates above at ten years.

An MVR may be applied when the investment performance is less than the credited return. The adjustment is not applied on normal retirement or death.

- ii) A market value reduction has been applied at certain times during the report period. The Market Value Reduction was expressed as a scale varying by year of unit purchase and the scale was revised on a number of occasions to reflect changing investment conditions.
- iii) The value of a member's account is guaranteed not to fall.
- iv) There are no guaranteed surrender values.
- v) There are no options.

**With Profits Bonds**

This category consists of the contracts listed below, which may invest in the Life With-Profits Fund:

Classic Investment Bond

Premier Bond

With Profits Bond

The Classic Investment Bond and Premier Bond are single premium whole life linked contracts where there is an option to invest in a unitised with profits fund (the Life With Profits Fund). The With Profits Bond is a single premium whole life contract wholly invested in the Life With Profits Fund, which is identical to the Classic Investment Bond in all other respects. Detail specific to the Life With Profits Fund is described below. The contracts are further described in paragraph 5 below, where details of other contractual charges are given.

**i) Deductions from identifiable current benefit**

Contractual adjustments

If units in the Life With Profits Fund are held for less than 5 years, a charge is applied to the bid value of units as follows. The charge is not applied on death, nor to 'protected withdrawals' (see below):

Percentage Reduction to the Bid Value of Units						
Policies issued		Complete Years in Force				
After	Before	None	1	2	3	4
Classic/With Profits Bond						
N/a	31/5/95	3%	3%	2%	1%	n/a
1/6/95	14/7/95	5%	5%	3%	1%	n/a
15/7/95	21/4/96	3%	3%	2%	1%	n/a
22/4/96	10/9/96	5%	5%	3%	1%	n/a
11/9/96	17/10/96	3%	3%	2%	1%	n/a
Premier Bond						
18/10/96	n/a	9%	7%	5%	3%	1%

Market Value Reduction:

The Company reserves the right to adjust the value of units by applying an MVR. The adjustment is not applied on death nor to 'protected withdrawals' (see below).

The adjustment is applied at the Company's discretion. In determining an MVR, the investment performance of the Life With-Profits fund is compared with the return credited to the units being cancelled. An MVR may be applied when the investment performance is less than the credited return.

A discretionary final bonus may also be added or adjusted at any time.

- ii) A market value reduction has been applied at certain times during the report period. The Market Value Reduction was expressed as a scale varying by month of unit purchase and the scale was revised on a number of occasions to reflect changing investment conditions.
- iii) The price of units in the Life With-Profits Fund is guaranteed never to fall.
- iv) There are no guaranteed surrender values.

**v) Options**

There is a facility to make regular withdrawals from the policies.

For certain regular withdrawals from the Life With-Profits Fund there is a guarantee not to apply either a surrender penalty or an MVR. This applies provided:

- The withdrawals were specified at inception and commence within 13 months of the initial investment.
- The annual amount withdrawn does not exceed 7.5% of the amount invested (10% for withdrawals commencing prior to 18 January 1993).
- Units may be switched from the Life With Profits Fund to the internal linked funds (except for the With Profits Bond).

## Valuation report prepared by the appointed actuary – IPRU (INS) Appendix 9.4 – Life Fund

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

Financial year ended **31 December 2002**

### Reassurance from Norwich Union Life (RBS) Ltd

From 28 January 2002 the Company was the accepting reinsurer for the With Profit Bond contract written by Norwich Union Life (RBS) Ltd (referred to in the returns as the Joint Venture With Profit Bond). The treaty is on a quota share basis with 45% being reassured to the company. The contract terms are as follows.

The contract is a single premium United Kingdom reinsurance accepted whole life assurance and is classified as life assurance and general annuity business. Benefits may be linked to the Unitised With Profit Life Fund, the Unitised With Profit Income Fund or a combination of both.

#### (i) Deductions from identifiable current benefit

If units are held for less than 5 years, a charge is applied to the bid value of units as follows. The charge is not applied on death, nor to 'protected withdrawals' (see below). The surrender value is equal to the bid value of units, after any allowance for final bonus or market value reduction, less an early redemption charge in the case of surrenders during the first 5 years of the policy. The charge applies where the amount surrendered exceeds 10% of the initial investment and is applied to the amount withdrawn that exceeds 10% according to the following scale:

Year	Charge
1	8%
2	7%
3	5%
4	3%
5	1%

The company reserves the right to adjust the value of units by applying a market value reduction. The adjustment is not applied on death nor to 'protected withdrawals' (see below).

The adjustment is applied at the company's discretion. In determining a Market Value Reduction (MVR) the investment return of the With Profits Fund is compared with the return credited to the units being cancelled. An MVR may be applied when the investment performance is less than the credited return. A discretionary final bonus may also be added or adjusted at any time.

(ii) A market value reduction has been applied at certain times during the report period. The Market Value Reduction was expressed as a scale varying by month of unit purchase and the scale was revised on a number of occasions to reflect changing investment conditions.

(iii) The price of units in the Unitised With Profits Life Fund is guaranteed never to fall. In the case of the Unitised With Profit Income Fund the unit price is fixed at £1 and profits are distributed by allocating additional units to the policy each month in line with the prevailing regular bonus rate.

There is a guaranteed first anniversary bonus, paid on the business day prior to the first policy anniversary. The rate of this bonus is dependent upon the amount originally invested into the bond. Prior to 1 August 2002, the bonus varies from 0% up to 3.5% for investment over £100,000. For policies written on and after 1 August 2002, the bonus varies from 0% up to 1.25% for investment over £100,000. An additional bonus of 1.5% is paid for policies written on and after 21 October 2002, for all investment amounts.

A Loyalty bonus of 0.5% is payable against the number of units remaining in the bond at the close of business on the day prior to the each anniversary from the sixth anniversary onwards. The Loyalty bonus is paid by adding extra units.

(iv) In the case of investments in the Unitised With Profit Life Fund there is a money back guarantee on the tenth anniversary of the policy. The amount guaranteed is the initial investment reduced in proportion to the number of units cancelled through withdrawals and switches. There is no money back guarantee for Unitised With Profit Income Fund.

(v) Regular withdrawal option enables regular payments to be taken from the Bond. Regular withdrawal options are not available where there are investments in the Unitised With Profit Income Fund. For certain regular withdrawals from the Unitised With Profits Life Fund there is a guarantee not to apply either a surrender charge or a Market Value Reduction. This applies provided the withdrawal is less than 7.5% p.a. of the initial investment and this facility was set up from inception or after outset at a time when no Market Value Reduction was applying. For Unitised With Profit Income fund, no Market Value Reduction is applicable to the income payments up to the total bonus rate at that time.

Policyholders may switch funds between the Unitised With Profit Life Fund and the Unitised With Profit Income Fund

## Valuation report prepared by the appointed actuary – IPRU (INS) Appendix 9.4 – Life Fund

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

Financial year ended **31 December 2002**

### Reassurance from Norwich Union International Limited

From 30 September 2002 the Company was the accepting reinsurer for the With Profit Bond contract written by Norwich Union International Limited, a company incorporated in the Dublin International Financial Services Centre (referred to in the returns as the Norwich Union International With-Profit Bond). The treaty is on a quota share basis with 45% being reassured to the company. The contract terms are as follows. It is a whole life assurance and is classified as overseas life assurance and general annuity business. Benefits are linked to the Unitised With Profit Pension Fund.

#### (i) Deductions from identifiable current benefit

If units are held for less than 5 years, a charge is applied to the bid value of units as follows. The charge is not applied on death, nor to certain regular withdrawals (see below). The surrender value is equal to the bid value of units, after any allowance for final bonus or market value reduction, less an early redemption charge in the case of surrenders during the first 5 years of the policy. The early cash-in charge is applied to the money originally invested according to the following scale:

Year	Charge
1	9.9%
2	8.0%
3	6.0%
4	4.0%
5	2.0%

The company reserves the right to adjust the value of units by applying a market value reduction. The adjustment is not applied on death nor to 'protected withdrawals' (see below).

The adjustment is applied at the company's discretion. In determining a Market Value Reduction (MVR) the investment return of the With Profits Fund is compared with the return credited to the units being cancelled. An MVR may be applied when the investment performance is less than the credited return.

A discretionary final bonus may also be added or adjusted at any time.

- (ii) No allowance for the application of a Market Value Reduction has been included in column 12 of Form52.
- (iii) The price of units in the Unitised With Profits Pension Fund is guaranteed never to fall.
- (iv) There is a money back guarantee on the tenth anniversary of the policy. The amount guaranteed is the initial investment reduced in proportion to the number of units cancelled through withdrawals.
- (v) Regular withdrawal option enables regular payments to be taken from the Bond.  
For certain regular withdrawals from the Unitised With Profits Life Fund there is a guarantee not to apply either a surrender charge or a Market Value Reduction. This applies provided the withdrawal is less than 7.5% p.a. of the initial investment and this facility was set up from inception or after outset at a time when no Market Value Reduction was applying.

### Group Defined Benefits

This is a pension business accumulating with profits pure endowment designed to provide benefits for groups of at least 20 employees, which can be used for contracting out of the State Earnings Related Pension Scheme. Each policy has a chosen retirement age to which employees may contribute a fixed percentage of salary, while employers contribute by the controlled funding method. On retirement cash may be taken up to the Inland Revenue limits and the balance used to purchase an annuity. Benefits are linked to the Unitised With Profit Pension Fund.

- (i) The company reserves the right to adjust the value of units by applying a market value reduction. The adjustment is not applied on death or at normal retirement age. The adjustment is applied at the Company's discretion. In determining an MVR, the investment performance of the Unitised With-Profit Pension Fund is compared with the return credited to the units being cancelled. An MVR may be applied when the investment performance is less than the credited return.
- (ii) No Market Value Reduction was in force during the report period.
- (iii) The price of units in the Unitised With-Profits Fund Pension Fund is guaranteed never to fall.
- (iv) There are no guaranteed surrender values.

## Valuation report prepared by the appointed actuary – IPRU (INS) Appendix 9.4 – Life Fund

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

Financial year ended **31 December 2002**

- (v) Certain policies transferred from Conventional With Profit Group Defined Benefit contracts have retained guaranteed annuity options in respect of the members transferred. The premium rate used to purchase an annuity for these members is guaranteed.

### Reassurance from CGNU Life

From 1 October 1998 the Company was the accepting reinsurer for the portion invested in the unitised with profit funds of a range of contracts written by CGNU Life Assurance Limited. The treaty is on a quota share basis (50% for business written prior to 1 January 1999, 75% for business written between 1 January 1999 and 30 September 2001, 60% for business written between 1 October 2001 and 31 December 2001 and 45% for business written since 1 January 2002). The contract terms are described in the returns for that Company. The contracts are included under Unitised With Profit and CGNU Unitised With Profits, Income Fund and CGNU Unitised With Profit – Stakeholder Pensions.

**(b) Policies with benefits determined on the basis of interest accrued**

All contracts under the heading were effected before the report period and are included under "Miscellaneous Assurance".

**(c) Contracts that are not sufficiently described by the entry in column 1 of Form 51 are described below.**

### Endowment assurances

Certain participating endowment assurances offer:

- Guaranteed surrender values on and after the 10th policy anniversary until maturity.
- An option to effect further such policies without further evidence of health subject to the terms and conditions then current on each of the first ten policy anniversaries provided that the total new premiums and sums assured under such policies do not exceed the premium and sum assured under the original policy.

Certain participating endowment assurances offer an additional non-participating sum assured payable at maturity only. These are 10 or 15-year contracts. They have been valued as participating endowment assurances for the participating sum assured together with non-participating pure endowments for the additional sum payable at maturity.

Certain endowment policies providing pensions for the self-employed contain guaranteed terms for early retirement options.

### Endowment – Low cost

These are participating endowment assurance contracts under which premiums increase at 10% per annum simple for the first 10 years or 20% per annum simple for the first 5 years.

### Term assurance

Some Convertible Term Assurances included under these headings contain the option to convert to whole life or endowment assurances (or in some cases to term assurances or further convertible term assurances) with limited or no evidence of health.

For certain other convertible term assurances:

- The sum assured and the premium increase by 10% per annum compound throughout the term of the policy.
- There is an additional option at the expiry of the policy to effect a further such policy without further evidence of health subject to the terms and conditions then current for an initial sum assured up to the sum assured in the final year of the policy increased by 10%.
- Alternatively, by payment of an additional premium from the outset, the maximum initial sum assured of the replacement policy is guaranteed to be not less than the original sum assured increased in line with the Retail Price Index.
- Also incorporated in this alternative for some policies is a waiver of premium benefit for a period not exceeding six months for any one occurrence of redundancy, subject to a maximum of two such occurrences during the term of the policy.
- At any time before the policy's expiry, the policyholder may decline further increases in sum assured and premium and replacement options would be correspondingly limited.

### Group life

Certain contracts have premium rates applied to the individual members that are normally guaranteed for up to 3 years. Other contracts have premium rates applied to the overall sum assured which are normally guaranteed for 2 years. Also included are group life coverage's associated with certain group deferred annuity contracts. These coverages have maximum premium rates guaranteed for up to 10 years.

### Guaranteed Annuity Options

Guaranteed annuity options providing for payment of an annuity in lieu of a cash sum at maturity or death are contained in Endowment and Pure Endowment contracts in the Pensions Business section of Form 51.

## Valuation report prepared by the appointed actuary – IPRU (INS) Appendix 9.4 – Life Fund

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

Financial year ended **31 December 2002**

Some policies in connection with pension schemes contain guaranteed bases for early and late retirement pensions and for joint life and survivor or reversionary pensions. In some cases a rate of interest for accumulation after normal retirement date is guaranteed.

### **Deferred Annuity and Group Deferred Annuity**

Guaranteed cash options providing for payment of a cash sum in lieu of an annuity are contained in Deferred and Group Deferred annuity contracts in Form 51.

Individual deferred annuity contracts, other than those approved under Section 620 of the Income and Corporation Taxes Act 1988, have guaranteed surrender values.

### **Miscellaneous Assurances**

Certain policies designed for house purchase on the endowment mortgage basis, classified in Form 51 as Endowment Assurances or Other Assurance (Special Mortgage Endowment), include a critical illness rider benefit.

- The rider provides that the policy proceeds are payable in the event of certain critical illnesses, or total and permanent disability.
- In the event of such a claim the policy terminates.

The Company accepts reinsurance under a treaty reassuring the capital guarantee liability on certain unit-linked contracts.

Guaranteed Insurability Options are included in some policies:

- Some individual term and convertible term assurances where the option allows additional cover for up to two-thirds of the initial sum assured without further evidence of health on each of the 5th, 10th and 15th policy anniversaries.
- Some single life term and convertible term assurances where, should the life assured move house during the policy term, additional cover is allowed up to the amount of any mortgage increase, subject in some cases to a maximum of £100,000 over all such increases.
- Some other individual single life policies where the option allows additional cover to be effected without further evidence of health for up to 30% of the initial sum assured on:
  - each of the 3rd, 6th, 9th, 12th and 15th policy anniversaries,
  - on the first marriage of the life assured after effecting the policy,
  - on the birth of each of the life assured's first two children after effecting the policy,
  - up to the amount of any mortgage increase, subject in some cases to a maximum of £100,000 over all such increases, should the life assured move house during the policy term.
- Some policies, designed for house purchase on the endowment mortgage basis, where the option allows a further policy to be effected without evidence of health to cover an increased mortgage up to a total (including the initial policy) of the lesser of twice the initial mortgage sum assured or £100,000. The increased mortgage must be for buying a new home or undertaking major home improvements.
- Some pension business term assurances have an option:
  - to increase sums assured without further evidence of health by up to 20% per annum compound for a period of 6 years following the original acceptance.
  - to effect additional policies, within 10 years of the commencement date, for total sums assured not exceeding the original sum assured.
- Some pension business term assurances issued to the self-employed have an option to effect an individual endowment or term assurance policy without evidence of insurability should the original policy lapse by virtue of the policyholder ceasing to be self-employed.

Conversion Options are included in some policies, giving the option to change to another type of policy at a later date at guaranteed rates of premium.

### **Reassurance from CGNU Life**

Conventional endowments and mortgage endowment with-profit business (including any associated decreasing term assurance) ceased to be issued by the Company with effect from 30 September 1998. From 1 October 1998 until 1 October 2000, the Company was the accepting reinsurer for the equivalent contracts under a treaty with CGNU Life Assurance Limited. The treaty is on a 75% (50% for business written prior to 1 January 1999) quota share basis and the contract terms are set out in the returns for that Company.

### **Reassurance from Hibernian Life and Pensions Limited**

From 11 June 2001, the Company is the accepting reinsurer of a cashless reinsurance financing arrangement in respect of with profits pensions business from Hibernian Life and Pensions. The initial liability is 64million Irish pounds and this will be amortised out of surplus arising in Hibernian Life and Pensions Limited over a seven year period commencing on 1 January 2004.

## **5 Linked contracts**

- (1) There are 8 categories of linked contract.

**Valuation report prepared by the appointed actuary – IPRU (INS) Appendix 9.4 – Life Fund**

Name of insurer

**Commercial Union Life Assurance Company Limited**

Financial year ended

**31 December 2002****(a) Equity Builder**

- (b) This category of business is endowment assurance, with-profit, direct written, life assurance business, written in the United Kingdom.

- (c) Premiums are payable monthly.

**(d) Maturity benefits**

The greater of:

- the bid value of the units allocated (including bonus units).
- the total periodic investments paid over the term of the contract.

**Death benefits**

The greater of:

- the bid value of the units allocated (including bonus units) plus cash equal to the remaining periodic investments.
- the total periodic investments payable over the term of the contract.

- (e) There are no guaranteed investment returns, other than the minimum death and maturity benefits above.

**(f) Recovery of Costs**

Management expenses are recovered out of policies as follows:

- The proportion of each premium deemed to be invested varies according to the age at entry, term and size of policy.

Sum assured	£1,000			£3,000		
Term of policy (years)	10	20	30	10	20	30
Age at Entry : 20	91%	89%	87%	92%	91%	90%
30	91%	88%	86%	92%	91%	89%
40	90%	86%	81%	91%	89%	84%
50	88%	81%	-	89%	83%	-
60	84%	-	-	85%	-	-

- dividend income is retained by the Company.
- a discount in respect of purchases of units is retained by the Company.

- (g) Charges cannot be varied.

- (h) The contract may be surrendered at any time for the bid value of the units allocated. The policy may be made paid-up.

- (i) Benefits are determined by reference to the value of units in the authorised unit trust to which the policy is linked, the INVESCO UK Growth Fund.

- (j) There are no other features of the contract which are material to the method and basis of valuation.

- (k) The contract was not open to new business in the year to the valuation date.

- (l) There were no changes in the rates of charges applied to contracts during the report period.

**(a) Abbey National Plan**

- (b) This category of business is pure endowment, non-profit, direct written, pension business, written in the United Kingdom.

- (c) Premiums are paid annually or monthly, or are single premiums.

- (d) The deemed accumulated investment is payable on death, maturity, or retirement before maturity.

- (e) There are no guaranteed investment returns.

**(f) Recovery of Costs**

Management expenses are recovered out of policies as follows:

- 90% of each single premium is deemed to be invested.
- The proportion of each regular premium deemed to be invested is as follows:

**Valuation report prepared by the appointed actuary – IPRU (INS) Appendix 9.4 – Life Fund**Name of insurer **Commercial Union Life Assurance Company Limited**Financial year ended **31 December 2002**

Age next birthday at entry	Percentage of premium deemed invested in years		
	1	2	Thereafter
18–55	70	70	95
60	70	72.5	95
65	70	85	95
70	70	95	95

- A recurring management charge of 0.75% per annum is made on the accumulated funds.

- (g) Charges cannot be varied.
- (h) The deemed accumulated investment is payable on transfer into a personal pension plan.
- (i) Benefits are determined by reference to the value of assets to which the policy is linked. The policy is linked to a special account, which earns interest at a rate decided by the Abbey National from time to time.
- (j) There are no other features of the contract which are material to the method and basis of valuation.
- (k) The contract was not open to new business in the year to the valuation date.
- (l) There were no changes in the rates of charges applied to contracts during the report period.

**(a) Classic Investment Bond and Premier Bond**

- (b) This category of business is whole life assurance, non-profit, direct written, life assurance business, written in the United Kingdom.
- (c) Single premiums are payable.
- (d) 101% of the bid value of units is payable on death, including any final bonus payable on the Life With Profits Fund unit holding.
- (e) The bid value of the Life Cash Fund units and Life With Profit Fund units are guaranteed never to decrease.

**(f) Recovery of costs**

- Management expenses are recovered out of policies as follows:
- The proportion of premium invested varies from 95% to 101.5% (Classic) and from 98% to 102% (Premier), depending on premium size and tranche of business.
- Initial Management Charge: 5% of the amount invested for Classic Investment Bond.
- Recurring Management Charge: 1/12% per month of each internal linked fund's value is deducted from the funds.
  - A proportion of this charge is retained by the reinsurer.
  - No such charge is applied to the Life With-Profits Fund but, for Premier, during the first 5 years of the policy 0.08% of the units allocated are cancelled each month.
- Deductions are applied on surrender as set out in (h) below and paragraph 4 above.
- All investment expenses are borne directly by the internal linked funds.

- (g) The recurring management charge is not guaranteed.

**(h) Surrender**

The surrender value is the bid value of units allocated to the policy, including any final bonus payable on units in the Life With Profits Fund, less a deduction as follows. An MVR may also apply to units in the Life With Profits Fund.

**(i) Premier Bond:**

Percentage of units cancelled on surrender in years				
1	2	3	4	5
9.0 %	7.0 %	5.0 %	3.0 %	1.0 %

**(ii) Classic Bond:**

- For investments in internal linked funds, if surrender is within 6 months of inception of a policy issued on or after 1 January 1995 there is a deduction of 3% of the value of units.
- For investments in the With Profits Fund, the deductions are set out in paragraph 4 above.
  - Partial surrender is permitted.
  - There is a regular withdrawal facility.
- (i) Benefits are linked to the value of one or more internal linked funds and/or to the Life With Profits Fund. The internal linked funds are contained within the Life and Annuity Fund of NU Linked Life Assurance Limited.
- (j) There are no other features of the contracts which are material to the method and basis of valuation.

## Valuation report prepared by the appointed actuary – IPRU (INS) Appendix 9.4 – Life Fund

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

Financial year ended **31 December 2002**

(k) The contracts were not open to new business in the year to the valuation date.

(l) There were no changes in the rates of charges applied during the report period.

**(a) Personal Pension Plan, Group Personal Pension, Free Standing AVC and Executive Pension Plan**

(b) This category of business is endowment assurance, non-profit, direct written pension business, written in the United Kingdom. Lifestyler and Optimiser versions of these contracts replaced the Sterling version in February 1998.

(c) Premiums are paid annually or monthly, or are single premiums. Within certain limits the premiums may be increased or decreased. Premiums can also be increased automatically each year in line with the rise in National Average Earnings or the Retail Prices Index (both subject to a maximum of 15% per annum). They may also be increased by a fixed rate between 5% and 15% per annum. All premium increases are subject to Inland Revenue limits.

**(d) Retirement Benefits**

On retirement (at any age allowed by the Inland Revenue), the benefit is the bid value of the units allocated including any final bonus payable on the Pensions With Profit Fund holding.

Other than on Lifestyler contracts a loyalty bonus is also paid on retirement, other than benefits arising from Protected Rights contributions, as follows.

(i) For regular premium policies (and increments on the policies) issued on or after 9 September 1991 and before 1 January 1995 the bonus is a proportion of premiums paid, determined by the number of complete years' premiums paid:

Number of complete years	% of Premiums
10 to 14	2.5
15 to 19	5
20 to 24	10
25 to 34	20
35 or more	25

(ii) For single premium policies (and additional single premiums) issued on or after 1 November 1993 and before 1 January 1995 the bonus is a proportion of premiums paid, determined by the number of complete years for which the premiums were invested. The proportions are shown in the table above.

(iii) For regular premium policies (and increments on the policies) on or after 1 January 1995 the bonus is equal to the value of units that a specified percentage of each contribution paid during the initial period (as defined in (f) below) would have purchased. If premiums have increased or decreased the bonus benefit is calculated separately for each level of premium.

- For policies issued before 5 June 1995 that percentage is 2% for each complete year that the relevant level of premium has been paid.
- For policies issued between 5 June 1995 and 1 February 1998 that percentage is 2.5% for each complete year that the relevant level of premium has been paid.
- For Optimiser policies issued between 2 February 1998 and 30 September 1998 the percentage is 3.5% for each complete year that the relevant level of premium has been paid.

(iv) For regular premium Optimiser personal pension policies sold on a group basis on or after 1/10/98 the bonus is equal to 0.5% of the fund value for each complete year that contributions have been paid.

(v) For single premium policies (and additional single premiums) issued on or after 1 January 1995 the bonus benefit is a specified percentage of the benefits in respect of that single premium. For policies issued before 2/2/98 the percentage is 0.5% for each year that the single premium has been invested. For Optimiser policies issued between 2/2/98 and 30/9/98 the percentage is 0.75% for each year the single premium has been invested. These rates also apply to Protected Rights contributions in respect of tax year 1997/8 and later.

(vi) For single premium Optimiser personal pension policies issued on a group basis on or after 1/10/98 the bonus is 0.25% of the fund value each year after 10 years. The bonus is credited to the plan on the 11th anniversary and each subsequent plan anniversary.

(vii) An MVR may also apply to units in the Pensions With- Profits Fund on early retirement.

**Death Benefits**

The benefit on death is the bid value of the units allocated, including any final bonus payable on the Pensions With-Profit Fund.

A bonus benefit is also paid, based on the premiums actually paid, if a bonus benefit would have been payable on retirement.

(e) The bid value of units in the Pension Secure Growth Fund and the Pensions Unitised With Profit Fund are guaranteed never to decrease. The bid value of the Pension Safety Net Fund is guaranteed not to fall below a



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floor price on the condition that the provider of the financial instruments used within the fund to provide that guarantee honours that contract. The floor price can be adjusted on the anniversary of the fund, at which time it can be increased or decreased. It can be increased, but not decreased, at any other time. Units in the Pension Assured Fund have a guaranteed price of £1 at the selected pension date or on death.

**(f) Recovery of costs**

A policy fee is collected by:

- Deduction from the premium before investment, for Personal Pensions and Free-Standing AVCs policies issued prior to 9 September 1991.
- Deduction from the premium before investment for single premium Executive Plans.
- Cashing units at the bid price, for Personal Pension and Free-Standing AVC policies issued on or after 9 September 1991.
- Cashing units at the bid price for regular premium Executive Plans.

The premium, net of any policy fee, is then allocated as described in the description of standard terms, below. Some variations, including level allocations throughout the policy term, have been available in some circumstances; for example where level commission is taken.

**Regular premium allocation proportions : Sterling Personal Pension/Free-Standing AVC****To March 1990**

For policies issued, and increases in premiums, prior to 6 March 1990 (after deducting the policy fee) the proportions allocated are as follows. The initial period for contracts payable by monthly premiums depends on the duration to retirement, and is subject to a minimum of 12 months and a maximum of 24 months.

	Percentage of premium allocated to units				
	Monthly premiums		Annual premiums		
	Less than £100	£100 or more		Less than £1000	£1000 or more
Initial Period	70	70	Year 1	70	70
Remainder of			Year 2	see note	see note
First 10 years	100*	101*	Years 3 to 10	100	101
Thereafter	105	105	Thereafter	105	105

\* These percentages are increased by 1% for Sterling Personal Pension Plan contracts issued to groups of five or more employees

The percentage of annual premiums allocated in year 2 depends on the duration to retirement, and is subject to a minimum of 70% and a maximum of 100% (or 101% for premiums of £1,000 or more).

**March 1990 to September 1991**

For policies issued, and increases in premiums, on or after 6 March 1990 and prior to 9 September 1991 (after deducting the policy fee) the proportions allocated are:

	Percentage of premium allocated to units		
	Monthly premiums (Annual premiums)		
	Less than £100 (£1,000)	£100 (£1,000) to £499 (£4,999)	£500 (£5,000) or more
Years 1 and 2	70	70	70
Years 3 to 10	95*	100*	105
Thereafter	105	105	105

\* These percentages are increased by 1% for Sterling Personal Pension Plan monthly premium contracts issued to groups of five or more employees

**September 1991 to January 1995**

For policies issued, and increases in premiums, on or after 9 September 1991 and prior to 1 January 1995 the proportions allocated are as follows. For increases in premiums the allocation percentages apply to the increase in premiums, with the allocation level for previous premiums remaining unchanged.

	Percentage of premium allocated to units			
	Monthly premiums (Annual premiums)			
	Less than £50 (£500)	£50 (£500) to £99 (£999)	£100 (£1000) to £499 (£4,999)	£500 (£5,000) or more
Initial Period	see note	see note	see note	see note
Remainder of First 10 years	90*	95*	100*	100*
Thereafter	95	100	100	105

\* These percentages are increased by 1% for Sterling Personal Pension Plan monthly premium contracts issued to groups of five or more employees

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

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Note: For contracts payable by monthly premiums the initial period depends on duration to retirement, subject to a minimum of 6 months and a maximum of 24 months, and the percentage of premiums allocated to units in the initial period is 70%. For contracts payable by annual premiums the initial period is 2 years and the percentage of premiums allocated to units in the initial period depends on duration to retirement, subject to a minimum of 70% and a maximum equal to the percentage applicable for the remainder of the first 10 years as shown above.

## January 1995 to June 1995

For policies issued, and increases in premiums, on or after 1 January 1995 and prior to 5 June 1995 the proportions allocated are as follows. For increases in premiums the allocation percentages apply to the increase in premiums, with the allocation level for previous premiums remaining unchanged.

	Percentage of premium allocated to units				
	Monthly premiums (Annual premiums)				
	Less than £50 (£500)	£50 (£500) to £99 (£999)	£100 (£1000) to £199 (£1,999)	£200 (£2,000) to £499 (£4,999)	£500 (£5,000) or more
Initial Period	see note	see note	see note	see note	see note
Remainder of first 10 years	95*	98*	101*	102*	103*
Thereafter	98	103	103	105	105

\* These percentages are increased by 1% for Sterling Personal Pension Plan monthly premium contracts issued to groups of five or more employees

Note: The initial period depends on duration to retirement, subject to a minimum of 3 months and a maximum of 24 months. For contracts payable by monthly premiums the percentage of premiums allocated to units in the initial period is 60%. For contracts payable by annual premiums the percentage of premiums allocated to units in the initial period depends on duration to retirement, subject to a minimum of 60% and a maximum equal to the percentage applicable for the remainder of the first 10 years as shown above.

## June 1995 to January 1998

For policies issued and increases in premiums on or after 5 June 1995, the proportions allocated are as follows. For increases in premiums the allocation percentages apply to the increase in premiums, with the allocation level for previous premiums remaining unchanged.

	Percentage of premium allocated to units				
	Monthly premiums (Annual premiums)				
	Less than £50 (£500)	£50 (£500) to £99 (£999)	£100 (£1000) to £199 (£1,999)	£200 (£2,000) to £399 (£3,999)	£400 (£4,000) or more
Initial Period	see note	see note	see note	see note	see note
Thereafter	97	102	103	104	104**

\* These percentages are increased by 1% for Sterling Personal Pension Plan monthly premium contracts issued to groups of five or more employees

\*\*These allocation percentages are increased by 2% for contracts issued on or after 9 July 1997 and prior to 1 December 1997 inclusive.

Note: The initial period depends on duration to retirement and is subject to a minimum of 3 months and a maximum of 24 months. For contracts payable by monthly premiums the percentage of premiums allocated to units in the initial period is 60%. For contracts payable by annual premiums the percentage of premiums allocated to units in the initial period depends on duration to retirement, and is subject to a minimum of 60% and a maximum equal to the percentage applicable thereafter as shown above.

## Regular premium allocation proportions : Sterling Executive Plan

### To January 1995

For policies issued and increases in premiums prior to 1 January 1995, the proportions allocated are as follows. The initial period for contracts payable by monthly premiums depends on the duration to retirement, and is subject to a minimum of 12 months and a maximum of 24 months. For annual premium contracts the initial period is 2 years.

	Percentage of premium allocated to units		
	Monthly premiums (Annual premiums)		
	£100 (£1,000) to £499 (£4,999)	£500 (£5,000) to £999 (£9,999)	£1,000 (£10,000) or more
Initial period	see note	see note	see note
Remainder of first 10 years	100	100	101
Thereafter	100	105	105

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Note: The percentage of premiums allocated is 70% for monthly premium contracts. For annual premium contracts the percentage depends on duration to retirement and is subject to a minimum of 70% and a maximum of 96%.

**January 1995 to June 1995**

For policies issued or increases in premiums on or after 1 January 1995 and prior to 5 June 1995, the proportions allocated are as follows. The initial period depends on the duration to retirement, and is subject to a minimum of 3 months and a maximum of 24 months.

	Percentage of premium allocated to units		
	Monthly premiums (Annual premiums)		
	£100 (£1,000) to £199 (£1,999)	£200 (£2,000) to £499 (£4,999)	£500 (£5,000) or more
Initial period	see note	see note	see note
Remainder of first 10 years	101	102	103
Thereafter	103	105	105

Note: For contracts payable by monthly premiums the percentage of premiums allocated to units in the initial period is 60%. For contracts payable by annual premiums the percentage of premiums allocated to units in the initial period depends on the duration to retirement, subject to a minimum of 60% and a maximum of the percentage applicable for the remainder of the first 10 years as shown above.

**From June 1995 to January 1998**

For policies issued or increases in premiums on or after 5 June 1995, the proportions allocated are as follows. The initial period depends on duration to retirement, and is subject to a minimum of 3 months and a maximum of 24 months.

	Percentage of premium allocated to units		
	Monthly premiums (Annual premiums)		
	£100 (£1,000) to £199 (£1,999)	£200 (£2,000) to £399 (£3,999)	£400 (£4,000) or more
Initial period	see note	see note	see note
Thereafter	103	104	104 *

\* These allocation percentages are increased by 2% for contracts issued on or after 9 July 1997 and prior to 1 December 1997 inclusive.

Note: For contracts payable by monthly premiums the percentage of premiums allocated to units in the initial period is 60%. For contracts payable by annual premiums the percentage of premiums allocated to units in the initial period depends on the duration to retirement, subject to a minimum of 60% and a maximum of the percentage applicable thereafter as shown above.

**Regular premium allocation proportions : Optimiser and Lifestyler  
Personal Pension Plan, Free-Standing AVC and Executive Pension Plan**

**From February 1998**

For policies issued or increases in premiums on or after 2nd February 1998 the proportions of premium allocated to units are as follows:

Monthly premium (Annual premium)	Level allocation
Under £50 (£500)	90%
£50 (£500) to £100 (£1000)	93%
£100 (£1000) and over	95%

For personal pension policies sold on a group basis on or after 1/10/98, the proportion of regular premium allocated to units is 95%.

**Single premium allocation proportions: Sterling Personal Pension / Free-Standing AVC**

For policies issued before 2 February 1998 the proportion of each premium invested in units is as follows (after deducting the policy fee for policies issued before 9 September 1991).

- For policies issued and increases in premiums prior to 1 January 1995, the appropriate allocation percentage is reduced by 1% for each year that the number of complete years to the retirement date is less than 5.
- For policies issued and increases in premiums on or after 1 January 1995, the appropriate allocation percentage is reduced by 0.5% for each year that the number of complete years to the retirement date is less than 5.

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Name of insurer

**Commercial Union Life Assurance Company Limited**

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**31 December 2002**

Premium	Percentage of premium allocated *	
	Sterling Personal Pension Plan	Sterling Free-Standing AVC
Less than £3,000	97	95
£3,000 to £4,999	97	97
£5,000 to £14,999	100	100
£15,000 or more	101	100

\* These percentages are increased by 2% for contracts issued on or after 20 October 1997 and prior to 1 January 1998 inclusive.

For protected contributions and incentive payments from the Department of Social Security, the full amount is allocated to units except that a policy fee is deducted from the first payment received. Cashing units at their bid price pays for further monthly policy fees.

**Single premium allocation proportions: Sterling Executive Plan**

For policies issued before 2 February 1998 the following allocation percentages are applied to the single premium after deducting a policy fee.

- For policies issued and increases in premiums prior to 1 January 1995, the appropriate allocation percentage is reduced by 1% for each year that the number of complete years to the retirement date is less than 5.
- For policies issued and increases in premiums on or after 1 January 1995, the appropriate allocation percentage is reduced by 0.5% for each year that the number of complete years to the retirement date is less than 5.

Premium	Percentage of premium allocated *
Less than £5,000	97
£5,000 to £14,999	100
£15,000 or more	101

\* These percentages are increased by 2% for contracts issued on or after 20 October 1997 and prior to 1 January 1998 inclusive

**Single premium allocation proportions: Optimiser and Lifestyler Personal Pension Plan, Free-Standing AVC and Executive Pension Plan****From February 1998**

For policies issued or increases in premiums on or after 2 February 1998 the proportions of premium allocated to units are as follows:

Single Premium	Premium allocation
under £5,000	96%
£5,000 to £9,999.99	98%
£10,000 to £14,999.99	99%
£15,000 and over	100%

For personal pension policies sold on a group basis on or after 1 October 1998 the proportions of premium allocated to units are as follows:

Single Premium	Premium allocation*
£2,000 to £4,999.99	98%
£5,000 to £9,999.99	100%
£10,000 to £14,999.99	101%
£15,000 and above	102%

\* These percentages are increased by 1% for contracts issued between 1 October 1998 and the date of valuation. These allocations will be reduced by 0.5% for each year that the number of complete years to retirement is less than 10.

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

Financial year ended **31 December 2002**

### **Other charges**

- Initial Management Charge: 5% of the amount invested.
- Recurring Management Charge: 0.85% per year of each internal linked fund's value is deducted from the funds. For group personal pension policies issued after 1 October 1998 the recurring management charge is 0.625% per year. The reinsurer retains a proportion of this charge. No such charge is applied to the Pensions With-Profits Fund.
- For Lifestyler policies issued prior to 1 October 1998 the unit holding is increased by 0.5% per year to offset some of the investment expenses, this includes units in the With Profit Fund purchased prior to 1 October 1998.
- For Optimiser group personal pension policies issued on or after 1 October 1998 an additional plan management charge of 0.375% per year applies.
- Deductions are applied on transfer, early retirement, or switches as set out in paragraph 4 above in respect of the Pensions With-Profits Fund.
- All investment expenses are borne directly by the internal linked funds.

- (g) The policy fees and recurring management charges are not guaranteed. The Company has however announced that future charges (other than the additional management charge for investments in the Pension Assured Fund and the additional plan management charge), will not exceed 1% per annum from 6 April 2001.
- (h) **Transfer values and conversion to paid-up**
- The benefit on surrender (transfer) is the bid value of the units allocated, including any final bonus payable on units in the Pension With-Profits Fund.
  - An MVR may apply to units in the Pension With-Profits Fund.
  - The policy may be converted to paid-up on any premium due date. It can subsequently be restarted subject to the limits, terms and conditions then current.
- (i) Premiums are invested wherever the policyholder chooses. Policyholders may invest in the CU Prime Series Pension Funds. Personal Pension Policies sold on a group basis after 1 October 1998 have benefits, which may be linked to any of the CGNU Pension Funds.
- (j) There are no other features of the contracts which are material to the method and basis of valuation.
- (k) Personal Pension Policies sold on a group basis only were open to new business in the year to the valuation date.
- (l) There were no increases in the charges applied during the report period.

### **(a) Personal Pension Trust Investment Plan**

- (b) This category of business is group pensions, non-profit, direct written, and pension business, written in the United Kingdom.
- (c) Premiums may be paid at any time.
- (d) The contract is an investment plan for the Trustees of a personal pension scheme approved by the Inland Revenue in accordance with Chapter IV of Part XIV of the Income and Corporation Taxes Act 1988.

### **Benefits**

- The bid value of units is available at any time, subject to a reduction determined by the Company in respect of units which have been allocated for less than 3 years.
  - Partial encashment is permitted, subject to a minimum encashment and a minimum value remaining.
- (e) The bid value of the Pension Secure Growth Fund units is guaranteed never to decrease. The bid value of the Pension Safety Net Fund is guaranteed not to fall below a floor price on the condition that the provider of the financial instruments used within the Fund to provide that guarantee honours that contract. The floor price can be adjusted on the anniversary of the Fund, at which time it can be increased or decreased. It can be increased, but not decreased, at any other time.

### **(f) Recovery of costs**

Management expenses are recovered out of policies as follows:

- The proportion of premium invested varies between 102% and 104.5% for policies issued before 20 October 1997 and between 96% and 100% for policies issued on or after 20 October 1997 depending on the aggregate amount invested in respect of the individual member of the personal pension scheme.
- Initial Management Charge: 5% of the amount invested.
- Recurring Management Charge: 1% per annum of the fund value is deducted from the fund on a monthly basis. An annual reward of 0.3% of the value of the fund is paid on each policy anniversary, the effect of which is to reduce the recurring management charge to 0.7% per annum.
- A reduction is applied to units if they are cancelled within 3 years of allocation.

All investment expenses are borne directly by the funds.

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- (g) The charges are not guaranteed.
- (h) The surrender value is the bid value of units. The Company has the right to defer implementation for up to 1 month (6 months for direct or indirect holdings of property).
- (i) Premiums are applied to purchase units in one or more internal linked funds. The internal linked funds are contained within the Non-Participation Fund of The Northern Assurance Company Limited.
- (j) There are no other features material to the method or basis of valuation.
- (k) The contract was not open to new business in the year to the valuation date.
- (l) There were no changes in the rates of charges applied to contracts during the report period.

**(a) Sterling Group (Unitised) Plan**

- (b) This category of business is group endowment assurance, non-profit, direct written, pension business, written in the United Kingdom.
- (c) Premiums are paid monthly or four-weekly, or are single premiums. Within certain limits the premiums may be increased or decreased. All premium increases are subject to Inland Revenue limits.

**(d) Retirement Benefits**

- On retirement (at any age allowed by the Inland Revenue), the benefit is the bid value of the units allocated including any final bonus payable on the Pensions With Profit Fund holding.
- A discontinuance charge may be applied on retirement prior to the normal retirement date.

**Death Benefits**

- The benefit on death is the bid value of the units allocated, including any final bonus payable on the Pensions With-Profit Fund.

- (e) The bid value of the Pension Secure Growth Fund units is guaranteed never to decrease. The bid value of the Pension Safety Net Fund is guaranteed not to fall below a floor price on the condition that the provider of the financial instruments used within the fund to provide that guarantee honours that contract. The floor price can be adjusted on the anniversary of the Fund, at which time it can be increased or decreased. It can be increased, but not decreased, at any other time.

**(f) Recovery of costs**

Policy charges are applied to premiums received, as follows for schemes (other than AVC-only schemes):

	Scheme	Member	
		With contribution	Without contribution
Contracted out	£36.60	£2.80	£1.20
Not contracted out	£31.60	£2.40	£1.20

For AVC-only schemes charges are applied in respect of each member. The rate of charge is £3.30 for each member where there are 5 to 29 members, and £2.60 where there are 30 or more members (reduced to £1.20 for members for whom contributions have ceased).

The following allocation percentages are applied to the regular premiums after deducting the policy charges. Where there are less than 5 years to retirement reduced allocation percentages apply.

Monthly premiums	Percentage of premium allocated to units			
	Number of complete years to retirement date			
	5 to 9	10 to 14	15 to 19	20 or more
£ 30 to £59	93	94	95	96
£ 60 to £119	96	97	98	100
£120 to £239	98	99	100	102
£240 to £479	99	100	101	103
£480 or more	100	101	102	104

For supplementary single premiums paid prior to 1 September 1992 the following allocation percentages are applied after deducting policy charges. Where there is less than 5 years to retirement the allocation is reduced by 1% for each year that the number of complete years to retirement is less than 5.

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Premium	Percentage of premium allocated	
	Transfer payments	Other supplementary single premiums
£1,000 to £4,999	103	100
£5,000 to £14,999	104	101
£15,000 or more	105	102

For supplementary single premiums paid on or after 1 September 1992 the following allocation percentages are applied after deducting policy charges. Where there is less than 5 years to retirement the allocation is reduced by 1% for each year that the number of complete years to retirement is less than 5.

Premium	Percentage of premium allocated
	Transfer payments and other supplementary single premiums
£1,000 to £4,999	100
£5,000 to £14,999	101
£15,000 or more	102

For protected contributions and incentive payments from the Department of Social Security, the full amount is allocated to units after deducting the policy charges.

**Other charges**

- Initial Management Charge: 5% of the amount invested.
- Recurring Management Charge: 1/12% per month of each internal linked fund's value is deducted from the funds.
- The reinsurer retains a proportion of this charge.
- No such charge is applied to the Pensions With-Profits Fund.
- A discontinuance charge may be applied on surrender.
- Deductions are applied on transfer, early retirement, or switches as set out in paragraph 4 above in respect of the Pensions With-Profits Fund.
- All investment expenses are borne directly by the internal linked funds.

(g) The policy fees and recurring management charges are not guaranteed.

**(h) Surrender and conversion to paid up**

- The benefit on surrender (transfer) is the bid value of the units allocated, including any final bonus payable on units in the Pension With-Profits Fund.
- A discontinuance charge may be applied.
- An MVR may apply to units in the Pension With-Profits Fund.
- The policy may be converted to paid-up on any premium due date. It can subsequently be restarted subject to the limits, terms and conditions then current.

(i) Benefits are linked to the value of one or more internal linked funds and to the Pensions With- Profits Fund. The internal linked funds are contained within the Non-Participation Fund of The Northern Assurance Company Limited.

(j) There are no other features of the contract which are material to the method and basis of valuation.

(k) The contract was open to new business in the year to the valuation date.

(l) The scheme and member charges were increased in March 1999 from the following levels (other than AVC-only schemes).

	Scheme	Member	
		With Contribution	Without Contribution
Contracted out	£41.30	£3.15	£1.35
Not Contracted out	£35.65	£2.70	£1.35

For AVC-only schemes the charges were increased to £3.75 for each member where there are 5 to 29 members, and £2.90 where there are 30 or more members (reduced to £1.35 for members for whom contributions have ceased).

**(a) Linked Annuities**

(b) This category of business is linked annuity business, non-profit, direct written, pension business, written in the United Kingdom.

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

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- (c) This is single premium business.
- (d) The contracts provide annuities in payment and reversionary annuities, which are linked to changes in the Retail Prices Index or in the Limited Price Index.
- (e) There are no investment return guarantees.
- (f) Costs are recovered from the valuation reserves established from the initial single premium.
- (g) There are no charges once the annuities are in force.
- (h) There are no surrender values.
- (i) The annuities vary from inception in line with the Retail Prices Index. For Limited Price Indexed annuities the increase in any calendar year is limited to a maximum rate of 5%.
- (j) There are no other features of the contract which are material to the method and basis of valuation.
- (k) The contract was not open to new business in the year to the valuation date.
- (l) Not applicable.

**(a) Guaranteed Investment Bond**

- (b) This category of business is linked endowment insurance business, non-profit, direct written, life assurance business, written in the United Kingdom.
- (c) This is single premium business.
- (d) The contract term is 6 years from December 1997. The contracts provide 140% of initial investment after 6 years plus 20% of the rise in the FTSE 100 Index in excess of 40%. The greater of the original investment and 101% of the cash-in value is payable on death.
- (e) The contracts' guarantees are defined in (d) above.
- (f) The cost of the underlying asset was 94.90% of the investments received. The difference is used to recover costs.
- (g) There are no charges once the contracts are in force.
- (h) The surrender value is the value of the underlying assets with no surrender penalty.
- (i) The benefits may be determined by the FTSE 100 Index (as defined in (d)) above.
- (j) There is an option to take a fixed amount of regular income from the contracts. The final benefit is then defined as 100% of initial investment plus 20% of the rise in the FTSE 100 Index in excess of 40%. This has been taken into account in the valuation.
- (k) The contract was closed to new business in the year to the valuation date.
- (l) Not applicable.

(2) Additional information is given in paragraph 4(1)(a) in respect of those categories of linked contract, which contain with-profits options.

(3) Not applicable.

**(4) Unit creations, cancellations, and allocations**

The company does not operate any internal linked funds. Where unit liabilities are reassured, a description of the method used for the creation and cancellation of units in internal linked funds and determining unit prices is given in the Returns for NU Linked Life Assurance Limited.



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

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### (5) **Provision for taxation on capital gains**

#### **Internal linked funds**

The company does not operate any internal linked funds. There is therefore no provision needed for capital gains tax.

#### **Other linked business**

This is subject to the deemed disposal provisions as applied to Unit Trusts.

### (6) **Internal linked funds**

The company does not operate any internal linked funds.

#### **Other linked business**

- The other property-linked business is linked to assets of the type referred to in paragraph 5 of IPRU(INS) Appendix 3.2.
- A discount of 2.25% was received on purchase of units. This amount was retained by the long-term business fund.

## **6 Valuation principles**

- (1) Conventional regular premium business, including reinsurance accepted from Norwich Union Linked Life Assurance Limited but excluding other temporary and decreasing temporary assurances, is valued on a net premium basis, except as noted in paragraph 6(1)(c) below. The mathematical reserve is found by deducting the value of the net premiums calculated on the valuation basis from the value of benefits. There is usually a Zillmer adjustment to the net premium. Level and decreasing temporary assurances, other than reinsurance accepted from Norwich Union Linked Life Assurance Limited, are valued on a gross premium basis.

- (a) The Guaranteed Investment Bond business is exactly matched by a derivative contract. The surrender value is the cash-in value of the underlying asset and the unit liability is taken as this value.

No other allowance is necessary for derivative contracts in the determination of the amount of the long-term liabilities.

### (b) **Reasonable expectations of policyholders**

For all with-profits policies, the reasonable expectations of policyholders are taken into account.

- For traditional with profits assurance policies, the excess of the value of office premiums over the value of net premiums, less the element required to cover future expenses, provides a margin in the valuation basis. Further, a margin is held in the valuation rate of interest used.
- For with profits deferred annuity policies, the generally expected bonus element is modest, deriving from a margin between actual investment yields and the interest rate used to determine the amount of benefits purchased by each single premium. The reasonable expectations of policyholders are taken into account by holding a margin in the valuation rate of interest.
- For linked contracts the reasonable expectations of policyholders are taken into account in establishing the sterling reserves. No allowance for increasing the rates of charge is made, even though in practice the Company may increase charges in some circumstances.

### (c) **Modifications to the net premium valuation method**

#### **Non-linked business – Assurances**

The net premiums are those for the ages next at entry. The valuation factors are those for the ages next at the valuation date, with adjustment for female lives.

The net premiums were the true net premiums, increased by a Zillmer adjustment of 3.5% of the relevant capital sum for whole life, endowments and term assurance reinsurance accepted from Norwich Union Linked Life Assurance Limited in accordance with IPRU (INS) rule 5.10.

The net premium method of valuation has been modified to the extent of reducing net premiums to ensure that they are not greater than the corresponding office yearly premiums, where necessary.

Additional reserves for expenses are held as described in paragraph 8 below.

The net premium and valuation factors are based on the assumption that claims will be payable immediately on death.

#### (i) **Endowment assurance**

Certain endowment assurances issued prior to 1 January 1971 are assumed to mature at a fixed age, taken as 60 except for certain contracts, issued mainly in connection with pension schemes, where 65 is taken.

#### (ii) **Decreasing term assurances**

For direct written regular premium decreasing term assurances, the reserve is taken to 4.6 times the annualised premium.

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

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(iii) **Group Life**

For group life contracts the reserve is taken to be 100% of the office yearly premium.

(iv) **Miscellaneous**

For reinsurances on a risk premium basis the reserve is taken to be 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, the reserve is taken to be the total premiums paid.

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.

The valuation of a small number of Whole Life and Endowment Assurances makes no allowance for future premiums.

### **Non-linked business - Annuities**

(i) **Annuities in payment**

Annuities in payment are valued according to age next birthday at the valuation date less half of one year. The valuation factors allow for annuities, which are guaranteed for a term certain. The valuation factors for certain contracts where the annuitant was a substandard life at commencement allow accordingly for the shortened life expectancy.

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

For certain contracts which return premiums with interest on death, mortality is ignored. Otherwise the actuarial 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.

(iii) **Reversionary annuities**

The net premium is taken as 95% of the office yearly premiums.

(iv) **Accumulating with profits**

Unitised With Profit business is valued initially by determining the lower of the current non-guaranteed surrender value and the bid value of units. This result is then compared with a prospective valuation and the higher result taken.

The prospective valuation accrues future regular bonuses to the first date (or dates in the case of regular withdrawals) on which the Company guarantees not to apply an MVR, and then discounts to the valuation date. Future regular bonuses are assumed to run down at 1.5% per annum in line with policyholders' expectations, to the guaranteed rate (or nil where there is no guaranteed rate). The initial level of regular bonus is taken to be the interim rate applying on the valuation. Additional reserves are included where appropriate for contracts which provide a money back guarantee on a future policy anniversary.

Provision is made for future expenses on the basis of the charges made to the Company under the Management Services Agreement with Norwich Union Life Services assuming future inflation at 3.5% per annum.

Allowance is made for the cost of future shareholders transfers associated with the assumed pattern of future regular bonuses.

Future non-guaranteed surrenders are ignored.

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. The reserves are determined using the basis described in 6(1)(h) below.

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

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### (v) **Internal linked assurances**

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 Form 55 valuation 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.

The bases used are set out in paragraphs 8(b) and 9(1) below.

The 'Miscellaneous' line of Form 52 includes a reserve in respect of potential costs arising from a review of Personal Pension Business in the context of opt-outs, non-joiners and transfers.

### **Other linked contracts**

For Equity Builder the reserve is taken as the sum of:

- The unit liability, being the bid value of the units allocated.
- A negative adjustment to reflect the fact that the assets corresponding to the unit liabilities have been incorporated into the amount of the long-term business fund at book value, below the bid value of the units allocated.
- A reserve for mortality of 2.5% of the annual office premium.
- A reserve for investment performance guarantees, described in sub-paragraph (g) below.

For the Abbey National Plan the reserve is the investment liability which is the deemed total accumulated investment at the valuation date, together with an additional reserve for expenses (described in paragraph 9(1)).

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.

- (d) Negative reserves arose in a small number of cases; such reserves were set to zero.

### (e) **Reserves for future bonus**

No explicit reserve has been made for future bonus except in the case of unitised with profit contracts as described above.

### (f) **Capital Gains Tax**

The "fund carried forward" in Form 58 allows sufficient margin within market values to allow for any prospective liability for tax on unrealised capital gains. However for index-linked business, for which the related assets are incorporated into the amount of the long term business fund at market values, reserves have been made in Form 54 for capital gains tax, where appropriate, based on the prospective liability which could arise at maturity.

Provision has been made for the prospective liability to taxation on unrealised capital gains as part of the deferred tax provision in line 21 of Form 14. This provision has been established on the basis of accounting standard FRS19.

### (g) **Reserves for investment performance guarantees**

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 Fund or for the index-linked Guaranteed Investment Bond since the nature of assets held is such as to provide the investment guarantee.

For the capital guarantee liability under reinsurances of unit-linked contracts (included under Miscellaneous Assurances) an explicit reserve is held, calculated using the method recommended by the Institute and Faculty of Actuaries Maturity Guarantees Working Party. In the simulations performed, mortality and withdrawals have been ignored and allowance made for future guarantee premiums.

For the capital guarantee liability under the Equity Builder policy, an approximate method was used. This was designed to produce a reserve not less than that which would have resulted from using the method recommended by the Working Party.

### (h) **Reserves for options**

For those endowment assurance policies offering guaranteed surrender values on and after the 10th policy anniversary, the extra premium charged in respect of policies in force is accumulated at 2.25% per annum compound to cover the surrender and guaranteed insurability options

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.

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

For those assurances where a guaranteed annuity option exists it is assumed that the option will be exercised in 95% of the cases where the value of the annuity exceeds the cash benefit. The reserve in respect of the option is the amount by which the value of the annuity on the valuation basis, plus the value of expenses associated with the payment of such annuity, exceeds the value of the cash benefits otherwise payable. For these purposes expenses are assumed to increase at the rate of 3.5% per annum. For those cases where negative reserves arise they are set to zero.

For deferred annuities where a guaranteed cash option exists, the benefit at the vesting date, which is valued, is the higher of the value of the annuity and the corresponding cash option.

The reserve for waiver of premium benefit is taken to be one year's option premium, where this is explicitly charged. In other cases it is taken as 3.125% of the annual office premium.

- (2) When determining the amount of reserves held within Form 51 for:
- Capital Gains Tax (see sub-paragraph 6(1)(f) above)
  - The nature and term of the assets (see sub-paragraphs 7(7) and 7(8) below)

Account has been taken of the fact that the fund has been brought into Form 58 at book value in accordance with IPRU (INS) rule 4.1 (6).

Any additional reserves required for the purpose of the actuary's certificate have been described in the paragraphs indicated above.

**7 Valuation basis**

- (1) The rates of interest and tables of mortality assumed in the valuation are as shown in Forms 51 to 54 or are stated in paragraphs 8 and 9. below.

**(i) Interest rates**

- Where different rates of interest have been used in calculating the reserves in respect of particular benefits, this has been described in paragraph 6.
- Interest rates prefixed by an asterisk in Form 51 indicate that the rate of 4.50% has been used during the deferred period of a deferred annuity.

**(ii) Mortality tables**

- The mortality tables are coded as follows:

Code		Table	Rating
A	Males: Females:	AM80 Ultimate AF80 Ultimate	- -
B	Males: Females:	50% AM80 Ultimate 50% AF80 Ultimate	- -
D	Males: Females:	AM92 Ultimate AF92 Ultimate	- -
G	Males: Females:	70% IM80adj 102% IF80adj	- -
Q	Males: Females:	AM92 Ultimate AF92 Ultimate	up 4 years for smokers, down 2 years for non-smokers up 4 years for smokers, down 2 years for non-smokers
R	Males: Females:	TM92 Ultimate TF92 Ultimate	75% for non-smokers, 150% for smokers 75% for non-smokers, 180% for smokers
S	Males: Females:	TM92 Ultimate TF92 Ultimate	80% for non-smokers, 165% for smokers 85% for non-smokers, 190% for smokers
U	Males: Females:	75% PMA80adj 90% PFA80adj	
W	Males: Females:	AM92 ultimate AF92 ultimate	down 5 years down 5 years

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Name of insurer

**Commercial Union Life Assurance Company Limited**

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<b>C</b>	Combined disability and mortality table used in the valuation of decreasing term contracts that offer 'critical illness' and death benefits, as described in section 5. The table used is illustrated by the following specimen annual rates per mille:				
	<b>Age</b>	<b>Male Smoker</b>	<b>Male Non Smoker</b>	<b>Female Smoker</b>	<b>Female Non Smoker</b>
	20	1.5540	0.9600	0.8592	0.5388
	25	1.4364	0.8904	1.1028	0.6900
	30	1.5312	0.9552	1.6164	0.9816
	35	1.9812	1.2456	2.4360	1.4088
	40	3.1344	1.8648	3.8280	2.1744
	45	6.0192	3.0816	6.0360	3.3948
	50	10.6320	4.9308	9.4008	5.0856
	55	17.9880	8.1528	14.8908	7.6572
	60	30.1644	13.6956	21.5796	10.7676
	65	43.8936	19.6068	28.8996	13.6428
	70	70.4592	31.8480	43.3032	20.4372
	75	109.6176	50.7540	64.6320	31.2552
	80	168.5304	80.8668	98.4552	49.0572
	85	252.8628	129.7332	151.0968	78.5568

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

<b>P</b>	Combined disability and mortality table used in the valuation of level term contracts that offer 'critical illness' and death benefits, as described in section 5. The table used is illustrated by the following specimen annual rates per mille:				
	<b>Age</b>	<b>Male Smoker</b>	<b>Male Non Smoker</b>	<b>Female Smoker</b>	<b>Female Non Smoker</b>
	20	1.6284	1.0056	0.9000	0.5640
	25	1.5048	0.9336	1.1556	0.7224
	30	1.6044	0.9996	1.6932	1.0284
	35	2.0748	1.3056	2.5512	1.4736
	40	3.2832	1.9536	4.0044	2.2740
	45	6.3060	3.2280	6.3144	3.5508
	50	11.1384	5.1660	9.8328	5.3196
	55	18.8448	8.5332	15.5748	8.0088
	60	31.6008	14.3244	22.6068	11.2632
	65	45.9840	20.5404	30.2760	14.2920
	70	73.8144	33.3648	45.3648	21.4104
	75	114.8376	53.1708	67.7100	32.6916
	80	176.5560	84.7176	103.1436	51.3120
	85	264.9036	135.9108	158.2908	82.2972

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

- Mortality codes prefixed by an asterisk indicate that mortality code W has been used during the deferred period of the deferred annuity, with the standard table used while the annuity is in payment.

**(iii) Morbidity tables**

- 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, with deterioration at the rate of 1.5% per annum.

- (2) All tables of mortality assumed in the valuation have been published.
- (3) The mortality tables used are based on UK data. No specific allowance for the state of the commitment is necessary.
- (4) For pensions annuity business, the annual reductions in base table mortality rates between 1996 and 2002 range from 4.1% to 0.5% for males and from 2.7% to 0.5% for females. From 2003 the improvement rates are 100% of the Medium Cohort improvement rates for males and 75% for females from CMI Working Paper 1 (December 2002), subject to a minimum of 0.5% p.a. at all ages and calendar years.

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For general annuity business, the annual reductions in base table mortality rates between 1996 and 1999 range from 2.5% to 0.5%. The resulting rates are then subject to future annual reductions ranging from 4.1% to 0.5% for males and from 2.7% to 0.5% for females.

- (5) 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.

- (6) The following changes in the future value of assets were tested when determining the amount of the long-term liabilities:

Scenario 2a

- equities fall in value by 14% and dividends remain unchanged but earnings fall by 10%.
- property falls in value by 10%.
- risk free fixed interest yields for terms less than 5 years fall to the level calculated under rule 5.11(9) IPRU (INS) and yields for terms of 15 years or more remain constant. Yields for intermediate terms are assumed to fall to a level derived by linear interpolation between the IPRU INS rule 5.11(9) yield and the 15-year gilt index yield (or remain constant if already below this level).

Scenario 2b

- equities fall in value by 14% and dividends remain unchanged but earnings fall by 10%.
- property falls in value by 10%.
- risk free fixed interest yields increase by 1%.

Scenario 2c

- equities fall in value by 14% and dividends remain unchanged but earnings fall by 10%.
- property falls in value by 10%.
- risk free fixed interest yields decrease by 1%.

Scenario 2b produces the most onerous requirement.

- (7) No reserve was considered necessary having regard to the high proportion of with-profit business and the margins in the published valuation basis.

- (8) Under the most onerous scenario tested, the additional reserve required pursuant to rule 5.17(b) of IPRU (INS) was £117,774 (£000).

- a) In determining the long term liabilities in the changed investment conditions, the following changes in assumptions were made:-

- (i) An explicit allowance was made for AIDS at a level corresponding to one third of the AIDS Working Party's Projection 6A, with allowance for the continuation of mortality rates at peak rates.
- (ii) For Unitised With Profit benefits, the non guaranteed surrender values were assumed to fall in line with the reduction in the value of the hypothetical assets having regard to the ability of the Company to apply a Market Value Reduction. Future regular bonus rates were assumed to be nil.
- (iii) The accounting provision for Capital Gains Tax and for tax on the excess of the market value of Loan Relationship assets over their amortised cost has been included within the provisions. The reduction under the resilience scenario has been allowed for.
- (iv) Mortality assumptions for immediate annuities and deferred annuities have been weakened in line with recent mortality experience (including a margin for prudence).

- b) Assets were initially hypothecated to cover the published liabilities for each category of contract. The choice of assets for this purpose took account of the nature of the liabilities and the desire to reduce the requirement. Low yielding assets such as overseas equities were therefore avoided where possible.

Allowance was made for the fall in value of assets in the changed financial conditions. For this purpose, assets were valued under Chapter 4 of IPRU (INS).

Assets were re-hypothecated in the changed financial conditions and the liabilities were recalculated using the changed assumptions and yields closer to the maximum permitted yields in each scenario. An iterative process was used with the objective of reducing the liabilities whilst bearing in mind the suitability of the hypothecated assets.

The fall in the reduction of assets was compared with the fall in the reduction of liabilities.

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

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- c) The reduction in the aggregate amount of the liabilities was £1,231,345,000. The reduction in the aggregate value of the hypothecated assets was £1,332,631,000.

- (9) Due to the small amount of liabilities denominated in currencies other than sterling (less than 1% of the total liabilities), no adjustment has been made to the valuation rates of interest.

### 8 Additional information

- (a) The proportions of office premiums explicitly or implicitly reserved for expenses are shown in Form 51, where appropriate.
- (b) Where premiums have ceased or where no future premiums are payable or where the method of valuation does not take credit for future premiums as an asset, an additional reserve has been made for future expenses by an appropriate adjustment to the total liability for the particular classes concerned.

#### Non-Linked Business

An explicit reserve for future expenses is held, except in the case of with profits assurances. Future expenses have been estimated based on current expense levels and allowing for future expense inflation. These expenses have been discounted over the lifetime of the contracts. In the case of assurances, the resulting reserve is reduced by the implicit provision made by the net premium method of valuation.

The method allows for expenses where no future premiums are payable or are not taken credit for as an asset, through the use of expense factors not related to premium amounts.

- (c) The following tests demonstrate the adequacy of reserves, where a prospective method has not been used:
- Term assurances (including those with conversion options) valued by multiple of premium.  
The multiple of premium used is based on factors derived from the valuation of comparable term assurances using a prospective method.
  - Decreasing term assurances.  
Sample net premium valuation reserves were calculated, using 80% of A67/70 with 2.5% interest.
  - Group Life  
The underlying premium rates commonly vary between 50% and 150% of the net premium necessary to cover a full year's risk, calculated according to A67/70 ultimate without allowance for interest. Scheme renewal dates are biased towards the early part of the year and, hence, the average unexpired term is less than half a year at the valuation date.
- (d) Future premiums brought into account are not in accordance with rule 5.9(1) for only a very small volume of annual premium reversionary annuity business. The method used is described in paragraph 6.

Tests, which were carried out, have shown that the mathematical reserves in Form 51 are not less than those calculated in accordance with rules 5.8 to 5.17 of IPRU (INS).

### 9 Linked contracts - Valuation basis

#### (1) Internal linked business

There is no discounting of the investment liability.

- The sterling reserve is determined using a gross premium cash flow method, applied to individual policy clusters.
- Surrenders are ignored, except for whole life contracts where partial surrenders and regular withdrawals are maintained at rates which are based on experience to date. A minimum reserve is held for each cluster equal to the amount of the claims expense less any surrender value penalty.
- The following assumptions are used to determine the sterling reserve described in sub-paragraph 6(c) above. The expenses used are based on current levels of expense and are separated into renewal and claims expenses:

Contract type	Expense per cluster (£)	
Sterling Group Plan	Per member	126.25
Sterling Personal Pension Plan, Sterling Free-Standing AVC, Sterling Executive Pension Plan	Regular premium	37.14
	Single premium	37.14
Classic Investment Bond, Premier Bond	-	25.20

- Renewal and claims expenses are assumed to escalate at 3.5% per annum.
- Units were assumed to grow at 5% per annum before tax and other charges.
- Recurring Management Charge - as set out in the descriptions of linked contracts in section 5.

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- Interest on reserves - 3.4% per annum, after tax, for Life Assurance business and 4.25% per annum for Pensions business.
- The mortality table used is AM92 with a 90% reduction factor for Classic and Premier Bonds.
- For regular premium pension policies, the sterling reserve was calculated with and without allowance for immediate conversion to paid up status and the reserve has been taken as the higher amount.
- For Personal Pensions and Group Personal Pension contracts, no credit was taken for the initial charge applied to future premiums or for future administration charges.

### Index linked annuities

The annuities are valued using a valuation rate of interest and table of mortality as shown on Form 54. The assumed rate of increase in the Retail Prices Index was 5% per annum. Expenses of £21.25 per annum per policy, inflating at 3.5% per annum, were used to establish the further expense reserve.

### Guaranteed Investment Bond

- There is no discounting of the investment liability.
- An interest rate of 2.25% and the mortality table A67/70(2) are used to determine the sterling reserves.
- Future annual expenses of £50,000 plus 0.05% of initial fund are allowed for.

### Other Linked Business

- Future expenses for Equity Builder and Abbey National Plan were projected from the current levels of £24.44 per policy per annum for Equity Builder and £37.95 per policy per annum for Abbey National Plan, increased at 3.5% per annum compound and discounted over the average lifetime of the contracts at 3.4% per annum and 4.25% per annum respectively.
- Dividend income is not reinvested for the benefit of Equity Builder policyholders and future dividend income has been discounted on the same basis as the corresponding expenses, assuming no growth in the sterling level of dividend income.
- The recurring management charge on the Abbey National Plan is discounted on the same basis, using the assumption that interest of 4.25% per annum will be credited to monies invested.
- For Equity Builder and Abbey National Plan the value of future charges exceeds the value of future expenses and no explicit provision for future expenses is considered necessary.

- (2) Explicit provision has been made for future expenses in the valuation of linked contracts.

## 10 Expenses

- (1) Additional reserves are explicitly held in respect of future expenses, and the basis includes expense inflation of 3.5% per annum (except as noted in 9(1) above).
- (2) The aggregate amount arising during 2002 from implicit and explicit reserves for expenses is approximately £48,587,000.  
The main sources are:
- The margin between office premium and net premium for prospectively valued assurance business, but including only a proportion of that margin for with profits business, was re-expressed as an allowance for expenses during 2003, increasing in line with inflation over the remaining contract term.
  - The explicit expense reserves held for conventional business described as 'Future Expenses' in Form 51.
  - An explicit allowance for expenses in respect of internal linked business included in column 13 of Form 53.
  - An explicit allowance for expenses in respect of index-linked business included in column 13 of Form 54.
  - In the case of linked contracts, the allowance represents the assumed expenses during 2003.
  - In the case of term assurance contract valued on a gross premium basis, the allowance represents the assumed expenses during 2003.
  - In the case of annuities in payment, the expense allowance was re-expressed as an allowance for expenses during 2003 increasing in line with inflation over the remaining contract term.
- (3) No reserve is deemed necessary to cover the costs of transacting new business in the year following the valuation date. The expected new business strain is lower than the anticipated surplus arising from existing business for the forthcoming year on prudent assumptions.
- (4) An assessment was made of the cost of closure of the Company to new business at the end of 2003 using the following method and basis of calculation:
- (i) All sales, marketing and new business administration operations were assumed to cease immediately.
  - (ii) Allowance was made for redundancy costs.
  - (iii) An allowance was made for redundancies in departments servicing the new business areas.
  - (iv) Allowance was made for costs arising from the delay in re-letting properties occupied by the new business areas.
  - (v) Allowance was made for other costs incurred on closure to new business such as write-offs on fixed assets.



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- (vi) The aggregate costs were discounted to the valuation date.
- (vii) Allowance was made for the proportion of closure expenses that would be borne by Norwich Union Life & Pensions Ltd., CGNU Life Assurance Company Ltd. Norwich Union Annuity Limited and Norwich Union Linked Life Assurance Ltd.

The cost of closure was covered by margins between the office premium and net premium valued for with-profit contracts. No reserve is required.

**11 Currency matching**

The table below shows the mathematical reserves (other than the reserves in respect of property linked benefits) and the assets matching them, analysed by currency.

Currency	Liabilities	
	Sterling Assets (£ 000)	Other Currencies Assets (£ 000)
Sterling	10,295,952	897
US Dollar	723,556	
Australian Dollar	43,355	
Canadian Dollar	18,471	
Danish Krone	3,154	
Euro	973,712	
Hong Kong Dollar	112,552	
Japanese Yen	6,113	
Korean Dollar	18,903	
New Zealand Dollar	1,037	
Norwegian Krone	6,596	
Singapore Dollar	34,075	
Swedish Krone	20,405	
Swiss Franc	59,147	
Taiwan Dollar	19,845	
Thai Baht	968	
Total	12,337,841	897

**12 Reinsurance Treaties**

- (1) All reinsurance on a facultative basis is ceded to reinsurers authorised to carry on insurance business in the United Kingdom.
- (2) There are sixteen reinsurance treaties:

Treaty	Reinsurer	Connected/ Unconnected	Premiums payable	Open/ Closed
(i)	World-Wide Reassurance	Unconnected	£321,671	Closed
(ii)	The Northern Assurance Company Limited	Connected	£4,685,000	Closed
(iii)	Munich Reinsurance Company, United Kingdom Life Branch.	Unconnected	£0	Closed
(iv)	NU Linked Life Assurance Limited	Connected	£147,000	Closed
(v)	E R C Frankona Reinsurance Limited.	Unconnected	£828,788	Closed
(vi)	Swiss Reinsurance Company (UK) Limited	Unconnected	£1,933,839	Closed
(vii)	Munich Reinsurance Company, United Kingdom Life Branch.	Unconnected	£114,352	Open
(viii)	Munich Reinsurance Company, United Kingdom Life Branch.	Unconnected	£128,594	Open
(ix)	E R C Frankona Reinsurance Limited.	Unconnected	£252,699	Closed
(x)	Munich Reinsurance Company, United Kingdom Life Branch.	Unconnected	£0	Closed

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(xi)	Munich Reinsurance Company, United Kingdom Life Branch.	Unconnected	£0	Closed
(xii)	Pinnacle Insurance plc	Unconnected	£758,866	Open
(xiii)	NU Linked Life Assurance Limited	Connected	£112,935,000	Closed
(xiv)	Munich Reinsurance Company, United Kingdom Life Branch.	Unconnected	£0	Closed
(xv)	Hannover Life Reassurance (UK) Ltd	Unconnected	£0	Closed
(xvi)	Kolnische Ruckversicherungs-Gesellschaft AG	Unconnected	£0	Closed

- (a) The reinsurers for each treaty are as shown above.
- (b) All reinsurers are authorised to carry on insurance business in the United Kingdom.
- (c) Whether the Company is connected to the reassurers is as shown above.
- (d) The cover provided under each treaty is as follows:
- The Company agrees to cede the excess on all risks exceeding £750,000.
  - All premiums 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.
  - The Company agrees to cede 50% of the benefits of certain immediate annuities.
  - All premiums allocated to internal linked funds under Classic Investment Bond and Premier Bond are reinsured.
  - The Company agrees to cede 27% of the capital at risk on all endowment contracts that include a critical illness rider.
  - The Company agrees to cede 63% of the capital at risk on all endowment contracts that include a critical illness rider.
  - The Company agrees to cede a proportion of the Waiver of Contribution benefit under Personal Pension policies issued by the Company on or after 1st October 1995 and sold through certain Independent Financial Advisers. The proportion ceded may vary for each IFA.
  - The Company agrees to cede 50% of the waiver of contribution benefit under personal pension policies issued by the Company on or after 1 October 1995 and increments to waiver of contribution benefits after 1 October 1995 under existing personal pension policies as at 1 October 1995 (but excluding benefits reassured under treaty (viii) above).
  - The Company agrees to cede 80% of the waiver of contribution benefit under all mortgage endowment contracts issued after 12 September 1997.
  - The Company agrees to cede 100% of capital at risk of certain Group Life schemes.
  - The Company agrees to cede 50% of the benefit of certain Whole Life policies. The Company agrees to cede 50% of the benefit of certain personal loan and credit card schemes.
  - The value of units in the internal linked funds of NU Linked Life Assurance Limited in respect of personal pension contracts issued on a group basis on or after 1st October 1998, together with all death benefits and waiver of premium benefit under these contracts.
  - The Company agrees to cede up to 50% (minimum 10%) of all Immediate Care Plan policies.
  - The Company agrees to cede up to 50% of all Immediate Care Plan policies.
  - The Company agrees to cede up to 50% of all Immediate Care Plan policies.
- (e) For each treaty, the premiums payable by the Company during the report period are shown above.
- (f) There are no deposit back arrangements.
- (g) There are no liabilities to refund any reinsurance commission.
- (h) Whether each treaty is open to new business is shown above.

In addition, the Company has entered into an agreement with certain other offices to pool losses in the event of a catastrophe. No premiums have been paid by the Company.

- (3) There are no financing arrangements in force.
- (4) Not applicable.

**Valuation report prepared by the appointed actuary – IPRU (INS) Appendix 9.4 – Life Fund**Name of insurer **Commercial Union Life Assurance Company Limited**Financial year ended **31 December 2002****13 (1)**

- (a) Revenue accounts in the format of Form 40 are given below for the Stakeholder Fund and the With Profit Fund, which are sub funds of the Commercial Union Life Fund.

Net of reinsurance ceded		Stakeholder	With Profit	Life and Annuity
<b>£000</b>		As at the end of the financial year		
Earned Premiums	11	105750	1517077	1622827
Investment Income receivable before deduction of tax	12	2615	557130	559745
Increase (decrease) in the value of non-linked assets brought into account	13	(10531)	(886517)	(897048)
Increase (decrease) in the value of linked assets	14	0	(2015)	(2015)
Other income	15	0	0	0
Total income	19	97834	1185676	1283510
Claims incurred	21	1790	938827	940617
Expenses payable	22	729	157081	157810
Interest payable before deduction of tax	23	0	6563	6563
Taxation	24	0	(57400)	(57400)
Other expenditure	25	0	0	0
Transfer to (from) technical account	26	0	47567	47567
Total expenditure	29	2519	1092638	1095157
Increase (decrease) in fund in financial year	39	95315	(40930)	188353
Fund brought forward	49	38652	12139746	12178398
Fund carried forward	59	133967	12098816	12366751

Investment income relating to linked assets is included in line 12 was £Nil for the stakeholder fund and £656 (£000) for the With Profit fund.

- (c) A statement of liabilities in the format of Form 14, is given below for the unitised with profit Stakeholder Fund and the With Profit Fund.

Net of reinsurance ceded		Stakeholder	With Profit	Life Fund
<b>£000</b>		As at the end of the financial year		
Mathematical reserves after distribution of surplus	11	133883	12224535	12358418
Balance of surplus	13	84	8249	8333
Long term business fund carried forward	14	133867	12232884	12366751
Total other insurance and non-insurance liabilities	49	0	323381	323381
Excess of the value of net admissible assets	51	0	554465	554465
Total liabilities and margins	59	133967	13110630	13244597

The decrease in the value of non-linked assets during the year was £10531 (£000) for the Stakeholder Fund and £1,519,534 (£000) for the With Profit Fund.

- 14 (1)** The amount available for distribution amongst with-profits policyholders and shareholders is determined from time to time by the directors on the advice of the appointed actuary. Under the Articles of Association, not less than 90% of the distributed profits in the With Profit Fund and 100% of the distributed profits in the Stakeholder Fund are allocated to with-profits policyholders.

Since 1 October 2000, with-profits business has ceased to be effected by the Company, but such business has been carried out under the terms of reinsurance contracts with CGNU Life Assurance. The principles of distribution were described in the Company's With Profit Guides issued prior to 1998 and in policies and product technical guides for policies issued by the Company in recent years. The principles of distribution are not described in older policies, nor were they described in all advertisements issued by the Company.

## Valuation report prepared by the appointed actuary – IPRU (INS) Appendix 9.4 – Life Fund

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

Financial year ended **31 December 2002**

### 14 (2)

- (a) The With-Profit and Stakeholder Funds are operated and accounted for as separate sub-funds within the Life Fund of the Company. The Stakeholder Fund is maintained in respect of stakeholder pension business and the With Profit Fund is maintained in respect of all other with-profit and non-profit business written in the Life Fund.

Liabilities, income and expense are allocated between the sub-funds according to the category of contract from which they arise. Assets are not segregated but the investment income and gains and the investment expenses are apportioned between the sub-funds in proportion to the respective fund sizes taking into account the proportions of each category of investment considered appropriate for each category of business.

Expenses other than investment and development expenses are determined from the defined expense charges for each category of contract under the Management Services Agreement with Norwich Union Life Services. Development expenses are apportioned on an equitable basis having regard to the nature of the development.

Under the terms of a reinsurance arrangement, all expenses incurred in connection with stakeholder pension business written prior to 1 January 2002 are borne by Norwich Union Linked Life and that company receives the benefit of all charges levied against the stakeholder unitised with-profit fund. Premiums deemed to be invested in the internal linked funds of Norwich Union Linked Life are payable to that company. For business written from 1 January 2002, expenses are borne by Norwich Union Life and Pensions and that company receives the benefit of all charges levied against the stakeholder unitised with-profit fund. Premiums deemed to be invested in the internal linked funds of Norwich Union Linked Life are payable to Norwich Union Life and Pensions.

- (b) Non profit insurance business has been written in the With Profits Fund as shown in Forms 51, 53 and 54. Profits arising from without-profit policies are included in asset shares for policies written prior to 1 October 2000. For policies written from 1 October 2000, profits arising from without-profit policies will not be included in asset shares. No non-profit business is written in the Stakeholder Fund.
- (c) Non-profit liabilities in the With Profit Fund are matched by fixed interest investments. The remaining assets of the With Profits Fund and the assets of the Stakeholder Fund are predominantly invested in equity shares, property and fixed interest investments. The Company currently intends to maintain between 55% and 65% of such assets in equity shares and property. This range may be changed in order to improve long-term performance or to make sure that the fund can meet its guarantees. The investment mix of the Stakeholder Fund may differ from that of the With Profit Fund.
- (d) The Stakeholder Fund was established with no free reserves and an account for smoothing and guarantees is being built up from the accumulation of a deduction of 0.25% p.a. from the asset shares. The level of the free reserves in the With Profit Fund is managed with the primary objective of enabling a relatively unconstrained investment policy, providing the capital backing necessary for smoothing, and to finance new business growth.
- (e) (i) An asset share methodology is used when assessing the level of discretionary benefits allocated to with-profit policyholders. Currently, for contracts other than stakeholder pensions, asset shares represent the accumulation of past premiums allowing for the actual investment performance, expenses, policyholder tax, mortality costs, surrender payments and shareholders' profits together with profits arising from without-profit policies as described in 14(2)(b) above. In the case of Unitised With Profit contracts however, profits or losses on surrender which arise after 31 December 2002 will not be allocated to asset shares. Board Resolutions have been passed to charge the tax associated with shareholders' transfers from the Life Fund to the estate of the With Profit Fund.

In the case of stakeholder pensions contracts, however, asset shares represent the accumulation of the invested premiums allowing for the actual investment performance, surrender payments and the explicit annual management charge (set at an equivalent level to the charge for unit-linked funds). An allowance of 0.25% of the value of the stakeholder with-profits fund will be deducted from asset shares and directed into a "smoothing" account each year. This account builds up over time and allows the Company to operate the crucial features of with-profits investment, i.e. smoothing out the peaks and troughs in the values of underlying assets and providing the guarantees on retirement and death. The 0.25% remains within the stakeholder fund and therefore for the sole benefit of the stakeholder with-profits investors.

For all unitised with profits contracts issued after 1 October 2001, asset shares will no longer include actual expenses and shareholder profits, but rather the explicit charges made under the contract (including an annual management charge set at an equivalent level to the charge for unit-linked funds).

Final bonus policy is framed with the objective of providing maturity payments which represent 100% of asset shares in the long term, although, in order to provide an element of stability in the returns to policyholders, smoothing is applied.

The final bonus scale derived for maturities is also applied to claims arising by death.

## Valuation report prepared by the appointed actuary – IPRU (INS) Appendix 9.4 – Life Fund

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

Financial year ended **31 December 2002**

- (ii) Our aim in normal circumstances is to smooth changes in actual policy payouts, limiting the change from year to year to around 10 per cent maximum. In the normal course of events, one would expect maturity payouts to lie in the range 90 to 110 per cent of asset shares. There is likely to be a lower degree of smoothing within the stakeholder pensions fund at least in the early years until the smoothing account has begun to build up, and this may lead to policy payouts from year to year changing by up to 15 per cent instead of 10 per cent in normal circumstances.

Changes in bonuses are not usually made more than once per year and changes in regular bonus can be expected to be gradual.

- (iii) Profits are allocated to policyholders in the form of bonus additions to the guaranteed benefits in two ways: regular bonuses and final bonuses.

Regular bonuses are declared and added each year. Once added they become part of the benefits payable under the terms of the contract.

Final bonus where applicable is payable until further notice on all cancellations of units in the unitised with-profits funds and on all claims arising on death, maturity or retirement under the terms of the contract, for other with-profits policies. An allowance is made for final bonus where appropriate on a claim arising on surrender of the latter policies. Final bonus is currently expressed as a percentage addition to the guaranteed benefits, including previously declared bonuses, or in the case of Sterling Group Pension contracts written by the Company, as a proportion of the total bonus or interest.

In the past, special bonuses have been declared on certain life assurance policies. These bonuses represented a consolidation of part of the final bonus otherwise payable on death and maturity claims.

Regular bonus declarations take into account the rates, which we expect to be able to maintain over the terms of both existing and new policies on the basis of current economic conditions. For this purpose, account is taken of the premium rates charged, the expected future experience, particularly with regard to future investment returns, and the financial resources of the Company. Changes in regular bonus rates are required from time to time as both recent and expected future experience change. Such changes are, however, made over a period of time in order to provide a degree of smoothing to the build up of guaranteed benefits. Final bonuses arise mainly from capital appreciation of equity shares and property and so are reviewed from time to time in the light of prevailing financial conditions.

For new business reinsurance accepted since 1 October 2001, the Company aims on average to share out between half and two thirds of the profits through guaranteed growth or regular bonus, with the balance paid as final bonus. More generally, regular bonus rates are set at a level that permits an appropriate final bonus margin to emerge.

In the case of contracts with options, the final bonus rate is determined by comparing the asset share with the value of the principal benefit under the contract. The same final bonus rate is applied whatever the option selected by the policyholder.

- (iv) Fairness of treatment between investors holding policies issued at different times is achieved by assessing maturity and surrender payments having regard to the results of asset share calculations.

Where investments are in the unitised with-profits funds, fairness of treatment on cancellation of units may occasionally require the payment of a value less than the quoted bid value of units or, where final bonus is currently applicable, a value less than the quoted bid value of units increased by the application of the current final bonus scale. This is achieved by the application of a reduction factor, known as a Market Value Reduction (MVR), to the quoted bid value of units or, in the latter case, to the quoted bid value of units plus final bonus. In deciding whether to apply an MVR, we may consider each encashment on a case by case basis.

The investment performance of the with-profits fund during the period of investment is compared with the return already credited to the policy by means of increase in unit prices and by the application of the final bonus scale. Current practice is only to consider applying an MVR when the investment performance of the with-profits fund is less than the return already credited.

For investments made within five years of cancellation, the Company intends to provide less smoothing and potentially take full account of any shortfall between the bid value of units plus final bonus and the market value of assets. For longer periods of investment we would apply a gradually increasing smoothing benefit.

In the case of policies with premiums invested in the life unitised with-profits income fund, an MVR is likely to be applied on a more frequent basis than under the unitised with-profits fund.

**Valuation report prepared by the appointed actuary – IPRU (INS) Appendix 9.4 – Life Fund**

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

Financial year ended **31 December 2002**

For stakeholder pensions policies invested in the stakeholder with-profits fund, an MVR is also more likely to be applied on a more frequent basis than under the main unitised with-profits fund. This is because the stakeholder with-profits fund stands on its own and must be able to support itself without assistance from the Company's free reserves. In the early years of stakeholder pensions business, the smoothing account described above will take time to build up and so there will be less "free assets" available to smooth out the peaks and troughs in market values. It is therefore more likely to be necessary to apply an MVR in order to protect the interests of the remaining policyholders in the stakeholder fund.

More frequent application of MVRs or a change in the smoothing policy outlined above could be expected if we experience a prolonged period of depressed markets, a heavy incidence of withdrawals from the fund, or the occurrence of substantial business losses in the fund.

For non-guaranteed surrender values on conventional with-profit policies, our approach is to pay 90% to 100% of asset shares subject to smoothing.

- (v) Any costs associated with personal pension compensation payments, including the associated expenses and levies, and the exercise of guaranteed annuity options under traditional pensions contracts are currently charged to the free reserves.

The Company has announced its intention that payments on with profit mortgage endowment policies will, if necessary, be topped up at maturity where there is a shortfall between the claim value and the mortgage originally targeted, provided that future investment returns between 1 January 2000 and the date of maturity average no less than 6% p.a. net and that such payments can be met from future investment earnings on the free reserves within its life fund. The cost of such top up payments will be charged to the Estate. In such cases, the maturity payment may represent more than 100% of asset shares.

Final bonus policy is not subject to frequent changes but the Directors reserve the right to alter the conditions for the payment of final bonuses or to cease paying final bonuses at any time without notice.

- (f) The amount available for distribution amongst with-profits policyholders and shareholders is determined from time to time by the directors on the advice of the actuary. The proportion of profits distributed to policyholders and shareholders in the Stakeholder Fund is determined by the Articles of Association. In the case of the With Profit Fund, the general principle followed is to allocate to shareholders the maximum proportion of distributed profits permitted by the Articles of Association. This principle may however be modified in the case of unitised contracts written since 2 October 2000 where, in order to disclose the same charges for unitised with profit and unit linked investments, the charge to asset shares in respect of shareholder profits has been restricted. In such cases, in order to limit the potential cost to the Estate, the shareholder proportion may be less than 10%.

- 14 (3)** Asset shares are calculated for sample policies issued at different times in the past. Separate calculations are carried out for broad groups of policies which have different characteristics or which had significantly different past experience.

Final bonus scales are constructed, based on the sample policies, to provide policy payouts that are consistent with the aims described in 14(2) above. Revised final bonus scales are determined at the beginning of each calendar year based on financial conditions at that time and the anticipated investment performance during the year. These scales are monitored during the year and may be changed during the year in the event of significant stock-market movements.

In the case of unitised with profit contracts, MVR's are regularly reviewed during the year having regard to the performance of the with profit fund and the level of withdrawals.

- 14 (5)** With-profits policies to which the information in 14(2) and 14(3) does not apply are as follows:-

Annuities  
Old Series Life assurances  
London and Scottish Series  
Equity Builder

## Valuation report prepared by the appointed actuary – IPRU (INS) Appendix 9.4 – Life Fund

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

Financial year ended **31 December 2002**

### 15 Particulars of the bonuses declared as at 31 December 2002

#### Life Assurances

##### Old series

This cash bonus system series applies to policies originally effected with Commercial Union Assurance Company plc before 1 January 1940. The bonus vests immediately it is declared and may be converted to a reversionary equivalent.

For ordinary whole life and endowment assurances participating for the first time (or with all previous bonuses surrendered) cash bonuses are allotted to policies as a proportion of the ordinary whole term annual premiums due during the year. For limited premium policies, the proportion is related to the ordinary whole term annual premiums that would have been paid during the year, if the policies had been originally effected with premiums payable throughout their duration. Extra premiums for foreign residence, occupation and other special risks are excluded. Extra premiums for health, in the case of under-average lives, are included.

For policies where any regular bonus remains attached to the policy an addition in respect of each such regular bonus was made to the ordinary whole term annual premium for the purpose of calculating the new cash bonus.

At 31 December 2002, the cash bonus declared was 65% of the whole term annual premiums (calculated as above, including any increase in respect of attaching regular bonus). The cash bonus was converted to its reversionary equivalent by the A67/70 ultimate 3% table, using the fixed maturity age of 60 for endowment assurances.

Children's deferred assurances which had vested received regular bonuses at the uniform rate of 3.50% per annum on the sum assured in respect of the premiums which became due during the year 2002.

##### New series

This compound regular bonus system series applies to traditional with profits assurances effected with Commercial Union Life Assurance Company Limited, with Commercial Union Assurance Company plc on or after 1 January 1940, with North British and Mercantile Insurance Company Limited and with the British General Insurance Company Limited. The bonus vests immediately it is declared.

At 31 December 2002 the ordinary regular bonus rates declared were 0.50% per annum on the sum assured and 1.50% per annum on any previous regular bonus remaining attached to the policy, in respect of premiums which became due during the year.

##### London and Scottish series

This simple regular bonus system applies to policies originally effected with London and Scottish Assurance Corporation Limited. The bonus vests immediately it is declared. At 31 December 2002 regular bonus was allotted at the rate of 15% per annum on the sum assured.

##### Unitised With Profits series

This series applies to Classic Investment Bond, With Profit Bond, and Premier Bond. The unit bid price for the With Profits Fund included declared bonus of 4.25% per annum from 1 January 2002 to 31 July 2002 and of 3.75% per annum from 1 July 2002 to 31 December 2002.

##### Reassurance accepted from CGNU Life

This applies to the Life contracts for which the Company is the accepting reinsurer. For Unitised With Profits contracts, the unit bid price for the With Profits Fund included declared bonus of 4.25% per annum from 1 January 2002 to 31 July 2002 and of 3.75% per annum from 1 July 2002 to 31 December 2002. For the Unitised With Profits Income Fund – except for Bond 2000 declared bonus was 5.00% per annum from 1 January 2002 to 31 July 2002 and 4.50% per annum from 1 July 2002 to 31 December 2002. For the Unitised With Profits Income Fund – Bond 2000 declared bonus was 4.50% per annum from 1 January 2002 to 31 July 2002 and of 4.00% per annum from 1 July 2002 to 31 December 2002. Income Fund bonuses are allotted by means of a monthly allocation of bonus units.

For Endowment contracts, the regular bonus declared was 1.00% per annum on sum assured plus 2.00% on attaching bonuses.

##### Reassurance accepted from NUL(RBS)

This applies to the Life contracts for which the Company is the accepting reinsurer. For Unitised With Profits contracts, the unit bid price for the With Profits Fund included declared bonus of 4.25% per annum from 1 January 2002 to 31 July 2002 and of 3.75% per annum from 1 July 2002 to 31 December 2002. For the Unitised With Profits Income Fund declared bonus was 4.50% per annum from 1 January 2002 to 31 July 2002 and 4.00% per annum from 1 July 2002 to 31 December 2002. Income Fund bonuses are allotted by means of a monthly allocation of bonus units.

## **Valuation report prepared by the appointed actuary – IPRU (INS) Appendix 9.4 – Life Fund**

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

Financial year ended **31 December 2002**

### **Reassurance accepted from Norwich Union International Limited**

This applies to the Life contracts for which the Company is the accepting reinsurer. For Unitised With Profits contracts, the unit bid price for the With Profits Fund included declared bonus of 4.75% per annum

### **Equity Builder**

Bonuses were allotted in the form of bonus units, based on the units secured by the periodic investments and any previous bonus units attaching to the contracts. The bonus vests immediately it is declared. At 31 December 2002 the bonus allotted was at the annual rate of 0.5 units for each 100 units.

### **Pension Assurances**

#### **Compound Regular Bonus Series**

This series applies to traditional with profits pension assurances. The bonus vests immediately it is declared. At 31 December 2002 the ordinary regular bonus rates declared were 0.50% per annum on the sum assured and 1.50% per annum on any previous regular bonus remaining attached to the policy, in respect of premiums which became due during the year.

#### **Unitised With Profits series**

This series applies to Sterling Personal Pension Plan, Sterling Free-Standing AVC, and Sterling Executive Pension Plan.

The unit bid price for the With Profits Fund included declared return of 5.25% per annum from 1 January 2002 to 31 July 2002 and of 4.75% per annum from 1 July 2002 to 31 December 2002.

For units allocated on or before 31 December 1992 4.00% per annum of this return was guaranteed.

#### **Reassurance accepted from CGNU Life**

This applies to the Pension contracts for which the Company is the accepting reinsurer.

For Stakeholder Fund Unitised With Profits investments, the unit bid price included declared bonus of 4.75% per annum from 1 January 2002 to 31 July 2002 and of 4.25% per annum from 1 July 2002 to 31 December 2002. For other Unitised With Profits contracts, the unit bid price for the With Profits Fund included declared bonus of 5.25% per annum from 1 January 2002 to 31 July 2002 and of 4.75% per annum from 1 July 2002 to 31 December 2002.

#### **Sterling Group (Unitised) Plan**

The unit bid price for the With Profits Fund included declared return of 5.25% per annum from 1 January 2002 to 31 July 2002 and of 4.75% per annum from 1 July 2002 to 31 December 2002.

For units allocated on or before 31 December 1992 4.00% per annum of this return was guaranteed.

#### **Sterling Group (Deposit Administration) Plan**

Bonus interest was allotted at the rate of 5.25% per annum from 1 January 2002 to 31 July 2002 and of 4.75% per annum from 1 July 2002 to 31 December 2002 on the amount of the accumulated cash sum (including allotted interest) at 31 December 2001 and on premiums, net of charges, paid during the year 2002.

### **Annuities**

A simple regular bonus system is applied and vests on the following policy anniversary. At 31 December 2002 bonus was allotted at the rate of £1.00 for each £100 annuity, which had been purchased at the date of the distribution, excluding any previous bonus.

## **16 Interim and final bonus rates**

Interim and final bonus rates on claims applying during the year to the next investigation are as follows. Final bonuses may also be allowed on surrender for certain Life Assurance policies and in the case of certain Pension Assurance policies they may be allowed on claims by transfer or retirement. The directors reserve the right to amend these rates of interim and final bonus if conditions so warrant.

### **Life Assurances**

#### **Old series**

The proportion of the whole term annual premiums, which is allotted as an interim cash bonus, is 65%. Children's deferred assurances will receive interim bonuses at the uniform rate of 3.50% per annum on the sum assured in respect of premiums which become due during the year 2003.

A final bonus of 30.00% is payable on the sum assured plus any previous regular bonus remaining attached to the policy, plus interim bonus.

#### **New series**



**Valuation report prepared by the appointed actuary – IPRU (INS) Appendix 9.4 – Life Fund**Name of insurer **Commercial Union Life Assurance Company Limited**Financial year ended **31 December 2002**

The rate of interim bonus is 0.50% per annum on any previous regular bonus attaching to the policy in respect of premiums which become due during 2003. There is no interim bonus on sum assured.

For policies other than mortgage related endowments with a year of commencement between 1987 and 1995 inclusive the rates of final bonus are as follows

<b>Year of Commencement</b>	<b>Final Bonus</b>
1978 or earlier	30.00%
1979	23.00%
1980	16.00%
1981	11.00%
1982	7.00%
1983	4.00%
1984	3.00%
1985	1.00%
1986 and thereafter	0.00%

For mortgage related endowments which commenced to participate in profits between 1987 and 1995 inclusive, the following scale of final bonuses replaces that given above:

<b>Year of Commencement</b>	<b>Final Bonus</b>
1987	13.00%
1988	14.00%
1989	14.00%
1990	15.00%
1991	15.00%
1992	15.00%
1993 and thereafter	16.00%

This rate is reduced proportionately if the original participating term of the policy to maturity is less than 10 years.

**London and Scottish series**

The rate of interim bonus is 15.00% per annum on the sum assured. No final bonus is payable.

**Unitised With Profits series**

The rate of interim bonus is 3.25% per annum and is reflected in the unit price on a daily basis. An additional final bonus on units purchased in 1993 or earlier, applied to the total unit value, including regular bonuses and interim bonus, is paid when the units are cashed in or on death.

<b>Year of purchase</b>	<b>Final Bonus Rate</b>
1992	9%
1993	5%
1994 and thereafter	0%

**Reassurance accepted from CGNU Life**

For Unitised With-Profits contracts, the rate of interim bonus is 3.25% per annum and is reflected in the unit price on a daily basis. No final bonus is payable.

For the Unitised With Profits Income Fund – except for Bond 2000 interim bonus is 4.00% per annum and for the Unitised With Profits Income Fund – Bond 2000 interim bonus is 3.50% per annum.

For Endowment contracts, interim bonus of 0.50% on sum assured and 1.00% on attaching bonuses will be payable until further notice on claims arising on or before 31 December 2003. No final bonus is payable.

**Reassurance accepted from NUL(RBS)**

For the Unitised With Profit Life Fund, the interim bonus is 3.25% per annum and is reflected in the unit price on a daily basis. No final bonus is payable.

For the Unitised With Profits Income Fund interim bonus is 3.50% per annum. No final bonus is payable.

**Reassurance accepted from Norwich Union International Limited**

For the Unitised With Profit Fund, the interim bonus is 4.00% per annum and is reflected in the unit price on a daily basis. No final bonus is payable.

**Valuation report prepared by the appointed actuary – IPRU (INS) Appendix 9.4 – Life Fund**Name of insurer **Commercial Union Life Assurance Company Limited**Financial year ended **31 December 2002****Equity Builder**

The interim bonus is 0.5 units for each 100 units secured by the periodic investment and any bonus units attaching to the contracts. No final bonus is payable.

**Pension Assurances****Compound Regular Bonus series**

The rate of interim bonus is 0.50% per annum on any previous regular bonus attaching to the policy in respect of premiums which become due during 2003. There is no interim bonus on sum assured.

For policies which commenced to participate in profits during 1992 or later a final bonus of 5.00% is payable on the sum assured plus any regular bonus remaining attached to the policy, plus interim bonus. This rate is reduced proportionately if the original participating term of the policy to maturity or retirement is less than 10 years. For policies which commenced to participate in profits prior to 1992 the final bonus is payable at the following rates:

Year of commencement	Final Bonus	
	SP	RP
1977 or earlier	£75.00%	£25.00%
1978	£65.00%	£17.00%
1979	£56.00%	£12.00%
1980	£46.00%	£9.00%
1981	£36.00%	£6.00%
1982	£28.00%	£6.00%
1983	£24.00%	£4.00%
1984	£18.00%	£2.00%
1985	£15.00%	£1.00%
1986	£14.00%	£0.00%
1987	£11.00%	£0.00%
1988	£9.00%	£0.00%
1989	£8.00%	£0.00%
1990	£7.00%	£0.00%
1991	£6.00%	£0.00%
1992 and thereafter	£5.00%	£0.00%

**Unitised With Profits series**

The rate of interim bonus for 2003 is such that the overall return (guaranteed plus bonus) is 4.00% per annum, and is reflected in the unit price on a daily basis. For units allocated on or before 31 December 1992 4.00% per annum return is guaranteed.

No final bonus is payable on death, retirement or transfer.

**Reassurance accepted from CGNU Life**

For Stakeholder Fund Unitised With Profits contracts, the rate of interim bonus is 3.50% per annum and is reflected in the unit price on daily basis. For other Unitised With Profit Pension contracts the rate of interim bonus is 3.75% per annum (4.00% per annum for contracts with explicit annual management charges). No final bonus is payable.

**Sterling Group (Deposit Administration) Plan**

Interim bonus interest is allotted on a daily basis at the rate of 4.00% per annum on the amount of accumulated cash sum including allotted interest at 31 December 2002 and on premiums, net of charges, paid during the year 2003.

No final bonus is payable on death, retirement or transfer.

**Annuities**

The rate of interim bonus applicable after the policy anniversary in 2002 is £0.50 for each £100 annuity, excluding any previous bonus. No final bonus is payable.

- 17** The statement summarising changes in ordinary long-term business is set out in Form 46. The Form can be found in the total section, which follows the Permanent Health Fund section to this Valuation Report.
- 18** The statement analysing new ordinary long-term business is set out in Form 47. The Form can be found in the total section, which follows the Permanent Health Fund section to this Valuation Report.

**Valuation report prepared by the appointed actuary – IPRU (INS) Appendix 9.4 – Life Fund**

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

Financial year ended **31 December 2002**

**19 Assets**

- (1) The statements of the assets covering long-term liabilities are set out in Forms 48 and 49.
- (2) The information provided under IPRU (INS) rule 9.29 is sufficiently complete.
- (3) The information provided under IPRU (INS) rule 9.29 is sufficiently complete.
- (4) The information provided under IPRU (INS) rule 9.29 is sufficiently complete.

**20** The valuation summary is set out in Forms 51 to 54 and the analyses of the investment liabilities in respect of property linked and index linked benefits are set out in Forms 55 and 56.

**21 (1)** Form 57 is appended.

**21 (2)** In accordance with Rule 5.11(7), 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 other than equity shares and land.

This adjustment took account of:

- (i) The historic experience of bad debts for each of the major fixed interest asset classes
- (ii) Market margins of gross yield over the yields of risk-free investments of a similar term in the same currency, where available
- (iii) 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
- (iv) The need to take a prudent view of the above.

The adjustment made is expressed as a deduction from the expected yield and varies by type of asset as follows:

Type of Asset	Deduction from yield
Deposits	0.10%
Approved fixed interest securities	0.00%
Other fixed interest securities	0.28%

**21 (3)** For equity shares, the yields on individual stocks were restricted to be not more than the yield on 15 year gilts plus 1%. For land, the rental yields were capped at the yield on 15 year gilts plus 3% to allow for the risk that the aggregate rental income might not be maintained. The same reductions in income were applied in the resilience scenarios.

**22** The statement of the results of the valuation is set out in Form 58.

**23** The statement of the required minimum margin for the long term business of the Company, of which this long term insurance business fund forms a part, is set out in Form 60. The form can be found in the total section, which follows the Permanent Health Fund section to this Valuation Report.

Form 61 has not been completed since the gross annual office premiums for Supplementary Accident and Sickness Insurance (of £3,781) do not exceed 1% of the gross annual office premiums in force and the entry in line 51 of Form 60 exceeds the amount that would be obtained if Form 61 were to be completed. The entry has been estimated as 18% of the gross annual office premiums in force at the valuation date.

**M.N.Urmston**  
**Appointed Actuary**

**IPRU (INS) Appendix 9.4**

**Valuation Report Prepared by the Appointed Actuary**

Name of Company **Commercial Union Life Assurance Limited – Permanent Health Fund**

Financial year ended **31 December 2002**

- 1 The investigation was made at 31 December 2002.
- 2 The date to which the previous investigation related was 31 December 2001.
- 3 The valuation has been made in conformity with IPRU (INS) rule 5.6.

**4 Non-Linked Contracts**

- (a) There are no accumulating with-profits contracts.
- (b) There are no policies where the benefits are determined on the basis of interest accrued.
- (c) Categories of non-linked contract that are not sufficiently described by the entry in column 1 of Form 51 are described below:

**Annual premium level/escalating benefits**

These are individual PHI contracts. For some policies the contract terms are reviewable:

- Contracts issued after 3 August 1992 may be reviewed at any time.
- The premium rate cannot be reviewed whilst a claim is being paid.

**Well-being and Future Care Plan**

These are whole life long-term care contracts, which provide the cost of care services arising from disablement, up to a specified benefit amount.

- Disablement is defined by reference to the inability to perform 'Activities of Daily Living' (ADL).
  - (i) 'Severe' disability is the inability to perform three or more ADLs, or mental impairment requiring continual supervision.
  - (ii) 'Moderate' disability is the inability to perform two ADLs.
- There are two levels of cover, selected at outset:
  - (i) Premier cover provides benefits on 'severe' disability, and a reduced benefit of up to 50% of the specified benefit amount on 'moderate' disability.
  - (ii) Reserve cover provides benefits on 'severe' disability.
- Under escalating versions the benefit amount and any regular premium increase at 5% p.a. compound for Well-being and in line with the Retail Price Index (subject to a minimum of 2% p.a. and a maximum of 10% p.a.) for the Future Care Plan. The policyholder can stop the benefit insured and premium increases at any time.
- There is a waiting period of 90 days before benefits are payable.
- Regular premiums are waived while benefits are being paid.
- The contract terms are reviewable, but guaranteed as follows:
  - (i) For 5 years from inception.
  - (ii) For single premium benefits, once the insured attains age 70.
  - (iii) During claim.
- The policy may be made paid-up.

**Recurrent single premium**

Some of these contracts have two year premium rate guarantees, where rates are applied to the individual members' benefits.

**Reinsurance from CGNU Life**

From 1 January 1999 until 31 December 2000 the Company was the accepting reinsurer for critical illness contracts and the Income Replacement Plan, contracts written by CGNU Life Assurance Limited.

The critical illness contracts provide a lump sum on diagnosis of a specified critical illness, providing the policyholder subsequently survives for a minimum of 28 days. There is no benefit payable on death. Two versions are available: one provides a level sum assured throughout the term, the other provides a decreasing sum assured. Premiums are level throughout the term of the policy.

The Income Replacement Plan is a Permanent Health Insurance Policy which offers an option to increase benefits and premiums in line with the Retail Prices Index, subject to limits, and an option to provide a lump sum on diagnosis of a specified critical illness, providing the policyholder subsequently survives for a minimum of 28 days.

**IPRU (INS) Appendix 9.4**

**Valuation Report Prepared by the Appointed Actuary**

Name of Company **Commercial Union Life Assurance Limited – Permanent Health Fund**

Financial year ended **31 December 2002**

**Miscellaneous**

**i) Keyman**

Keyman policies are Permanent Health Insurance contracts of a fixed term, usually 10 years.

- The maximum benefit payment term (1, 2, or 5 years) is selected at outset.
- An Extendibility Option is available under the 2 years benefit contract:
  - (i) The policyholder may continue the cover without further evidence of health.
  - (ii) This is achieved by effecting a further policy, expiring not later than age 65.

**ii) Guaranteed Insurability Option**

On Individual PHI business, other than Keyman, a guaranteed insurability option is available at outset. Under this option the policyholder may effect additional cover of up to 30% of the initial yearly benefit without further evidence of health on each of the following option dates (but not later than the 55th birthday or 5 years before the expiry date of the policy):

- The 3rd, 6th, 9th, 12th and 15th policy anniversaries.
- The date of the first marriage of the insured after effecting the policy.
- The date of the birth of each of the first two children of the insured after effecting the policy.
- The completion date if the insured moves house and effects an increased mortgage.

**5. There are no linked contracts.**

**6 (1) Valuation Principles**

A Net Premium Valuation based on the inception/annuity methodology has been used, except as noted in paragraph 6.1 (c) below. The mathematical reserve is taken as the value of future benefits less the value of net premiums on a per policy basis. In all cases the value of net premiums is not greater than the value of office premiums.

**(a) No derivative contracts are held.**

**(b) Some individual contracts have reviewable premium rates (all Well-being contracts and approximately 30% of the total benefit insured for individual PHI contracts). Regard is given to the reasonable expectations of policyholders by limiting the extent of any increases to the valuation net premium so that they reflect heavier morbidity, where applicable, but not higher expense levels.**

**(c) Modifications to the net premium valuation method**

Modifications to the net premium valuation method are made as appropriate and are described below. No Zillmer adjustment is made.

**- Annual premium PHI and Well-being business**

Individual Annual Premium PHI business and Keyman business written before 1/1/95 is valued using a gross premium method.

Additional reserves are held as follows:

- (i) An 'Incurred but not reported' reserve is held.
- (ii) Policies with waiver of premium are valued by treating the premium waiver as an extra benefit and a reserve is held equal to one year's premium.
- (iii) For standard lives the difference between the premium payable and the normal premium has been treated as an extra premium, and a reserve is held equal to one year's extra premium.

**- Well-being business and Future Care Plan**

Expense reserves are held as follows:

- (i) Per policy expenses have been discounted over the lifetime of the contracts, with allowance for inflation.
- (ii) The assumed per policy expenses take into account current expense and commission levels in relation to existing contracts.
- (iii) The resulting reserve is reduced by the difference in the value of office and net premiums in Form 51.
- (iv) The resulting reserve of £130,500 has been included in the 'Value of Sums Assured Per Annum' column and the 'Amount of Mathematical Reserves' column in Form 51.

**- Group contracts by recurrent single premium**

- (i) An unexpired risk reserve of one times the global amount of premium net of reinsurance is held.

**- Claims in payment**

- (i) The reserve is the discounted value of future claim payments.
- (ii) Any benefit escalation is explicitly allowed for.
- (iii) Claim expenses are valued during claim, based on annual per claim expense amounts, with allowance for inflation.

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**Valuation Report Prepared by the Appointed Actuary**

Name of Company **Commercial Union Life Assurance Limited – Permanent Health Fund**

Financial year ended **31 December 2002**

- (iv) Additional reserves are held for disputed claims and for notified outstanding claims, which have been reported but not authorised.
- **Treaty with Swiss Reinsurance**
  - (i) All individual regular premium PHI business (including Keyman but excluding amounts already reinsured) written prior to 1 January 1996 is reassured with Swiss Reinsurance (see sub-paragraph 12 (2) (vii)).
  - (ii) The Company's liability under the treaty is to pay annual risk premiums for the business in force at the start of each year on a basis defined in the treaty.
  - (iii) The Reinsurer's liability is for the full amount of any claims commencing after 1 January 1996 and for any payments due on or after that date in respect of any existing claim under a ceded policy.
  - (iv) In addition, a payment is made to/from the Reinsurer to reflect profit share terms within the reinsurance contract.
  - (v) The Company's liability is taken to be the discounted value of claims in force plus the discounted value of future risk premiums to the reinsurer, plus an allowance for IBNR and options, less the discounted value of future office premiums. The result of this calculation is adjusted to allow for the discounted value of future expenses on a prudent basis. This calculation has been carried out on two bases: the gross basis documented in 7.(1) which represents the maximum level to which the company is protected by the treaty, and the net basis which reflects the basis used in calculating the risk premium.
  - (vi) The mathematical reserves for reinsurance ceded are taken to be the difference between the net and gross valuation results. Thus the overall valuation result reflects the operation of the Fund with the treaty in place.
- **Reinsurance from CGNU Life**
  - (i) For Critical Illness contracts the net premiums were the true net premiums subject to a maximum of 95% of the office premiums.
  - (ii) For Income Replacement Plan contracts the net premiums were obtained by limiting the true net premiums to a maximum of 92.5% of the office premiums, the modification being made to avoid taking credit for more than the premiums receivable and to provide for future expenses.
- (d) Negative reserves are set to zero on a per policy basis.
- (e) There are no participating contracts.
- (f) No prospective liability for tax on unrealised capital gains is anticipated. This is not dependent on the fact that the Fund has been brought in to Form 58 at book value.
- (g) There are no linked contracts.
- (h) The reserves for fatal accident benefits and guaranteed insurability options are taken as 1.25 times premium and are included in the overall reserve.
- (2) The extent to which account has been taken of the fact that the Fund has been brought in to Form 58 at book value in accordance with IPRU (INS) rule 4.1 (6) has been stated in sub-paragraphs 6(1)(f) above and 7(7) and 7(8) below. Any additional reserves required for the purpose of the actuary's certificate have also been described in these sub-paragraphs.

**7 Valuation Basis**

- (1) The rates of interest assumed in the valuation are as shown in Form 51. The tables used for mortality and morbidity are shown below:
  - **Regular premium PHI business (including Keyman)**
    - Mortality:
      - (i) Active Lives 50% of AM80 ultimate for both males and females.
      - (ii) In Claim 100% of CMIR12 claim Q (single entry table).
    - Morbidity  
For Class I lives (loadings are applied for classes II, III and IV) claim inception rates:
      - (i) 106% CMIR (males), 159% CMIR (females) for Swiss Re Net treaty Basis
      - (ii) 120% CMIR (males), 180% CMIR (females) for Swiss Re Gross treaty Basis
      - (iii) 140% CMIR (males), 280% CMIR (females) for CU Gross Basis
- Where CMIR indicates the following:
  - CMIR7 for deferred periods of 4, 13 and 26 weeks.
  - CMIR12 for deferred periods of 52 and 104 weeks.
- Morbidity recovery rates:

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- (i) For the Swiss Re business, 70% of CMIR12 after 5 years, for both males & females, with lower rates applying at earlier durations of claim. The CU basis uses rates 110% of these rates.
- (ii) The same rates are used for both gross mathematical reserves and for valuing the reinsurance risk premiums.
- **Well-being, Future Care Plan**  
Mortality, prior to claim:  
100% of 2020 mortality rates from PMA80 (males) and PFA80 (females) with a deduction of 2 years to all ages.  
Mortality, during claim:  
95% of ELT14, with variable additions to age depending on age and the severity of disablement (severe or moderate).  
Morbidity:  
The tables of morbidity are described in sub-paragraph 7.(2) below.
- **Claims in Payment - Recurrent Single Premium**  
The tables of mortality and morbidity are described in sub-paragraph 7.(2) below.
- **Reinsurance from CGNU Life**  
Mortality  
(i) Active lives 50% of AM80/AF80 Ultimate  
(ii) Disabled lives Mortality is included within the claim termination assumptions outlined below  
Morbidity  
PHI claim inception rates have been based on CIDA rates, adjusted by factors dependent on age, occupation, gender, smoker status, location and duration in-force. Further margins have been taken for prudence.  
PHI claim termination rates have been based on CMIR12, adjusted by factors dependent on deferred period and duration of claim, with further margins for prudence.

(2) The tables noted above, have all been published. In addition the following are used.

**Well-being and Future Care Plan**

The disability tables used are based on the data underlying the disability prevalence rates contained in Report 9 of the OPCS surveys of disability in Great Britain. The data was adjusted in light of the Company's underwriting policy and the definitions of the Activities of Daily Living used. The morbidity used was 115% (regular premium) and 160% (single premium) of the adjusted prevalence rates.

**Reinsurance from CGNU Life**

Stand-alone critical illness table used in the valuation of the critical illness contracts. The table used is illustrated by the following annual incidence rates per mille.

Age	Male Smoker	Male Non Smoker	Female Smoker	Female Non Smoker
20	0.6336	0.4080	0.6432	0.4140
25	0.8340	0.5340	0.9252	0.5892
30	1.1256	0.7200	1.4952	0.9204
35	1.6536	1.0608	2.3928	1.3896
40	2.7096	1.6476	3.7644	2.1396
45	5.2932	2.8020	5.9160	3.3300
50	9.4896	4.5936	9.1884	4.9776
55	16.5000	7.8192	14.4912	7.4676
60	27.8100	13.1232	20.4972	10.4664
65	38.7792	18.1788	25.0812	12.6948
70	59.2080	28.6572	36.8868	19.1760
75	91.1364	46.8324	54.6528	29.9700
80	135.9744	74.0088	80.5116	46.7700
85	184.5648	107.2788	114.1464	70.4844

Rates are also factored by  $(1 + L/100)$ , where L equals 1.5 for each year of policy term to allow for guaranteed rates.

- (3) The amount of overseas business is less than 1% of the mathematical reserves, so it is not considered necessary to make a specific allowance for the state of the commitment for such business.
- (4) There are no annuity contracts.

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- (5) There is no explicit additional adjustment to mortality or morbidity in respect of AIDS. The value of Well-being business with no AIDS exclusion clause is negligible.
- (6) Three different scenarios for changes in asset values have been tested, of which scenario 2b is the most onerous for the Company as a whole.
- (2a) Risk free fixed interest yields for terms less than 5 years fall to the level calculated under IPRU (INS) rule 5.11 (9) and yields for terms of 15 years or more remain constant. Yields for intermediate terms are assumed to fall to a level derived by linear interpolation between the rule 5.11 (9) yield and the 15 year gilt index yield (or remain constant if already below this level).
- (2b) Fixed interest yields rise by 1 percentage point
- (2c) Fixed interest yields fall by 1 percentage point
- No other types of asset are used in the test.  
There are no assets or liabilities in currencies other than sterling.
- (7) Due to the marketability of the assets held to cover the liabilities, it is considered that no additional reserve is required pursuant to rule 5.17(a), in excess of that held pursuant to rule 5.17(b).
- (8) Under the most onerous scenario tested, no additional reserve was required pursuant to rule 5.17(b) of IPRU (INS).
- (a) No assumptions were changed other than those described in the scenarios above.
- (b) In calculating the reserve:
- (i) Assets were initially hypothecated to cover the published liabilities for each category of contract. The choice of assets for this purpose took account of the nature of the liabilities and the desire to reduce the requirement.
- (ii) Allowance was made for the change in value of assets in the changed financial conditions. For this purpose, assets were valued under Chapter 4 of IPRU (INS).
- (iii) Assets were re-hypothecated in the changed financial conditions and the liabilities were recalculated using the changed assumptions and yields closer to the maximum permitted yields in each scenario.
- (c) The decrease in the aggregate amount of the long-term liabilities is £5,020,000. The decrease in the aggregate amount of the assets allocated to match the liabilities is £5,020,000.
- (9) All the liabilities are denominated in sterling.

**8 Additional Information**

- (a) The proportions of the office premiums reserved for expenses are as shown in Form 51, where appropriate.
- (b) The valuation method includes explicit allowance for future expenses, as described in paragraph 6 above. The method allows for expenses where no future premiums are payable through the use of expense factors that are not related to premium amounts.
- (c) The only contracts not valued prospectively are contracts by recurrent single premiums. Tests were carried out to show that the reserve is greater than the unexpired portion of the risk premium, with due allowance for expenses.
- (d) Not applicable.

**9 There are no linked contracts.**

**10 Expenses**

- (1) Additional reserves are held explicitly in respect of future expenses, and the basis includes expense inflation of 3.5% p.a.



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- (2) The aggregate amount arising during 2002 from implicit and explicit reserves for expenses is approximately £1,307,000. The main sources are:
- (i) The margin between office premium and net premium.
  - (ii) Claims expense reserves implicitly held under the treaty with Swiss Reinsurance.
  - (iii) The explicit expense reserves described in paragraph 6 above.
- (3) No reserve is held in respect of the expenses of continuing to transact new business during the twelve months following the valuation date, having regard to the low volumes of new business expected.
- (4) No reserve is deemed necessary to provide for the costs of closure to new business, should the Fund cease to transact new business twelve months after the valuation date independently of the Commercial Union Life Fund. This is because volumes of direct written new business are low and, in the event of closure, staff activities would be redirected within Commercial Union Life Assurance Company Ltd.

The need for a reserve was also assessed in the context of the closure to new business for Commercial Union Life Assurance Company Ltd, and this investigation is described in the abstract for the Commercial Union Life Fund. No reserve is deemed necessary.

11 All mathematical reserves and assets of the Permanent Health Fund are denominated in sterling.

**12 Reinsurance Treaties**

- (1) All reinsurance ceded on a facultative basis is ceded to reinsurers authorised to carry on insurance business in the United Kingdom.
- (2) There are nine reinsurance treaties.

Treaty	Reinsurer	Connected/ Unconnected	Premiums Payable	Open/ Closed
(i)	World-Wide Reassurance	Unconnected	£30,975	Closed
(ii)	Swiss Reinsurance Company (UK) Limited	Unconnected	£18,495	Closed
(iii)	Munich Reinsurance Company, United Kingdom Life Branch.	Unconnected	£1,271,644	Open
(iv)	Swiss Reinsurance Company (UK) Limited	Unconnected	£1,009,728	Closed
(v)	Munich Reinsurance Company, United Kingdom Life Branch.	Unconnected	£974,192	Closed
(vi)	Swiss Reinsurance Company (UK) Limited	Unconnected	£920,781	Closed
(vii)	Swiss Reinsurance Company (UK) Limited	Unconnected	£2,450,000	Closed
(viii)	Munich Reinsurance Company, United Kingdom Life Branch.	Unconnected	£108,416	Open
(ix)	Swiss Re Life & Health Limited	Unconnected	£643,031	Closed
(x)	Munich Reinsurance Company United Kingdom Life Branch.	Unconnected	£321,580	Closed
(xi)	ERC Frankona	Unconnected	£238,373	Closed
(xii)	ERC Frankona	Unconnected	£477,147	Closed

- (a) The reinsurers for each treaty are as shown above.
- (b) All reinsurers are authorised to carry on insurance business in the United Kingdom.
- (c) Whether the Company is connected to the reinsurers is as shown above
- (d) The cover provided under each treaty is as follows:

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- (i) The Company can cede:
    - The excess in all risks exceeding £50,000 per annum on Keyman policies where the term of benefit payment is restricted to a maximum of two years.
    - The excess in all risks exceeding £35,000 per annum on Keyman policies where the term of benefit payment is restricted to a maximum of five years.
    - The excess in all risks exceeding £25,000 per annum on all other individual direct written contracts (excluding Well Being).
    - For group contracts by recurrent single premium, one sixth of the total benefits of the scheme on a quota share basis if the free cover limit exceeds £25,000 per annum
  - (ii) The Company agrees to cede the excess on all risks for benefits exceeding the retention limit as set from time to time.
  - (iii) The Company agrees to cede 80% of the benefits, or the total benefit in excess of £10,000 per annum if greater, of all group recurrent single premium contracts from the first rate review on or after 1 January 1995.
  - (iv) The Company agrees to cede one third of the benefits of all Well-being policies written before 20 November 1995 and one half for policies written on or after that date.
  - (v) The Company agrees to cede 10% of the benefits of all Well-being policies written before 20 November 1995 and 30% for policies written on or after that date.
  - (vi) The Company agrees to cede 10% of the benefits of all Well-being policies written before 20 November 1995.
  - (vii) The treaty covers 100% of the morbidity risks up to a specified level, for all individual PHI business (including Keyman) in force at 31 December 1995. A profit sharing arrangement allows for 88% of total surplus, defined according to a specified valuation basis, to be due to Commercial Union and 12% due to Swiss Reinsurance.
  - (viii) The Company agrees to cede 80% of the benefits of all Keyman policies written on or after 1 January 1996.
  - (ix) The treaty provides cover for 40% of the Future Care Plan on original terms, up to a maximum issue limit of £16,000 pa of each original benefit insured.
  - (x) The treaty provides cover for 20% of the Future Care Plan on original terms, up to a maximum issue limit of £8,000 pa of each original benefit insured.
  - (xi) The treaty provides cover for 20% of the Future Care Plan on original terms, up to a maximum issue limit of £8,000 pa of each original benefit insured.
  - (xii) The Company agrees to cede 30% of the benefits of all single premium Well-being policies written after 27 March 1998.
- (e) For each treaty, the premiums payable by the Company during the report period are as shown above.
- (f) There are no deposit back arrangements.
- (g) Liabilities to refund reinsurance commission are as follows:
- (i) No refunds of commission are made on lapse.
  - (ii) No refunds of commission are made on lapse.
  - (iii) No refunds of commission are made on lapse.
  - (iv) For regular premium policies, refunds of commission are made if the policy lapses before the initial commission is fully earned. The period over which the initial commission is earned varies between 8 and 48 months.
  - (v) For regular premium policies, refunds of commission are made if the policy lapses before the initial commission is fully earned. The period over which the initial commission is earned varies between 8 and 48 months.
  - (vi) For regular premium policies, refunds of commission are made if the policy lapses before the initial commission is fully earned. The period over which the initial commission is earned varies between 8 and 48 months.
  - (vii) No refunds of commission are payable on lapse.
  - (viii) For regular premium policies, refunds of commission are made if the policy lapses before the initial commission is fully earned. The period over which the initial commission is earned varies between 8 and 48 months.
  - (ix) For regular premium policies, refunds of commission are made if the policy lapses before the initial commission is fully earned. The period over which the initial commission is earned varies between 8 and 48 months.
  - (x) For regular premium policies, refunds of commission are made if the policy lapses before the initial commission is fully earned. The period over which the initial commission is earned varies between 8 and 48 months.
  - (xi) For regular premium policies, refunds of commission are made if the policy lapses before the initial commission is fully earned. The period over which the initial commission is earned varies between 8 and 48 months.
  - (xii) No refunds of commission are made on lapse.

No provision was made for the refund of reinsurance commission in the event of lapse or surrender of the contracts.

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(h) Whether each treaty is open to new business is shown above.

(3) Financing Arrangements

Five of the treaties are financing arrangements.

**Treaties (iv), (v), (vi) and (xii)**

(a) These treaties are all in respect of Well-being insurances with similar terms relating to the conditions for the discharge of the Company's obligation, which is to refund commission on lapse. The approximate aggregate amount of the undischarged obligation to the reinsurers is £1,490,550.

(b) The undischarged obligations have not been taken into account in the valuation. Approximately 80% of the amount is matched by a corresponding obligation to the Company from intermediaries, in the event of policy lapse. In view of the mathematical reserve held for the underlying Well-being policies, for which no policy lapses are assumed, no reserve is required for the unmatched proportion of the obligation.

**Treaty (vii)**

(a) The undischarged obligation to the reinsurers cannot be quantified. The treaty requires the Company to pay an annual risk premium to the reinsurer and an additional payment is made to or from the Company depending on the experience of the reinsured business during the year.

(b) Additional payments to the reinsurer as in (a) above will only occur if there is a statutory surplus, and will form only a small proportion of such statutory surplus. There is therefore no need to take account of the obligation in the valuation.

**13** There are no contracts that participate in the profits of the Permanent Health Fund.

**14** Profits Distribution

(i) There are no contracts that participate in the profits of the Permanent Health Fund.

(ii) Distribution of profits to shareholders is determined by the Directors in accordance with the Memorandum and Articles of Association of the Company, under which the Permanent Health Fund is a separate category of business from the rest of Commercial Union Life Assurance Company Ltd and its profits belong wholly to the shareholders.

**15** There are no contracts that participate in the profits of the Permanent Health Fund.

**16** There are no contracts that participate in the profits of the Permanent Health Fund.

**17** The statement summarising changes in ordinary long term business is set out in Form 46.

**18** The statement analysing new ordinary long term business is set out in Form 47.

**19** The statements of the assets covering long term liabilities are set out in Forms 48 and 49. There have been no derivative contracts held by the Fund at any time during 2002.

**20** The valuation summary is set out in Form 51. Tables of morbidity and mortality have not been included but are detailed in paragraph 7 above.

**21** **Matching Rectangle**

(1) The statement of assets apportioned in respect of all long term liabilities is set out in Form 57.

(2) The yields on assets have been adjusted as follows.

Approved securities: No adjustment is made.

Other fixed interest: 0.28% reduction in yield

(3) No equity shares or land were held.

**22** The statement of the results of the valuation is set out in Form 58.

**23** The statement of the required minimum margin for the long term business of the Company, of which this long term business fund forms a part, is set out in Form 60.

**M.N.Urmston**  
**Appointed Actuary**

**Long term insurance business : Summary of changes in ordinary long term business**Name of insurer **Commercial Union Life Assurance Company Limited**

Global business

United Kingdom business

Non-linked

Financial year ended **31st December 2002**

		Company registration number		GL/UK/CM		Period ended			Units		UK/OS		NL/LN						
		R46		79678		GL		31		12		2002		£000		UK		NL	
		Life assurance and general annuity		Pensions business				Permanent health				Other business							
		No of contracts		Annual premiums		No of contracts		Annual premiums		No of contracts		Annual premiums		No of contracts		Annual premiums			
		1		2		3		4		5		6		7		8			
In force at beginning of year	11	2234613	207388	625538	87030	182916	9288	2											
New business and increases	12	91552	660	150083	36091	1781	276												
Net transfers and other alterations 'on'	13			1027	969		99												
Total 'on' (12+13)	19	91552	660	151110	37060	1781	375												
Deaths	21	19211	488	2244	138	108	40												
Other insured events	22	99	32			138	3												
Maturities	23	21361	4359	5277	680	1													
Surrenders	24	83254	10682	8659	1187	174	88												
Forfeitures	25	40129	1931	1487	190	14484	569												
Conversions to paid-up policies for reduced benefits	26		1444		9639		1												
Net transfers, expiries and other alterations 'off'	27	14416	1832			5059													
Total 'off' (21 to 27)	29	178470	20768	17667	11834	19964	701												
In force at end of year (11+19-29)	39	2147695	187280	758981	112256	164733	8962	2											

**Long term insurance business : Summary of changes in ordinary long term business**Name of insurer **Commercial Union Life Assurance Company Limited**

Global business

United Kingdom business

Linked

Financial year ended **31st December 2002**

		Company registration number		GL/UK/CM		Period ended			Units	UK/OS	NL/LN
						day	month	year			
						R46	79678	GL			
		Life assurance and general annuity		Pensions business		Permanent health		Other business			
		No of contracts	Annual premiums	No of contracts	Annual premiums	No of contracts	Annual premiums	No of contracts	Annual premiums		
		1	2	3	4	5	6	7	8		
In force at beginning of year	11	138928	7	454135	82149						
New business and increases	12			4221	9702						
Net transfers and other alterations 'on'	13			34383	4144						
Total 'on' (12+13)	19			38604	13846						
Deaths	21	1918		747	69						
Other insured events	22										
Maturities	23	17	1	3764	453						
Surrenders	24	7670		7382	2006						
Forfeitures	25			633	1						
Conversions to paid-up policies for reduced benefits	26				14365						
Net transfers, expiries and other alterations 'off'	27	136									
Total 'off' (21 to 27)	29	9741	1	12526	16894						
In force at end of year (11+19-29)	39	129187	6	480213	79101						

**Long term insurance business : Summary of changes in ordinary long term business**Name of insurer **Commercial Union Life Assurance Company Limited**

Global business

Overseas business

Non-linked

Financial year ended **31st December 2002**

		Company registration number		GL/UK/CM		Period ended			Units		UK/OS		NL/LN		
		R46		79678		GL		31	12	2002	£000	OS	NL		
		Life assurance and general annuity		Pensions business		Permanent health		Other business							
		No of contracts	Annual premiums	No of contracts	Annual premiums	No of contracts	Annual premiums	No of contracts	Annual premiums	No of contracts	Annual premiums	No of contracts	Annual premiums	No of contracts	Annual premiums
		1	2	3	4	5	6	7	8						
In force at beginning of year	11	5252	1873			59	23								
New business and increases	12	1439	494			29									
Net transfers and other alterations 'on'	13	4890				2421	5								
Total 'on' (12+13)	19	6329	494			2450	5								
Deaths	21	15	4												
Other insured events	22	1				1									
Maturities	23	43	9												
Surrenders	24	43	22												
Forfeitures	25	484	3			281	1								
Conversions to paid-up policies for reduced benefits	26		77												
Net transfers, expiries and other alterations 'off'	27		132												
Total 'off' (21 to 27)	29	586	247			282	1								
In force at end of year (11+19-29)	39	10995	2120			2227	27								

## Long term insurance business : Analysis of new ordinary long term business

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

Global business

Financial year ended **31st December 2002**

Financial year ended <b>31st December 2002</b>		Company registration number		GL/UK/CM		Period ended			Units	
						day	month	year		
						<b>R47</b>	<b>79678</b>	<b>GL</b>		
Type of insurance	Single premium contracts			Regular premium contracts						
	No of contracts	Premiums	Sums assured, annuities per annum or other measures of benefit	No of contracts	Annual premiums	Sums assured, annuities per annum or other measures of benefit				
1	2	3	4	5	6	7				
<b>UK DIRECT WRITTEN INSURANCE BUSINESS</b>										
<b>Life Assurance &amp; General Annuity Insurance Business</b>										
<b>Accumulating With-Profits Policies</b>										
With Profit Bonds		1398	1341							
<b>Sub total: Accumulating With-Profits Policies</b>		<b>1398</b>	<b>1341</b>							
<b>Non-Linked With-Profits Policies</b>										
Endowment Assurance				24	10	144				
<b>Sub total: Non-Linked With-Profits Policies</b>				<b>24</b>	<b>10</b>	<b>144</b>				
<b>Non-Linked Non-Profit Policies</b>										
Term Assurance	32	36	420	31	8	1006				
Other Assurance				17	2	36				
Annuities	417	5570	974 pa							
<b>Sub total: Non-Linked Non-Profit Policies</b>	<b>449</b>	<b>5606</b>	<b>420</b> <b>974 pa</b>	<b>48</b>	<b>10</b>	<b>1042</b>				
<b>Other Linked Contracts</b>										
Whole Life Assurance		270	259							
<b>Sub total: Other Linked Contracts</b>		<b>270</b>	<b>259</b>							
<b>Total: Life Assurance &amp; General Annuity Insurance Business</b>	<b>449</b>	<b>7274</b>	<b>2020</b> <b>974 pa</b>	<b>72</b>	<b>20</b>	<b>1186</b>				

## Long term insurance business : Analysis of new ordinary long term business

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

Global business

Financial year ended **31st December 2002**

Financial year ended <b>31st December 2002</b>		Company registration number		GL/UK/CM		Period ended			Units	
						day	month	year		
						<b>R47</b>	<b>79678</b>	<b>GL</b>		
Type of insurance	Single premium contracts			Regular premium contracts						
	No of contracts	Premiums	Sums assured, annuities per annum or other measures of benefit	No of contracts	Annual premiums	Sums assured, annuities per annum or other measures of benefit				
1	2	3	4	5	6	7				
<b>Pension Insurance Business</b>										
<b>Accumulating With-Profits Policies</b>										
Personal Pension Plans	597	17441	17441	1456	3247	62891				
Sterling Group Plan (Deposit Administration)					497	3139				
Sterling Group Plan (Unitised With Profits)					235	2557				
<b>Sub total: Accumulating With-Profits Policies</b>	<b>597</b>	<b>17441</b>	<b>17441</b>	<b>1456</b>	<b>3979</b>	<b>68587</b>				
<b>Non-Linked With-Profits Policies</b>										
Group Deferred Annuity		10265	483 pa		18	4 pa				
Pure Endowment				1		2				
<b>Sub total: Non-Linked With-Profits Policies</b>		<b>10265</b>	<b>483 pa</b>	<b>1</b>	<b>18</b>	<b>2</b>				
<b>Non-Linked Non-Profit Policies</b>						<b>4 pa</b>				
Term Assurance				15	13	2195				
Group Life		554	127333							
Annuities	1435	36363	3356 pa							
<b>Sub total: Non-Linked Non-Profit Policies</b>	<b>1435</b>	<b>36917</b>	<b>127333</b> <b>3356 pa</b>	<b>15</b>	<b>13</b>	<b>2195</b>				
<b>Other Linked Contracts</b>										
Personal Pension Plans		163	163							
Pure Endowment	1213	30456	30456	3008	9701	229664				
Group Pure Endowment					304	6698				



Financial year ended **31st December 2002**

Type of insurance  1	Single premium contracts			Regular premium contracts		
	No of contracts  2	Premiums  3	Sums assured, annuities per annum or other measures of benefit  4	No of contracts  5	Annual premiums  6	Sums assured, annuities per annum or other measures of benefit  7
Sub total: Other Linked Contracts	1213	30619	30619	3008	10005	236362
Total: Pension Insurance Business	3245	95242	175393 3839 pa	4480	14015	307146 4 pa

## Long term insurance business : Analysis of new ordinary long term business

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

Global business

Financial year ended **31st December 2002**Company  
registration  
number

GL/UK/CM

Period ended

day

month

year

Units

<b>R47</b>	<b>79678</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2002</b>	<b>£000</b>
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Type of insurance  <b>1</b>	Single premium contracts			Regular premium contracts		
	No of contracts  <b>2</b>	Premiums  <b>3</b>	Sums assured, annuities per annum or other measures of benefit  <b>4</b>	No of contracts  <b>5</b>	Annual premiums  <b>6</b>	Sums assured, annuities per annum or other measures of benefit  <b>7</b>
<b>Permanent Health Insurance Business</b> <b>Non-Linked Non-Profit Policies</b> Permanent Health Assurance Well-Being and Future Care Plan Critical Illness	124	208	179 pa	266	270	2665 pa
<b>Sub total: Non-Linked Non-Profit Policies</b>	<b>124</b>	<b>208</b>	<b>179 pa</b>	<b>266</b>	<b>270</b>	<b>2665 pa</b>
<b>Total: Permanent Health Insurance Business</b>	<b>124</b>	<b>208</b>	<b>179 pa</b>	<b>266</b>	<b>270</b>	<b>2665 pa</b>
<b>Total: UK Direct Written Insurance Business</b>	<b>3818</b>	<b>102724</b>	<b>177413 4992 pa</b>	<b>4818</b>	<b>14305</b>	<b>308332 2669 pa</b>

## Long term insurance business : Analysis of new ordinary long term business

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

Global business

Financial year ended **31st December 2002**

Financial year ended 31st December 2002		Company registration number		GL/UK/CM		Period ended			Units	
						day	month	year		
						R47	79678	GL		
Type of insurance	Single premium contracts			Regular premium contracts						
	No of contracts	Premiums	Sums assured, annuities per annum or other measures of benefit	No of contracts	Annual premiums	Sums assured, annuities per annum or other measures of benefit				
1	2	3	4	5	6	7				
UK REINSURANCE ACCEPTED										
Life Assurance & General Annuity Insurance Business										
Accumulating With-Profits Policies										
CGNU Homemaker Plus						7				
NU Bond	54416	513659	513659							
NU Flexibond	3157	38846	38846							
NU Flexibond Additiona;		4328	4328							
NU Bond 2000	10184	128901	128901							
NU Homemaker Plus				1140	540					
NU Flexibond (LTC)	235	1089	1089							
Joint Venture Bond	19357	225454	225454							
Sub total: Accumulating With-Profits Policies	87349	912277	912277	1140	547					
Non-Linked Non-Profit Policies										
Group Term Assurance	37898	747	53309	28505	567		11057			
NULL Term				1578	8		72374			
NULL Mortgage Protection				1335	85		35090			
Sub total: Non-Linked Non-Profit Policies	37898	747	53309	31418	660		118521			
Total: Life Assurance & General Annuity Insurance Business	125247	913024	965586	32558	1207		118521			

## Long term insurance business : Analysis of new ordinary long term business

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

Global business

Financial year ended **31st December 2002**Company  
registration  
number

GL/UK/CM

Period ended

day

month

year

Units

<b>R47</b>	<b>79678</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2002</b>	<b>£000</b>
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Type of insurance  <b>1</b>	Single premium contracts			Regular premium contracts		
	No of contracts  <b>2</b>	Premiums  <b>3</b>	Sums assured, annuities per annum or other measures of benefit  <b>4</b>	No of contracts  <b>5</b>	Annual premiums  <b>6</b>	Sums assured, annuities per annum or other measures of benefit  <b>7</b>
<b>Pension Insurance Business</b>						
<b>Accumulating With-Profits Policies</b>						
CGNU Personal Pension Scheme		641	641	1857	1232	
CGNU Personal Pension Scheme additional		2680	2680			
CGNU Free-Standing AVC Plan		4	4		4	
CGNU Free-Standing AVC Plan additional		5	5			
CGNU Self Invested Pension Plan						
CGNU Self Invested Pension Plan additional		195	195			
CGNU Flexible Retirement Plan		270	270			
CGNU Pension Transfer Plan		67	67			
CGNU Executive Pension Plan		685	685		124	
CGNU Group Pension Investment Bond		263	263			
CGNU Your Pension	49	200	200	1042	444	
CGNU Your Pension additional		454	454			
NU Your Pension	1416	5015	5015	4377	2350	
NU Your Pension additional		9311	9311			
NU Your Pension Select	53	161	161	168	34	
NU Your Pension Select additional		170	170			
NU Optimiser Personal Pension		297	297	3	43	
NU Optimiser Personal Pension additional		491	491			
NU Executive Personal Pension	94	2088	2088	1058	848	
NU Free Standing AVC Plan	28	111	111	158	36	
NU Free Standing AVC Plan additional		10	10			

## Long term insurance business : Analysis of new ordinary long term business

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

Global business

Financial year ended **31st December 2002**

Financial year ended 31st December 2002		Company registration number		GL/UK/CM		Period ended			Units	
						day	month	year		
						R47	79678	GL		
Type of insurance	Single premium contracts			Regular premium contracts						
	No of contracts	Premiums	Sums assured, annuities per annum or other measures of benefit	No of contracts	Annual premiums	Sums assured, annuities per annum or other measures of benefit				
1	2	3	4	5	6	7				
NU Personal Transfer Plan	1080	14856	14856							
NU Self Invested Personal Pension	2108	53076	53076							
NU Self Invested Personal Pension additional		1287	1287							
NU Group Pension Investment Bond	433	20985	20985							
NU Designer Personal Pension	4753	1375	1375	13242		2585				
NU Designer Personal Pension additional		1476	1476							
Stakeholder NU Your Pension	17187	63512	63512	63353		18851				
Stakeholder NU Your Pension additional		26754	26754							
NU Your Pension Select (Post 6/4/01)	4445	29302	29302	13932		5772				
NU Your Pension Select (Post 6/4/01) additional		16952	16952							
Stakeholder NU Designer Personal Pension	5382	751	751	6166		1480				
Stakeholder NU Designer Personal Pension additional		535	535							
NU Group AVC	2687	3479	3479	2550		843				
NU Variable Money Purchase Plan	24135	2861	2861	10127		1663				
Sub total: Accumulating With-Profits Policies	63850	260319	260319	118033		36309				
Total: Pension Insurance Business	63850	260319	260319	118033		36309				

Financial year ended **31st December 2002**

Type of insurance	Single premium contracts			Regular premium contracts		
	No of contracts	Premiums	Sums assured, annuities per annum or other measures of benefit	No of contracts	Annual premiums	Sums assured, annuities per annum or other measures of benefit
1	2	3	4	5	6	7
<b>Permanent Health Insurance Business</b>						
<b>Non-Linked Non-Profit Policies</b>						
NULL Critical Illness - Term				427	2	12805
NULL Critical Illness - Mortgage Protection				964	4	22610
<b>Sub total: Non-Linked Non-Profit Policies</b>				<b>1391</b>	<b>6</b>	<b>35415</b>
<b>Total: Permanent Health Insurance Business</b>				<b>1391</b>	<b>6</b>	<b>35415</b>
<b>Total: UK Reinsurance Accepted</b>	<b>189097</b>	<b>1173343</b>	<b>1225905</b>	<b>151982</b>	<b>37522</b>	<b>153936</b>

## Long term insurance business : Analysis of new ordinary long term business

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

Global business

Financial year ended **31st December 2002**

Financial year ended <b>31st December 2002</b>		Company registration number		GL/UK/CM	Period ended			Units
		R47	79678		GL	day	month	
						31	12	2002
Type of insurance	Single premium contracts			Regular premium contracts				
	No of contracts	Premiums	Sums assured, annuities per annum or other measures of benefit	No of contracts	Annual premiums	Sums assured, annuities per annum or other measures of benefit		
1	2	3	4	5	6	7		
<b>OVERSEAS REINSURANCE ACCEPTED</b>								
<b>Life Assurance &amp; General Annuity Insurance Business</b>								
<b>Accumulating With-Profits Policies</b>								
CGNU Personal Pension Scheme		123	123		83			
CGNU Personal Pension Scheme additional		93	93					
CGNU International Investment Plan								
CGNU International Investment Plan additional		577	577					
CGNU Executive Pension Plan		18	18		27			
CGNU Self Invested Pension Plan additional		29	29					
CGNU Group Pension Investment Bond								
NU Optimiser Personal Pension	156	1599	1599	961	391			
NU Optimiser Personal Pension additional		93	93					
NU Executive and Directors Personal Pension	6	86		267	392			
NU International Investment Plan	136	3905	3905	17	20			
NU International Investment Plan additional		253	253					
NU Self Invested Personal Pension	20	501	501					
NU Self Invested Personal Pension additional		160	160					
NU International Bond	90	4381	4381					
<b>Sub total: Accumulating With-Profits Policies</b>	<b>408</b>	<b>11818</b>	<b>11732</b>	<b>1245</b>	<b>913</b>			
<b>Non-Linked Non-Profit Policies</b>								
NULL Term				23		1439		
NULL Mortgage Protection				36		1379		

Financial year ended **31st December 2002**

Type of insurance  1	Single premium contracts			Regular premium contracts		
	No of contracts  2	Premiums  3	Sums assured, annuities per annum or other measures of benefit  4	No of contracts  5	Annual premiums  6	Sums assured, annuities per annum or other measures of benefit  7
Sub total: Non-Linked Non-Profit Policies				59		2818
Total: Life Assurance & General Annuity Insurance Business	408	11818	11732	1304	913	2818



## Long term insurance business : Analysis of new ordinary long term business

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

Global business

Financial year ended **31st December 2002**

Financial year ended	31st December 2002			Company registration number	GL/UK/CM	Period ended			Units	
				R47	79678	GL	31	12	2002	£000
Type of insurance	Single premium contracts			Regular premium contracts						
	No of contracts	Premiums	Sums assured, annuities per annum or other measures of benefit	No of contracts	Annual premiums		Sums assured, annuities per annum or other measures of benefit			
1	2	3	4	5	6		7			
Permanent Health Insurance Business										
Non-Linked Non-Profit Policies										
NULL Critical Illness - Term					3		261			
NULL Critical Illness - Mortgage Protection					26		986			
Sub total: Non-Linked Non-Profit Policies					29		1247			
Total: Permanent Health Insurance Business					29		1247			
Total: Overseas Reinsurance Accepted	408	11818	11732	1333	913		4065			

**Long term insurance business : Expected income from admissible assets not held to match liabilities in respect of linked benefits**Name of insurer **Commercial Union Life Assurance Company Limited**

Global business

Financial year ended **31st December 2002**Category of assets **Commercial Union Life Fund**

		Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
		R48	79678	GL	31	12	2002	£000	11
Type of asset			Value of admissible assets as shown on Form 13 1		Expected income from admissible assets 2		Yield %  3		
Land and buildings			11	1349299		88392		6.55	
Fixed interest securities	Approved securities		12	4064367		206331		4.50	
	Other		13	2250994		129865		5.77	
Variable interest and variable yield securities (excluding items shown at line 16)	Approved securities		14	6750		164		2.31	
	Other		15	83204		3936		4.48	
Equity shares and holdings in collective investment schemes			16	5079223		224640		4.42	
Loans secured by mortgages			17						
All other assets	Producing income		18	84348		3427		4.06	
	Not producing income		19	276140					
Total (11 to 19)			29	13194325		656755		4.80	

**Long term insurance business : Expected income from admissible assets not held to match liabilities in respect of linked benefits**Name of insurer **Commercial Union Life Assurance Company Limited**

Global business

Financial year ended **31st December 2002**Category of assets **Permanent Health Fund**

			Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
			R48	79678	GL	31	12	2002	£000	12
Type of asset				Value of admissible assets as shown on Form 13 1		Expected income from admissible assets 2		Yield %  3		
Land and buildings				11						
Fixed interest securities	Approved securities			12	87759		5107		4.28	
	Other			13	4044		248		6.04	
Variable interest and variable yield securities (excluding items shown at line 16)	Approved securities			14						
	Other			15						
Equity shares and holdings in collective investment schemes				16						
Loans secured by mortgages				17						
All other assets	Producing income			18	4579		190		4.16	
	Not producing income			19	3946					
Total (11 to 19)				29	100328		5545		4.18	

**Long term insurance business : Analysis of admissible fixed interest and variable interest and variable yield securities not held to match liabilities in respect of linked benefits**Name of insurer **Commercial Union Life Assurance Company Limited**

Global business

Financial year ended **31st December 2002**Category of assets **Commercial Union Life Fund**

Financial year ended	31st December 2002					Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
Category of assets	Commercial Union Life Fund					R49	79678	GL	31	12	2002	£000	11
Redemption period in years			Value of admissible assets as shown on Form 13 1	Gross redemption yield % 2	Value of admissible higher yielding assets 3		Value of admissible assets as shown on Form 13 4	Gross redemption yield % 5	Value of admissible higher yielding assets 6				
One year or less	11	Fixed interest approved securities	70579	1.89		Variable interest and variable yield approved securities excluding equities							
More than one year but not more than five years	12		121043	3.07									
More than five years but not more than ten years	13		307630	4.41	2531		6750	2.31					
More than ten years but not more than fifteen years	14		541113	4.53	3284								
More than fifteen years but not more than twenty years	15		1227805	4.60	268								
More than twenty years but not more than twenty five years	16		430515	4.65	4488								
More than twenty five years	17		1365667	4.64									
Irredeemable	18		15	4.59									
Total (11 to 18)	19		4064367	4.50	10571		6750	2.31					
One year or less	21	Other fixed interest securities	167164	3.85		Other variable interest and variable yield securities excluding equities	50014	3.93					
More than one year but not more than five years	22		48924	5.03	10003		170	8.33	170				
More than five years but not more than ten years	23		279232	6.13	65996		25939	5.55	580				
More than ten years but not more than fifteen years	24		255268	6.11	29940								
More than fifteen years but not more than twenty years	25		323976	5.76	27851								
More than twenty years but not more than twenty five years	26		273966	5.88	21061								
More than twenty five years	27		571491	5.80	38971								
Irredeemable	28		330973	6.15	20691		7081	4.30	7081				
Total (21 to 28)	29		2250994	5.77	214513		83204	4.48	7831				

**Long term insurance business : Analysis of admissible fixed interest and variable interest and variable yield securities not held to match liabilities in respect of linked benefits**Name of insurer **Commercial Union Life Assurance Company Limited**

Global business

Financial year ended **31st December 2002**Category of assets **Permanent Health Fund**

Financial year ended	31st December 2002				Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
Category of assets	Permanent Health Fund				R49	79678	GL	31	12	2002	£000	12
Redemption period in years			Value of admissible assets as shown on Form 13 1	Gross redemption yield % 2	Value of admissible higher yielding assets 3		Value of admissible assets as shown on Form 13 4	Gross redemption yield % 5	Value of admissible higher yielding assets 6			
One year or less	11	Fixed interest approved securities	3069	3.71		Variable interest and variable yield approved securities excluding equities						
More than one year but not more than five years	12		20991	4.04								
More than five years but not more than ten years	13		27708	4.34								
More than ten years but not more than fifteen years	14		22130	4.41								
More than fifteen years but not more than twenty years	15		2887	4.48								
More than twenty years but not more than twenty five years	16		3700	4.48								
More than twenty five years	17		7274	4.44								
Irredeemable	18											
Total (11 to 18)	19		87759	4.28								
One year or less	21	Other fixed interest securities				Other variable interest and variable yield securities excluding equities						
More than one year but not more than five years	22											
More than five years but not more than ten years	23		1023	6.14								
More than ten years but not more than fifteen years	24		609	5.85								
More than fifteen years but not more than twenty years	25											
More than twenty years but not more than twenty five years	26											
More than twenty five years	27		881	6.44								
Irredeemable	28		1531	5.83								
Total (21 to 28)	29		4044	6.04								

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

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

Global business

United Kingdom business

Financial year ended **31st December 2002**

Type of business	<b>Life Assurance &amp; General Annuity Insurance Business</b>	Company registration number	GL/UK/CM	Period ended day month year			Units	UK/OS	Type of business	Category of surplus	
Category of surplus	<b>With Profit</b>	<b>R51</b>	<b>79678</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2002</b>	<b>£000</b>	<b>UK</b>	<b>L&amp;GA</b>	<b>11</b>

Type of insurance or name of contract  <b>1</b>	Valuation basis		No of contracts  <b>4</b>	Amount of sums assured or annuities per annum, including vested reversionary bonuses  <b>5</b>	Amount of annual premiums		Proportion of office premiums reserved for expenses and profits  <b>8</b>	Value of sums assured or annuities per annum, including vested reversionary bonuses  <b>9</b>	Value of annual premiums		Amount of mathematical reserves  <b>12</b>
	Rate of interest  <b>2</b>	Mortality or morbidity table  <b>3</b>			Office premiums  <b>6</b>	Net premiums  <b>7</b>			Office premiums  <b>10</b>	Net premiums  <b>11</b>	
<b>DIRECT WRITTEN INSURANCE BUSINESS</b>											
<b>With-Profits Policies</b>											
Whole Life	3.20	D	6276	115191	981	499	0.510	74932	10598	5196	69736
Endowment	3.20	D	203632	2619025	104723	63979	0.378	1847795	970426	603134	1244661
Endowment - Bonus Builder	3.20	D	28870	113328	10400	8168	0.200	106279	21442	17152	89127
Endowment - Low Cost	3.20	D	20810	369472	16833	8545	0.486	255083	160281	82452	172631
Pure Endowment	3.20	D	335	489	21	8	0.389	491	2	1	490
Other Group (Endowment)			1	9412				9412			9412
Miscellaneous Assurance			149	6756	50			6603			6603
<b>Sub total: With-Profits Policies</b>			<b>260073</b>	<b>3233673</b>	<b>133008</b>	<b>81199</b>		<b>2300595</b>	<b>1162749</b>	<b>707935</b>	<b>1592660</b>
<b>Non-Profit Policies</b>											
Whole Life	3.20	D	15065	39619	1074	673	0.346	26569	10351	6770	19799
Whole Life (Deposit Option)	3.20	D	972	2060				2436			2436
Endowment	3.20	D	18628	49811	215	182	0.132	40796	820	712	40084
Endowment - Bonus Builder	3.20	D	265	283				277			277
Term	3.20	R	23784	1176787	3713			24125	26129	18564	5561
Convertible Term	3.20	R	16872	759209	2239			15806	12027	8581	7225
Decreasing Term	3.20	D	196328	2812691	9650			44391			44391
Mortgage Protection	3.20	S	31380	676377	3825			17596			17596
Dependants Income Benefit	3.20	S	2485	34117	193			265	830	227	38
Group Life			16	5531	38			35			35
Miscellaneous Assurance			1963	340062	699			8253			8253

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

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

Global business

United Kingdom business

Financial year ended **31st December 2002**

Type of business **Life Assurance & General Annuity Insurance Business** Company registration number **GL/UK/CM** Period ended **31 12 2002** Units **£000** UK/OS **UK** Type of business **L&GA** Category of surplus **11**

Category of surplus **With Profit**

Type of insurance or name of contract  <b>1</b>	Valuation basis		No of contracts  <b>4</b>	Amount of sums assured or annuities per annum, including vested reversionary bonuses  <b>5</b>	Amount of annual premiums		Proportion of office premiums reserved for expenses and profits  <b>8</b>	Value of sums assured or annuities per annum, including vested reversionary bonuses  <b>9</b>	Value of annual premiums		Amount of mathematical reserves  <b>12</b>
	Rate of interest  <b>2</b>	Mortality or morbidity table  <b>3</b>			Office premiums  <b>6</b>	Net premiums  <b>7</b>			Office premiums  <b>10</b>	Net premiums  <b>11</b>	
Future claim instalments and other policy monies on deposit								615			615
Future Expenses for Assurances								5916			5916
In Payment	5.00	G	3382	3660 pa				22352			22352
In Payment Reversionary	5.00	G	34	29 pa				85			85
Group In Payment	5.00	G	2209	1492 pa				25291			25291
Group In Payment Reversionary	5.00	G	363	481 pa				2703			2703
Deferred	*4.00	*G	393	83 pa	6			4044			4044
Deferred Reversionary	*4.00	*G	592	200 pa	1	1	0.050	369	5	5	364
Group Deferred	*4.00	*G	2073	275 pa	157			5944			5944
Group Deferred Reversionary	*4.00	*G	53	9 pa				28			28
Further Expenses for Annuities								321			321
Miscellaneous Annuities				1390 pa				6949			6949
Adjustment for Unprocessed Movements								20241			20241
<b>Sub total: Non-Profit Policies</b>			<b>316857</b>	<b>5896547 7619 pa</b>	<b>21810</b>	<b>856</b>		<b>275407</b>	<b>50162</b>	<b>34859</b>	<b>240548</b>
<b>Sub total: Direct Written Insurance Business</b>			<b>576930</b>	<b>9130220 7619 pa</b>	<b>154818</b>	<b>82055</b>		<b>2576002</b>	<b>1212911</b>	<b>742794</b>	<b>1833208</b>
<b>REASSURANCE ACCEPTED</b>											
<b>With-Profits Policies</b>											
Endowment Insurance	3.20	Q	17392	145593	9387	6346	0.345	91092	102215	66990	24102

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

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

Global business

United Kingdom business

Financial year ended **31st December 2002**

Type of business **Life Assurance & General Annuity Insurance Business** Company registration number **GL/UK/CM** Period ended **day month year** Units **UK/OS** Type of business **Category of surplus**

Category of surplus **With Profit**

R51	79678	GL	31	12	2002	£000	UK	L&GA	11
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Type of insurance or name of contract  <b>1</b>	Valuation basis		No of contracts  <b>4</b>	Amount of sums assured or annuities per annum, including vested reversionary bonuses  <b>5</b>	Amount of annual premiums		Proportion of office premiums reserved for expenses and profits  <b>8</b>	Value of sums assured or annuities per annum, including vested reversionary bonuses  <b>9</b>	Value of annual premiums		Amount of mathematical reserves  <b>12</b>
	Rate of interest  <b>2</b>	Mortality or morbidity table  <b>3</b>			Office premiums  <b>6</b>	Net premiums  <b>7</b>			Office premiums  <b>10</b>	Net premiums  <b>11</b>	
Endowment with Critical Illness Extra Premiums	3.20	C	11034	135910	7246	4482	0.387	77068 204	97897	59995	17073 204
<b>Sub total: With-Profits Policies</b>			<b>28426</b>	<b>281503</b>	<b>16633</b>	<b>10828</b>		<b>168364</b>	<b>200112</b>	<b>126985</b>	<b>41379</b>
<b>Non-Profit Policies</b>											
Term Assurance: Decreasing	3.20	Q	8781	110441	180			1930	2314	1873	57
Term Assurance: Decreasing with CI	3.20	C	11034	163022	376			5439	5115	4809	630
Group Term Assurance: Decreasing			100643	63550				392			392
Group Term Assurance: By RSP			26068	7356				470			470
NULL Term: Level	3.20	R	102413	407961	906	789	0.130	13297	10044	8740	4557
NULL Term: Level with CI	3.20	P	41493	108392	170	154	0.095	3330	2278	2061	1269
NULL Term: Decreasing	3.20	S	27333	81603	260	217	0.166	3881	3220	2686	1195
NULL Term: Decreasing with CI	3.20	C	80751	184150	312	267	0.145	4900	4256	3640	1260
<b>Sub total: Non-Profit Policies</b>			<b>398516</b>	<b>1126475</b>	<b>2204</b>	<b>1427</b>		<b>33639</b>	<b>27227</b>	<b>23809</b>	<b>9830</b>
<b>Sub total: Reassurance Accepted</b>			<b>426942</b>	<b>1407978</b>	<b>18837</b>	<b>12255</b>		<b>202003</b>	<b>227339</b>	<b>150794</b>	<b>51209</b>
<b>REASSURANCE CEDED</b>											
<b>With-Profits Policies</b>											
Whole Life	3.20	D		1089	2	1	0.562	673	31	14	659
<b>Sub total: With-Profits Policies</b>				<b>1089</b>	<b>2</b>	<b>1</b>		<b>673</b>	<b>31</b>	<b>14</b>	<b>659</b>



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

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

Global business

United Kingdom business

Financial year ended **31st December 2002**

Type of business **Life Assurance & General Annuity Insurance Business** Company registration number **R51** GL/UK/CM **79678** Period ended **31** **12** **2002** Units **£000** UK/OS **UK** Type of business **L&GA** Category of surplus **11**

Category of surplus **With Profit**

Type of insurance or name of contract <b>1</b>	Valuation basis		No of contracts <b>4</b>	Amount of sums assured or annuities per annum, including vested reversionary bonuses <b>5</b>	Amount of annual premiums		Proportion of office premiums reserved for expenses and profits <b>8</b>	Value of sums assured or annuities per annum, including vested reversionary bonuses <b>9</b>	Value of annual premiums		Amount of mathematical reserves <b>12</b>
	Rate of interest <b>2</b>	Mortality or morbidity table <b>3</b>			Office premiums <b>6</b>	Net premiums <b>7</b>			Office premiums <b>10</b>	Net premiums <b>11</b>	
<b>Non-Profit Policies</b>											
Whole Life	3.20	D		3576	247	155	0.384	2079	2850	1757	322
Term	3.20	R		44671	106			1499	1167	928	571
Convertible Term	3.20	R		60599	95			1640	636	589	1051
Decreasing Term	3.20	D		2329	15			70			70
Miscellaneous Assurance				1208435	2136			1117			1117
In Payment	5.00	G		496 pa				1845			1845
Deferred Reversionary	*4.00	*G		2 pa				1			1
Group Deferred	*4.00	*G		2 pa				150			150
Adjustment for Unprocessed Movements								1			1
<b>Sub total: Non-Profit Policies</b>				<b>1319610</b> <b>500 pa</b>	<b>2599</b>	<b>155</b>		<b>8402</b>	<b>4653</b>	<b>3274</b>	<b>5128</b>
<b>Sub total: Reassurance Ceded</b>				<b>1320699</b> <b>500 pa</b>	<b>2601</b>	<b>156</b>		<b>9075</b>	<b>4684</b>	<b>3288</b>	<b>5787</b>
<b>Net total: Life Assurance &amp; General Annuity Insurance Business</b>			<b>1003872</b>	<b>9217499</b> <b>7119 pa</b>	<b>171054</b>	<b>94154</b>		<b>2768930</b>	<b>1435566</b>	<b>890300</b>	<b>1878630</b>

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

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

Global business

United Kingdom business

Financial year ended **31st December 2002**Type of business **Pension Insurance Business**Category of surplus **With Profit**

Company registration number	GL/UK/CM	Period ended			Units	UK/OS	Type of business	Category of surplus	
		day	month	year					
R51	79678	GL	31	12	2002	£000	UK	Pens	11

Type of insurance or name of contract  <b>1</b>	Valuation basis		No of contracts  <b>4</b>	Amount of sums assured or annuities per annum, including vested reversionary bonuses  <b>5</b>	Amount of annual premiums		Proportion of office premiums reserved for expenses and profits  <b>8</b>	Value of sums assured or annuities per annum, including vested reversionary bonuses  <b>9</b>	Value of annual premiums		Amount of mathematical reserves  <b>12</b>
	Rate of interest  <b>2</b>	Mortality or morbidity table  <b>3</b>			Office premiums  <b>6</b>	Net premiums  <b>7</b>			Office premiums  <b>10</b>	Net premiums  <b>11</b>	
<b>DIRECT WRITTEN INSURANCE BUSINESS</b>											
<b>With-Profits Policies</b>											
Endowment	4.00	B	1768	67843	9	5	0.495	73586	39	20	73566
Pure Endowment	4.00	B	18256	605287	3001	1841	0.397	531323	27012	16301	515022
Term	4.00	Q	583	19469	17	7	0.514	673	75	37	636
Miscellaneous Assurance			9	3394	4			4309			4309
Group Deferred	*4.00	*U	3444	28707 pa	100481			397310			397310
Unallocated Premiums								14800			14800
<b>Sub total: With-Profits Policies</b>			<b>24060</b>	<b>695993</b> <b>28707 pa</b>	<b>103512</b>	<b>1853</b>		<b>1022001</b>	<b>27126</b>	<b>16358</b>	<b>1005643</b>
<b>Non-Profit Policies</b>											
Whole Life	4.00	B	5	51				38			38
Endowment	4.00	B	317	3725				3532	2	1	3531
Pure Endowment	4.00	B	5575	12853	7	6	0.165	16075	34	29	16046
Term	4.00	Q	7265	331724	1108			9766	6372	4623	5143
Decreasing Term	4.00	Q	2121	36786	113			519			519
Group Life			65	135661	811			730			730
Miscellaneous Assurance			4328	255647	1339	466		7510	9359	4470	3040
In Payment	5.00	U	25463	31251 pa				364316			364316
In Payment Reversionary	5.00	U	2201	3281 pa				12556			12556
Group In Payment	5.00	U	26633	30568 pa				423575			423575
Group In Payment Reversionary	5.00	U	9340	12454 pa				75082			75082

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

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

Global business

United Kingdom business

Financial year ended **31st December 2002**Type of business **Pension Insurance Business**Category of surplus **With Profit**

Company registration number		GL/UK/CM	Period ended			Units	UK/OS	Type of business	Category of surplus
			day	month	year				
R51	79678	GL	31	12	2002	£000	UK	Pens	11
Type of insurance or name of contract	Amount of sums assured or annuities per annum, including vested reversionary bonuses	Amount of annual premiums		Proportion of office premiums reserved for expenses and profits	Value of sums assured or annuities per annum, including vested reversionary bonuses	Value of annual premiums		Amount of mathematical reserves	
		Office premiums	Net premiums			Office premiums	Net premiums		
	5	6	7	8	9	10	11	12	
381	431 pa	9469			9777			9777	
110	35 pa				117			117	
7355	33371 pa				357323			357323	
12	10 pa				22			22	
54	25 pa				827			827	
2	2 pa				8			8	
6829	5580 pa				64598			64598	
1	1 pa				1			1	
					24957			24957	
					907			907	
6773	138 pa	1623	1623						
		539	539						
		361	361						
4830	776447 117147 pa	12847	472		1374759	15767	9123	1365636	
8890	1472440 145854 pa	116359	2325		2396760	42893	25481	2371279	
	3803	10			76	43	40	36	

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

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

Global business

United Kingdom business

Financial year ended **31st December 2002**Type of business **Pension Insurance Business**Category of surplus **With Profit**

Company registration number	GL/UK/CM	Period ended			Units	UK/OS	Type of business	Category of surplus	
		day	month	year					
R51	79678	GL	31	12	2002	£000	UK	Pens	11

Type of insurance or name of contract  <b>1</b>	Valuation basis		No of contracts  <b>4</b>	Amount of sums assured or annuities per annum, including vested reversionary bonuses  <b>5</b>	Amount of annual premiums		Proportion of office premiums reserved for expenses and profits  <b>8</b>	Value of sums assured or annuities per annum, including vested reversionary bonuses  <b>9</b>	Value of annual premiums		Amount of mathematical reserves  <b>12</b>
	Rate of interest  <b>2</b>	Mortality or morbidity table  <b>3</b>			Office premiums  <b>6</b>	Net premiums  <b>7</b>			Office premiums  <b>10</b>	Net premiums  <b>11</b>	
<b>Sub total: Non-Profit Policies</b>				<b>3803</b>	<b>10</b>			<b>76</b>	<b>43</b>	<b>40</b>	<b>36</b>
<b>Sub total: Reassurance Ceded</b>				<b>3803</b>	<b>10</b>			<b>76</b>	<b>43</b>	<b>40</b>	<b>36</b>
<b>Net total: Pension Insurance Business</b>			<b>138890</b>	<b>1468637 145854 pa</b>	<b>116349</b>	<b>2325</b>		<b>2396684</b>	<b>42850</b>	<b>25441</b>	<b>2371243</b>

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

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

Global business

United Kingdom business

Financial year ended **31st December 2002**Type of business **Permanent Health Insurance Business**Category of surplus **With Profit**

Company registration number		GL/UK/CM	Period ended			Units	UK/OS	Type of business	Category of surplus		
			day	month	year						
R51		79678		GL	31	12	2002	£000	UK	PHI	11
of acts	Amount of sums assured or annuities per annum, including vested reversionary bonuses	Amount of annual premiums		Proportion of office premiums reserved for expenses and profits	Value of sums assured or annuities per annum, including vested reversionary bonuses	Value of annual premiums		Amount of mathematical reserves			
		Office premiums	Net premiums			Office premiums	Net premiums				
	5	6	7	8	9	10	11	12			
6087	536005	1248	1178	0.056	37914 557	14773	13944	23970 557			
6087	536005	1248	1178		38471	14773	13944	24527			
6087	536005	1248	1178		38471	14773	13944	24527			
1493	108392	328	304	0.074	6683	4391	4064	2619			
0751	184150	517	437	0.156	7956	7086	5982	1974			
2244	292542	845	741		14639	11477	10046	4593			
2244	292542	845	741		14639	11477	10046	4593			
	469939	1123	1060	0.056	23466 521	13430	12676	10790 521			
	469939	1123	1060		23987	13430	12676	11311			

**Long term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profit policies)**Name of insurer **Commercial Union Life Assurance Company Limited**

Global business

United Kingdom business

Financial year ended **31st December 2002**Type of business **Permanent Health Insurance Business**Category of surplus **With Profit**

Company registration number	GL/UK/CM	Period ended			Units	UK/OS	Type of business	Category of surplus	
		day	month	year					
R51	79678	GL	31	12	2002	£000	UK	PHI	11

Type of insurance or name of contract  <b>1</b>	Valuation basis		No of contracts  <b>4</b>	Amount of sums assured or annuities per annum, including vested reversionary bonuses  <b>5</b>	Amount of annual premiums		Proportion of office premiums reserved for expenses and profits  <b>8</b>	Value of sums assured or annuities per annum, including vested reversionary bonuses  <b>9</b>	Value of annual premiums		Amount of mathematical reserves  <b>12</b>
	Rate of interest  <b>2</b>	Mortality or morbidity table  <b>3</b>			Office premiums  <b>6</b>	Net premiums  <b>7</b>			Office premiums  <b>10</b>	Net premiums  <b>11</b>	
<b>Sub total: Reassurance Ceded</b>				<b>469939</b>	<b>1123</b>	<b>1060</b>		<b>23987</b>	<b>13430</b>	<b>12676</b>	<b>11311</b>
<b>Net total: Permanent Health Insurance Business</b>			<b>138331</b>	<b>358608</b>	<b>970</b>	<b>859</b>		<b>29123</b>	<b>12820</b>	<b>11314</b>	<b>17809</b>

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

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

Global business

United Kingdom business

Financial year ended **31st December 2002**Type of business **Other Insurance Business**Category of surplus **With Profit**

Company registration number	GL/UK/CM	Period ended			Units	UK/OS	Type of business	Category of surplus	
		day	month	year					
R51	79678	GL	31	12	2002	£000	UK	Other	11

Type of insurance or name of contract  <b>1</b>	Valuation basis		No of contracts  <b>4</b>	Amount of sums assured or annuities per annum, including vested reversionary bonuses  <b>5</b>	Amount of annual premiums		Proportion of office premiums reserved for expenses and profits  <b>8</b>	Value of sums assured or annuities per annum, including vested reversionary bonuses  <b>9</b>	Value of annual premiums		Amount of mathematical reserves  <b>12</b>
	Rate of interest  <b>2</b>	Mortality or morbidity table  <b>3</b>			Office premiums  <b>6</b>	Net premiums  <b>7</b>			Office premiums  <b>10</b>	Net premiums  <b>11</b>	
<b>DIRECT WRITTEN INSURANCE BUSINESS</b>											
<b>Non-Profit Policies</b>											
Miscellaneous Assurance			2	8				8			8
<b>Sub total: Non-Profit Policies</b>			2	8				8			8
<b>Sub total: Direct Written Insurance Business</b>			2	8				8			8
<b>Net total: Other Insurance Business</b>			2	8				8			8
<b>Net total: United Kingdom Insurance Business</b>			1281095	11044752 152973 pa	288373	97338		5194745	1491236	927055	4267690

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

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

Global business

Overseas business

Financial year ended **31st December 2002**

Type of business **Life Assurance & General Annuity Insurance Business** Company registration number **GL/UK/CM** Period ended **31 12 2002** Units **£000** UK/OS **OS** Type of business **L&GA** Category of surplus **11**

Category of surplus **With Profit**

Type of insurance or name of contract  <b>1</b>	Valuation basis		No of contracts  <b>4</b>	Amount of sums assured or annuities per annum, including vested reversionary bonuses  <b>5</b>	Amount of annual premiums		Proportion of office premiums reserved for expenses and profits  <b>8</b>	Value of sums assured or annuities per annum, including vested reversionary bonuses  <b>9</b>	Value of annual premiums		Amount of mathematical reserves  <b>12</b>
	Rate of interest  <b>2</b>	Mortality or morbidity table  <b>3</b>			Office premiums  <b>6</b>	Net premiums  <b>7</b>			Office premiums  <b>10</b>	Net premiums  <b>11</b>	
<b>DIRECT WRITTEN INSURANCE BUSINESS</b>											
<b>With-Profits Policies</b>											
Whole Life	3.20	D	12	602	5	2	0.566	319	85	37	282
Endowment	3.20	D	382	7048	149	90	0.407	5571	921	546	5025
Endowment - Bonus Builder	3.20	D	6	22	2	2	0.174	22	1	1	21
Endowment - Low Cost	3.20	D	4	64	2	1	0.496	50	16	8	42
Pure Endowment	3.20	D	3	7				7			7
Miscellaneous Assurance			30	655	10			824			824
Group Deferred	*4.00	*G	282	3248 pa	13953			35272			35272
<b>Sub total: With-Profits Policies</b>			<b>719</b>	<b>8398 3248 pa</b>	<b>14121</b>	<b>95</b>		<b>42065</b>	<b>1023</b>	<b>592</b>	<b>41473</b>
<b>Non-Profit Policies</b>											
Whole Life	3.20	D	40	104	1	1	0.447	74	11	6	68
Endowment	3.20	D	31	110				96			96
Term	3.20	R	174	10462	29			230	174	141	89
Convertible Term	3.20	R	90	4688	13			114	70	59	55
Decreasing Term	3.20	D	202	3159	16			72			72
Dependants Income Benefit	3.20	S	13	188	2			2	6	2	
Miscellaneous Assurance			64	40504	224			318			318
In Payment	5.00	G	22	59 pa				482			482
In Payment Reversionary	5.00	G	4	34 pa				95			95
Group in Payment	5.00	G	421	754 pa				9747			9747



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

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

Global business

Overseas business

Financial year ended **31st December 2002**

Type of business	<b>Life Assurance &amp; General Annuity Insurance Business</b>	Company registration number	GL/UK/CM	Period ended day month year			Units	UK/OS	Type of business	Category of surplus	
Category of surplus	<b>With Profit</b>	<b>R51</b>	<b>79678</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2002</b>	<b>£000</b>	<b>OS</b>	<b>L&amp;GA</b>	<b>11</b>

Type of insurance or name of contract  <b>1</b>	Valuation basis		No of contracts  <b>4</b>	Amount of sums assured or annuities per annum, including vested reversionary bonuses  <b>5</b>	Amount of annual premiums		Proportion of office premiums reserved for expenses and profits  <b>8</b>	Value of sums assured or annuities per annum, including vested reversionary bonuses  <b>9</b>	Value of annual premiums		Amount of mathematical reserves  <b>12</b>
	Rate of interest  <b>2</b>	Mortality or morbidity table  <b>3</b>			Office premiums  <b>6</b>	Net premiums  <b>7</b>			Office premiums  <b>10</b>	Net premiums  <b>11</b>	
Group in Payment Reversionary	5.00	G	114	233 pa				928			928
Deferred Reversionary	*4.00	*G	3					2			2
Group Deferred	*4.00	*G	97	192 pa	14			2114			2114
Group Deferred Reversionary	*4.00	*G						1			1
Unallocated Premium								1300			1300
Further Expenses for Annuities								928			928
Adjustment for Unprocessed Movements								788			788
<b>Sub total: Non-Profit Policies</b>			<b>1275</b>	<b>59215</b> <b>1272 pa</b>	<b>299</b>	<b>1</b>		<b>17291</b>	<b>261</b>	<b>208</b>	<b>17083</b>
<b>Sub total: Direct Written Insurance Business</b>			<b>1994</b>	<b>67613</b> <b>4520 pa</b>	<b>14420</b>	<b>96</b>		<b>59356</b>	<b>1284</b>	<b>800</b>	<b>58556</b>
<b>REASSURANCE ACCEPTED</b>											
<b>With-Profits Policies</b>											
Endowment Insurance	3.20	Q	113	1470	90	61	0.343	909	972	638	271
Endowment with Critical Illness	3.20	C	57	1127	63	38	0.388	651	829	508	143
Extra Premiums								3			3
<b>Sub total: With-Profits Policies</b>			<b>170</b>	<b>2597</b>	<b>153</b>	<b>99</b>		<b>1563</b>	<b>1801</b>	<b>1146</b>	<b>417</b>
<b>Non-Profit Policies</b>											
Hibernian Financial Reassurance								52971			52971
Term Assurance: Decreasing	3.20	Q	41	811	2			16	21	16	

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

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

Global business

Overseas business

Financial year ended **31st December 2002**

Type of business	<b>Life Assurance &amp; General Annuity Insurance Business</b>	Company registration number	GL/UK/CM	Period ended day month year			Units	UK/OS	Type of business	Category of surplus	
Category of surplus	<b>With Profit</b>	<b>R51</b>	<b>79678</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2002</b>	<b>£000</b>	<b>OS</b>	<b>L&amp;GA</b>	<b>11</b>

Type of insurance or name of contract  <b>1</b>	Valuation basis		No of contracts  <b>4</b>	Amount of sums assured or annuities per annum, including vested reversionary bonuses  <b>5</b>	Amount of annual premiums		Proportion of office premiums reserved for expenses and profits  <b>8</b>	Value of sums assured or annuities per annum, including vested reversionary bonuses  <b>9</b>	Value of annual premiums		Amount of mathematical reserves  <b>12</b>
	Rate of interest  <b>2</b>	Mortality or morbidity table  <b>3</b>			Office premiums  <b>6</b>	Net premiums  <b>7</b>			Office premiums  <b>10</b>	Net premiums  <b>11</b>	
Term Assurance: Decreasing with CI	3.20	C	57	1170	4			44	47	42	2
NULL Term: Level	3.20	R	932	5650	14	13	0.105	205	154	138	67
NULL Term: Level with CI	3.20	P	419	1539	3	3	0.074	47	33	30	17
NULL Term: Decreasing	3.20	S	1480	6747	15	13	0.158	241	201	169	72
NULL Term: Decreasing with CI	3.20	C	1759	6121	9	8	0.102	145	123	111	34
<b>Sub total: Non-Profit Policies</b>			<b>4688</b>	<b>22038</b>	<b>47</b>	<b>37</b>		<b>53669</b>	<b>579</b>	<b>506</b>	<b>53163</b>
<b>Sub total: Reassurance Accepted</b>			<b>4858</b>	<b>24635</b>	<b>200</b>	<b>136</b>		<b>55232</b>	<b>2380</b>	<b>1652</b>	<b>53580</b>
<b>REASSURANCE CEDED</b>											
<b>Non-Profit Policies</b>											
Term	3.20	R		1078	2			15	8	8	7
Miscellaneous Assurance				990	3			3			3
<b>Sub total: Non-Profit Policies</b>				<b>2068</b>	<b>5</b>			<b>18</b>	<b>8</b>	<b>8</b>	<b>10</b>
<b>Sub total: Reassurance Ceded</b>				<b>2068</b>	<b>5</b>			<b>18</b>	<b>8</b>	<b>8</b>	<b>10</b>
<b>Net total: Life Assurance &amp; General Annuity Insurance Business</b>			<b>6852</b>	<b>90180</b> <b>4520 pa</b>	<b>14615</b>	<b>232</b>		<b>114570</b>	<b>3656</b>	<b>2444</b>	<b>112126</b>

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

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

Global business

Overseas business

Financial year ended **31st December 2002**Type of business **Permanent Health Insurance Business**Category of surplus **With Profit**

Company registration number	GL/UK/CM	Period ended			Units	UK/OS	Type of business	Category of surplus	
		day	month	year					
R51	79678	GL	31	12	2002	£000	OS	PHI	11

Type of insurance or name of contract  <b>1</b>	Valuation basis		No of contracts  <b>4</b>	Amount of sums assured or annuities per annum, including vested reversionary bonuses  <b>5</b>	Amount of annual premiums		Proportion of office premiums reserved for expenses and profits  <b>8</b>	Value of sums assured or annuities per annum, including vested reversionary bonuses  <b>9</b>	Value of annual premiums		Amount of mathematical reserves  <b>12</b>
	Rate of interest  <b>2</b>	Mortality or morbidity table  <b>3</b>			Office premiums  <b>6</b>	Net premiums  <b>7</b>			Office premiums  <b>10</b>	Net premiums  <b>11</b>	
<b>REASSURANCE ACCEPTED</b>											
<b>Non-Profit Policies</b>											
NULL Critical Illness - Term	3.20	P	419	1539	6	5	0.063	102	68	63	39
NULL Critical Illness - Mortgage Protection	3.20	C	1759	6121	16	14	0.132	251	222	193	58
<b>Sub total: Non-Profit Policies</b>			<b>2178</b>	<b>7660</b>	<b>22</b>	<b>19</b>		<b>353</b>	<b>290</b>	<b>256</b>	<b>97</b>
<b>Sub total: Reassurance Accepted</b>			<b>2178</b>	<b>7660</b>	<b>22</b>	<b>19</b>		<b>353</b>	<b>290</b>	<b>256</b>	<b>97</b>
<b>Net total: Permanent Health Insurance Business</b>			<b>2178</b>	<b>7660</b>	<b>22</b>	<b>19</b>		<b>353</b>	<b>290</b>	<b>256</b>	<b>97</b>
<b>Net total: Overseas Insurance Business</b>			<b>9030</b>	<b>97840 4520 pa</b>	<b>14637</b>	<b>251</b>		<b>114923</b>	<b>3946</b>	<b>2700</b>	<b>112223</b>

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

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

Global business

United Kingdom business

Financial year ended **31st December 2002**Type of business **Permanent Health Insurance Business**Category of surplus **Permanent Health Fund**

Company registration number		GL/UK/CM	Period ended			Units	UK/OS	Type of business	Category of surplus			
			day	month	year							
R51		79678		GL		31	12	2002	£000	UK	PHI	13
Type of insurance or name of contract	Amount of sums assured or annuities per annum, including vested reversionary bonuses	Amount of annual premiums		Proportion of office premiums reserved for expenses and profits	Value of sums assured or annuities per annum, including vested reversionary bonuses	Value of annual premiums		Amount of mathematical reserves				
		Office premiums	Net premiums			Office premiums	Net premiums					
	5	6	7	8	9	10	11	12				
6970	32316 pa	752	657	0.127	13928	4850	4149	9779				
5692	34123 pa	869	768	0.115	15326	7110	6090	9236				
4258	46637 pa	3068	2238	0.271	77027	53940	39149	37878				
136	55914 pa	1251			1282			1282				
					21637			21637				
					3376			3376				
					20121			20121				
197	7479 pa	131	43		1092	520	170	922				
7253	176469 pa	6071	3706		153789	66420	49558	104231				
7253	176469 pa	6071	3706		153789	66420	49558	104231				
4104	7816 pa	225	165	0.267	3064	2481	1820	1244				
5181	298733	1824	1589	0.121	23552	19167	16848	6704				
					64			64				
9285	298733	2049	1754		26680	21648	18668	8012				

7816 pa

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

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

Global business

United Kingdom business

Financial year ended **31st December 2002**Type of business **Permanent Health Insurance Business**Category of surplus **Permanent Health Fund**

Company registration number	GL/UK/CM	Period ended			Units	UK/OS	Type of business	Category of surplus	
		day	month	year					
R51	79678	GL	31	12	2002	£000	UK	PHI	13

Type of insurance or name of contract  <b>1</b>	Valuation basis		No of contracts  <b>4</b>	Amount of sums assured or annuities per annum, including vested reversionary bonuses  <b>5</b>	Amount of annual premiums		Proportion of office premiums reserved for expenses and profits  <b>8</b>	Value of sums assured or annuities per annum, including vested reversionary bonuses  <b>9</b>	Value of annual premiums		Amount of mathematical reserves  <b>12</b>
	Rate of interest  <b>2</b>	Mortality or morbidity table  <b>3</b>			Office premiums  <b>6</b>	Net premiums  <b>7</b>			Office premiums  <b>10</b>	Net premiums  <b>11</b>	
<b>Sub total: Reassurance Accepted</b>			<b>9285</b>	<b>298733 7816 pa</b>	<b>2049</b>	<b>1754</b>		<b>26680</b>	<b>21648</b>	<b>18668</b>	<b>8012</b>
<b>REASSURANCE CEDED</b>											
<b>Non-Profit Policies</b>											
Well-Being & Future Care Plan	4.00	See Abstract 7.		34759 pa	2253	1661	0.263	56286	39001	28606	27680
Recurrent Single Premium - Unexpired Risk		See Abstract 6.		38474 pa	788			788			788
Claims in Payment - Well-Being	4.00	See Abstract 7.						2559			2559
Claims in Payment - Recurrent Single Premium	4.00	See Abstract 7.						4377			4377
Miscellaneous				5983 pa	103	34		238	408	136	102
Treaty with Swiss Reinsurance		See Abstract 7.						3100			3100
<b>Sub total: Non-Profit Policies</b>				<b>79216 pa</b>	<b>3144</b>	<b>1695</b>		<b>67348</b>	<b>39409</b>	<b>28742</b>	<b>38606</b>
<b>Sub total: Reassurance Ceded</b>				<b>79216 pa</b>	<b>3144</b>	<b>1695</b>		<b>67348</b>	<b>39409</b>	<b>28742</b>	<b>38606</b>
<b>Net total: Permanent Health Insurance Business</b>			<b>26538</b>	<b>298733 105069 pa</b>	<b>4976</b>	<b>3765</b>		<b>113121</b>	<b>48659</b>	<b>39484</b>	<b>73637</b>
<b>Net total: United Kingdom Insurance Business</b>			<b>26538</b>	<b>298733 105069 pa</b>	<b>4976</b>	<b>3765</b>		<b>113121</b>	<b>48659</b>	<b>39484</b>	<b>73637</b>

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

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

Global business

Overseas business

Financial year ended **31st December 2002**Type of business **Permanent Health Insurance Business**Category of surplus **Permanent Health Fund**

Company registration number		GL/UK/CM	Period ended			Units	UK/OS	Type of business	Category of surplus
			day	month	year				
R51	79678	GL	31	12	2002	£000	OS	PHI	13
of acts	Amount of sums assured or annuities per annum, including vested reversionary bonuses	Amount of annual premiums		Proportion of office premiums reserved for expenses and profits	Value of sums assured or annuities per annum, including vested reversionary bonuses	Value of annual premiums		Amount of mathematical reserves	
		Office premiums	Net premiums			Office premiums	Net premiums		
	5	6	7	8	9	10	11	12	
49	217 pa	5	4		52	22	19	33	
49	217 pa	5	4		52	22	19	33	
49	217 pa	5	4		52	22	19	33	
					8			8	
					8			8	
					8			8	
49	217 pa	5	4		44	22	19	25	
49	217 pa	5	4		44	22	19	25	

## Long term insurance business : Valuation summary of accumulating with-profit policies

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

Global business

United Kingdom business

Financial year ended **31st December 2002**Type of business **Life Assurance & General Annuity Insurance**

Category of surplus

**Business  
With Profit**Company  
registration  
number

GL/UK/CM

Period ended

day month year

Units

UK/OS

Type of  
businessCategory  
of surplus**R52****79678****GL****31****12****2002****£000****UK****L&GA****11**

Type of insurance or name of contract  <b>1</b>	Valuation basis		No of contracts  <b>4</b>	Amount of sums assured or annuities per annum, including vested reversionary bonuses			Amount of annual premiums		Proportion of office premiums reserved for expenses and profits  <b>10</b>	Liability in respect of current benefits including vested bonuses		Other liabilities		Amount of mathematical reserves  <b>15</b>
	Rate of interest  <b>2</b>	Mortality or morbidity table  <b>3</b>		Guaranteed on death  <b>5</b>	Current on death  <b>6</b>	Guaranteed on maturity  <b>7</b>	Office premiums  <b>8</b>	Net premiums  <b>9</b>		Current benefit value  <b>11</b>	Discounted value  <b>12</b>	Mortality and expenses  <b>13</b>	Options and guarantees other than investment performance guarantees  <b>14</b>	
<b>DIRECT WRITTEN INSURANCE BUSINESS</b> With Profit Bonds	3.6	D	857866	1415526	1415526	1415526				1233738	1233738			1233738
<b>Sub total: Direct Written Insurance Business</b>			<b>857866</b>	<b>1415526</b>	<b>1415526</b>	<b>1415526</b>				<b>1233738</b>	<b>1233738</b>			<b>1233738</b>
<b>REASSURANCE ACCEPTED</b> Income Fund	3.80	A	31196	547068	547068	547068				429285	429285			429285
Unitised With Profit	3.80	A	366927	4445747	4445747	4445747	13820			3691239	3691239			3691239
Joint Venture Bond Income Fund	3.80	A	3835	60341	60341	60341				51265	51265			51265
Joint Venture Bond Unitised With Profit	3.80	A	15425	164904	164904	164904				139981	139981			139981
<b>Sub total: Reassurance Accepted</b>			<b>417383</b>	<b>5218060</b>	<b>5218060</b>	<b>5218060</b>	<b>13820</b>			<b>4311770</b>	<b>4311770</b>			<b>4311770</b>
<b>Net total: Life Assurance &amp; General Annuity Insurance Business</b>			<b>1275249</b>	<b>6633586</b>	<b>6633586</b>	<b>6633586</b>	<b>13820</b>			<b>5545508</b>	<b>5545508</b>			<b>5545508</b>

## Long term insurance business : Valuation summary of accumulating with-profit policies

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

Global business

United Kingdom business

Financial year ended **31st December 2002**Type of business **Pension Insurance Business**Category of surplus **With Profit**

Type of insurance or name of contract	Valuation basis		No of contracts	Amount of sums assured or annuities per annum, including vested reversionary bonuses			Amount of annual premiums		Proportion of office premiums reserved for expenses and profits	Liability in respect of current benefits including vested bonuses		Other liabilities		Amount of mathematical reserves
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
<b>DIRECT WRITTEN INSURANCE BUSINESS</b>														
Personal Pension Plans	4.25	D	328916	828877	828877	828877	38888			736895	736895			736895
Group Defined Benefit										15368	15368			15368
Sterling Group Plan (Unitised With Profits)	4.25	D	183	46423	46423	46423	1835			44521	44521			44521
Sterling Group Plan (Deposit Administration)	4.25	D	426	105590	105590	105590	3498			100904	100904			100904
Miscellaneous			18	7138	7138	7138	41					680		34550
<b>Sub total: Direct Written Insurance Business</b>			<b>329543</b>	<b>988028</b>	<b>988028</b>	<b>988028</b>	<b>44262</b>			<b>897688</b>	<b>897688</b>	<b>680</b>		<b>932238</b>
<b>REASSURANCE ACCEPTED</b>														
CGNU Unitised With Profits - Individual Pensions	4.50	A	192502	565802	565802	565802	33491			505416	505416			505416
CGNU Unitised With Profits - Group Pensions	4.50	A	57095	225329	225329	225329	3460			210107	210107			210107
<b>Sub total: Reassurance Accepted</b>			<b>249597</b>	<b>791131</b>	<b>791131</b>	<b>791131</b>	<b>36951</b>			<b>715523</b>	<b>715523</b>			<b>715523</b>
<b>REASSURANCE CEDED</b>														
WOP Reserve							643					514		514
<b>Sub total: Reassurance Ceded</b>							<b>643</b>					<b>514</b>		<b>514</b>
<b>Net total: Pension Insurance Business</b>			<b>579140</b>	<b>1779159</b>	<b>1779159</b>	<b>1779159</b>	<b>80570</b>			<b>1613211</b>	<b>1613211</b>	<b>166</b>		<b>1647247</b>

Company  
registration  
number

GL/UK/CM

Period ended

day month year

Units

UK/OS

Type of  
businessCategory  
of surplus

R52

79678

GL

31

12

2002

£000

UK

Pens

11



**Long term insurance business : Valuation summary of accumulating with-profit policies**Name of insurer **Commercial Union Life Assurance Company Limited**

Global business

United Kingdom business

Financial year ended **31st December 2002**Type of business **Pension Insurance Business**Category of surplus **With Profit**

Financial year ended			31st December 2002			Company registration number			GL/UK/CM			Period ended			Units		UK/OS		Type of business		Category of surplus										
Type of business			Pension Insurance Business			R52			79678			GL			31			12			2002			£000		UK		Pens		11	
Category of surplus			With Profit																												
Type of insurance or name of contract	Valuation basis		No of contracts	Amount of sums assured or annuities per annum, including vested reversionary bonuses			Amount of annual premiums		Proportion of office premiums reserved for expenses and profits	Liability in respect of current benefits including vested bonuses		Other liabilities		Amount of mathematical reserves																	
	Rate of interest	Mortality or morbidity table		Guaranteed on death	Current on death	Guaranteed on maturity	Office premiums	Net premiums		Current benefit value	Discounted value	Mortality and expenses	Options and guarantees other than investment performance guarantees																		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15																	
Net total: United Kingdom Insurance Business			1854389	8412745	8412745	8412745	94390			7158719	7158719	166		7192755																	

## Long term insurance business : Valuation summary of accumulating with-profit policies

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

Global business

Overseas business

Financial year ended **31st December 2002**Type of business **Life Assurance & General Annuity Insurance**

Category of surplus

**Business  
With Profit**Company  
registration  
number

GL/UK/CM

Period ended

day month year

Units

UK/OS

Type of  
businessCategory  
of surplus**R52****79678****GL****31****12****2002****£000****OS****L&GA****11**

Type of insurance or name of contract	Valuation basis		No of contracts	Amount of sums assured or annuities per annum, including vested reversionary bonuses			Amount of annual premiums		Proportion of office premiums reserved for expenses and profits	Liability in respect of current benefits including vested bonuses		Other liabilities		Amount of mathematical reserves
	Rate of interest	Mortality or morbidity table		Guaranteed on death	Current on death	Guaranteed on maturity	Office premiums	Net premiums		Current benefit value	Discounted value	Mortality and expenses	Options and guarantees other than investment performance guarantees	
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
<b>REASSURANCE ACCEPTED</b>														
CGNU Unitised With Profits - Individual	4.50	A	4967	74875	74875	74875	1466			69107	69107			69107
CGNU Unitised With Profits - Group	4.50	A	681	5521	5521	5521	760			4837	4837			4837
NU International Bond	-	-	90	4567	4567	4567				4567	4567			4567
<b>Sub total: Reassurance Accepted</b>			<b>5738</b>	<b>84963</b>	<b>84963</b>	<b>84963</b>	<b>2226</b>			<b>78511</b>	<b>78511</b>			<b>78511</b>
<b>Net total: Life Assurance &amp; General Annuity Insurance Business</b>			<b>5738</b>	<b>84963</b>	<b>84963</b>	<b>84963</b>	<b>2226</b>			<b>78511</b>	<b>78511</b>			<b>78511</b>
<b>Net total: Overseas Insurance Business</b>			<b>5738</b>	<b>84963</b>	<b>84963</b>	<b>84963</b>	<b>2226</b>			<b>78511</b>	<b>78511</b>			<b>78511</b>

## Long term insurance business : Valuation summary of accumulating with-profit policies

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

Global business

United Kingdom business

Financial year ended **31st December 2002**Type of business **Pension Insurance Business**Category of surplus **Stakeholder Fund**

Type of insurance or name of contract	Valuation basis		No of contracts	Amount of sums assured or annuities per annum, including vested reversionary bonuses			Amount of annual premiums		Proportion of office premiums reserved for expenses and profits	Liability in respect of current benefits including vested bonuses		Other liabilities		Amount of mathematical reserves
	Rate of interest	Mortality or morbidity table		Guaranteed on death	Current on death	Guaranteed on maturity	Office premiums	Net premiums		Current benefit value	Discounted value	Mortality and expenses	Options and guarantees other than investment performance guarantees	
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
<b>REASSURANCE ACCEPTED</b> CGNU Unitised With Profits - Stakeholder Pensions	4.50	A	162333	144200	144200	144200	34238			129647	129647			129647
<b>Sub total: Reassurance Accepted</b>			<b>162333</b>	<b>144200</b>	<b>144200</b>	<b>144200</b>	<b>34238</b>			<b>129647</b>	<b>129647</b>			<b>129647</b>
<b>Net total: Pension Insurance Business</b>			<b>162333</b>	<b>144200</b>	<b>144200</b>	<b>144200</b>	<b>34238</b>			<b>129647</b>	<b>129647</b>			<b>129647</b>
<b>Net total: United Kingdom Insurance Business</b>			<b>162333</b>	<b>144200</b>	<b>144200</b>	<b>144200</b>	<b>34238</b>			<b>129647</b>	<b>129647</b>			<b>129647</b>

Company  
registration  
number

GL/UK/CM

Period ended

day month year

Units

UK/OS

Type of  
businessCategory  
of surplus

R52

79678

GL

31

12

2002

£000

UK

Pens

12

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

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

Global business

United Kingdom business

Financial year ended **31st December 2002**Type of business **Life Assurance & General Annuity Insurance**

Category of surplus

**With Profit**Company  
registration  
number

GL/UK/CM

Period ended  
day month year

Units

UK/OS

Type of  
businessCategory  
of surplus

<b>R53</b>	<b>79678</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2002</b>	<b>£000</b>	<b>UK</b>	<b>L&amp;GA</b>	<b>11</b>
------------	--------------	-----------	-----------	-----------	-------------	-------------	-----------	-----------------	-----------

Name of contract	Valuation basis		No of contracts	Amount of sums assured or annuities per annum, including vested reversionary bonuses			Amount of annual premiums		Category of unit link	Unit liability		Other liabilities		Amount of mathematical reserves
	Rate of interest	Mortality or morbidity table		Guaranteed on death	Current on death/current payable per annum	Guaranteed on maturity	Office premiums	Net premiums		Current benefit value	Discounted value	Mortality and expenses	Options and guarantees other than investment performance guarantees	
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
<b>DIRECT WRITTEN INSURANCE BUSINESS With-Profits Policies</b>														
Equity Builder			89	213	1200	213	6		1	1182	1182			1182
Adjustment (see note 5303)														(1015)
<b>Sub total: With-Profits Policies</b>			<b>89</b>	<b>213</b>	<b>1200</b>	<b>213</b>	<b>6</b>			<b>1182</b>	<b>1182</b>			<b>167</b>
<b>Non-Profit Policies</b>														
With Profit Bonds			126498		81898				2	81320	81320	326		81656
Guaranteed Maturity Benefit													5	5
<b>Sub total: Non-Profit Policies</b>			<b>126498</b>		<b>81898</b>					<b>81320</b>	<b>81320</b>	<b>326</b>	<b>5</b>	<b>81661</b>
<b>Sub total: Direct Written Insurance Business</b>			<b>126587</b>	<b>213</b>	<b>83098</b>	<b>213</b>	<b>6</b>			<b>82502</b>	<b>82502</b>	<b>326</b>	<b>5</b>	<b>81828</b>
<b>REASSURANCE CEDED Non-Profit Policies</b>														
With Profit Bonds					81320				2	81320	81320			81320
Adjustment (See Note 5303)														219
<b>Sub total: Non-Profit Policies</b>					<b>81320</b>					<b>81320</b>	<b>81320</b>			<b>81539</b>

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

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

Global business

United Kingdom business

Financial year ended **31st December 2002**Type of business **Life Assurance & General Annuity Insurance**

Category of surplus

**Business  
With Profit**Company  
registration  
number

GL/UK/CM

Period ended  
day month year

Units

UK/OS

Type of  
businessCategory  
of surplus

<b>R53</b>	<b>79678</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2002</b>	<b>£000</b>	<b>UK</b>	<b>L&amp;GA</b>	<b>11</b>
------------	--------------	-----------	-----------	-----------	-------------	-------------	-----------	-----------------	-----------

Name of contract  <b>1</b>	Valuation basis		No of contracts  <b>4</b>	Amount of sums assured or annuities per annum, including vested reversionary bonuses			Amount of annual premiums		Category of unit link  <b>10</b>	Unit liability		Other liabilities		Amount of mathematical reserves  <b>15</b>
	Rate of interest  <b>2</b>	Mortality or morbidity table  <b>3</b>		Guaranteed on death  <b>5</b>	Current on death/current payable per annum  <b>6</b>	Guaranteed on maturity  <b>7</b>	Office premiums  <b>8</b>	Net premiums  <b>9</b>		Current benefit value  <b>11</b>	Discounted value  <b>12</b>	Mortality and expenses  <b>13</b>	Options and guarantees other than investment performance guarantees  <b>14</b>	
Sub total: Reassurance Ceded					81320					81320	81320			81539
Net total: Life Assurance & General Annuity Insurance Business			126587	213	1778	213	6			1182	1182	326	5	289

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

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

Global business

United Kingdom business

Financial year ended **31st December 2002**Type of business **Pension Insurance Business**Category of surplus **With Profit**

Company registration number	GL/UK/CM	Period ended			Units	UK/OS	Type of business	Category of surplus	
		day	month	year					
R53	79678	GL	31	12	2002	£000	UK	Pens	11

Name of contract	Valuation basis		No of contracts	Amount of sums assured or annuities per annum, including vested reversionary bonuses			Amount of annual premiums		Category of unit link	Unit liability		Other liabilities		Amount of mathematical reserves
	Rate of interest	Mortality or morbidity table		Guaranteed on death	Current on death/current payable per annum	Guaranteed on maturity	Office premiums	Net premiums		Current benefit value	Discounted value	Mortality and expenses	Options and guarantees other than investment performance guarantees	
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
<b>DIRECT WRITTEN INSURANCE BUSINESS Non-Profit Policies</b>														
Personal Pension Plans			476540		774274		78746		2	775070	775070	138082		913152
Personal Pension Trustee Investment Plan			1						2	19599	19599			19599
Sterling Group Plan			104		7891		814		2	7891	7891	945		8836
Abbey National Building Society Plan			3391		18499	17209	355		3	18499	18499			18499
<b>Sub total: Non-Profit Policies</b>			<b>480036</b>		<b>800664</b>	<b>17209</b>	<b>79915</b>			<b>821059</b>	<b>821059</b>	<b>139027</b>		<b>960086</b>
<b>Sub total: Direct Written Insurance Business</b>			<b>480036</b>		<b>800664</b>	<b>17209</b>	<b>79915</b>			<b>821059</b>	<b>821059</b>	<b>139027</b>		<b>960086</b>
<b>REASSURANCE CEDED Non-Profit Policies</b>														
Personal Pensions Plan					775070		78746		2	775070	775070			775070
Personal Pension Trustee Investment Plan									2	19599	19599			19599
Sterling Group Plan					7891		814		2	7891	7891			7891
Adjustment (see note 5303)														8517
<b>Sub total: Non-Profit Policies</b>					<b>782961</b>		<b>79560</b>			<b>802560</b>	<b>802560</b>			<b>811077</b>

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

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

Global business

United Kingdom business

Financial year ended **31st December 2002**Type of business **Pension Insurance Business**Category of surplus **With Profit**

Company registration number	GL/UK/CM	Period ended			Units	UK/OS	Type of business	Category of surplus	
		day	month	year					
R53	79678	GL	31	12	2002	£000	UK	Pens	11

Name of contract	Valuation basis		No of contracts	Amount of sums assured or annuities per annum, including vested reversionary bonuses			Amount of annual premiums		Category of unit link	Unit liability		Other liabilities		Amount of mathematical reserves
	Rate of interest	Mortality or morbidity table		Guaranteed on death	Current on death/current payable per annum	Guaranteed on maturity	Office premiums	Net premiums		Current benefit value	Discounted value	Mortality and expenses	Options and guarantees other than investment performance guarantees	
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Sub total: Reassurance Ceded					782961		79560			802560	802560			811077
Net total: Pension Insurance Business			480036		17703	17209	355			18499	18499	139027		149009
Net total: United Kingdom Insurance Business			606623	213	19481	17422	361			19681	19681	139353	5	149298

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

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

Global business

United Kingdom business

Financial year ended **31st December 2002**Type of business **Life Assurance & General Annuity Insurance**

Category of surplus

**With Profit**Company  
registration  
number

GL/UK/CM

Period ended

day month year

Units

UK/OS

Type of  
businessCategory  
of surplus**R54****79678****GL****31****12****2002****£000****UK****L&GA****11**

Name of contract  <b>1</b>	Valuation basis		No of contracts  <b>4</b>	Amount of sums assured or annuities per annum, including vested reversionary bonuses			Amount of annual premiums		Name of index link  <b>10</b>	Investment liability		Other liabilities		Amount of mathematical reserves  <b>15</b>
	Rate of interest  <b>2</b>	Mortality or morbidity table  <b>3</b>		Guaranteed on death  <b>5</b>	Current on death/current payable per annum  <b>6</b>	Guaranteed on maturity  <b>7</b>	Office premiums  <b>8</b>	Net premiums  <b>9</b>		Current benefit value  <b>11</b>	Discounted value  <b>12</b>	Mortality and expenses  <b>13</b>	Options and guarantees other than investment performance guarantees  <b>14</b>	
<b>DIRECT WRITTEN INSURANCE BUSINESS Non-Profit Policies</b>														
Guaranteed Investment Bond	3.50	A	2600	40139	40139	42338			FTSE 100	39741	39741	115		39856
Contingent Capital Gains Tax														974
<b>Sub total: Non-Profit Policies</b>			<b>2600</b>	<b>40139</b>	<b>40139</b>	<b>42338</b>				<b>39741</b>	<b>39741</b>	<b>115</b>		<b>40830</b>
<b>Sub total: Direct Written Insurance Business</b>			<b>2600</b>	<b>40139</b>	<b>40139</b>	<b>42338</b>				<b>39741</b>	<b>39741</b>	<b>115</b>		<b>40830</b>
<b>Net total: Life Assurance &amp; General Annuity Insurance Business</b>			<b>2600</b>	<b>40139</b>	<b>40139</b>	<b>42338</b>				<b>39741</b>	<b>39741</b>	<b>115</b>		<b>40830</b>



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

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

Global business

United Kingdom business

Financial year ended **31st December 2002**Type of business **Pension Insurance Business**Category of surplus **With Profit**Company  
registration  
number

GL/UK/CM

Period ended  
day month year

Units

UK/OS

Type of  
businessCategory  
of surplus

R54	79678	GL	31	12	2002	£000	UK	Pens	11
-----	-------	----	----	----	------	------	----	------	----

Name of contract  1	Valuation basis		No of contracts  4	Amount of sums assured or annuities per annum, including vested reversionary bonuses			Amount of annual premiums		Name of index link  10	Investment liability		Other liabilities		Amount of mathematical reserves  15
	Rate of interest  2	Mortality or morbidity table  3		Guaranteed on death  5	Current on death/current payable per annum  6	Guaranteed on maturity  7	Office premiums  8	Net premiums  9		Current benefit value  11	Discounted value  12	Mortality and expenses  13	Options and guarantees other than investment performance guarantees  14	
<b>DIRECT WRITTEN INSURANCE BUSINESS Non-Profit Policies</b>														
Immediate Annuity	5.00	U	195	64 pa					RPI	533	533			533
Reversionary Annuity	5.00	*U	86	28 pa					RPI	125	125			125
Future Expenses									RPI			42		42
<b>Sub total: Non-Profit Policies</b>			<b>281</b>	<b>92 pa</b>						<b>658</b>	<b>658</b>	<b>42</b>		<b>700</b>
<b>Sub total: Direct Written Insurance Business</b>			<b>281</b>	<b>92 pa</b>						<b>658</b>	<b>658</b>	<b>42</b>		<b>700</b>
<b>Net total: Pension Insurance Business</b>			<b>281</b>	<b>92 pa</b>						<b>658</b>	<b>658</b>	<b>42</b>		<b>700</b>
<b>Net total: United Kingdom Insurance Business</b>			<b>2881</b>	<b>40139 92 pa</b>	<b>40139</b>	<b>42338</b>				<b>40399</b>	<b>40399</b>	<b>157</b>		<b>41530</b>

**Long term insurance business : Analysis of units in internal linked funds and direct holdings of assets matching liabilities in respect of property linked benefits**Name of insurer **Commercial Union Life Assurance Company Limited**

(Sheet 1)

Global business

United Kingdom business

Financial year ended **31st December 2002**Category of surplus **With Profit**

Internal linked fund

Category of surplus

With Profit

Internal linked fund

			Company registration number	GL/UK/CM	Period ended			Units	UK/OS	Category of surplus	IL/DH	
			R55	79678	GL	31	12	2002	£000	UK	11	ILH
Name of fund link or directly held asset	Name of unit type	Valuation price per unit or asset	Total actual number of units in force or directly held assets	Value of total actual units in force or directly held assets	Value of actual units held by other internal linked funds	Value of directly held assets and actual units in force excluding those held by other internal linked funds (5-6)	Value of units or directly held assets deemed allocated to contracts		Value of surplus units or directly held assets (7-8+9)			
							Gross	Reinsurance ceded				
1	2	3	4	5	6	7	8	9	10			
Wholly Reinsured	Wholly Reinsured						883880	883880				
Sub total: Wholly Reinsured							883880	883880				
Total: With Profit							883880	883880				

**Long term insurance business : Analysis of units in internal linked funds and direct holdings of assets matching liabilities in respect of property linked benefits**Name of insurer **Commercial Union Life Assurance Company Limited****(Sheet 2)**

Global business

United Kingdom business

Financial year ended **31st December 2002**Category of surplus **With Profit**

Directly held assets

Category of surplus

With Profit

Company registration number

GL/UK/CM

Period ended

Units

UK/OS

Category of surplus

IL/DH

Directly held assets

			R55	79678	GL	31	12	2002	£000	UK	11	DHA
Name of fund link or directly held asset	Name of unit type	Valuation price per unit or asset	Total actual number of units in force or directly held assets	Value of total actual units in force or directly held assets	Value of actual units held by other internal linked funds	Value of directly held assets and actual units in force excluding those held by other internal linked funds (5-6)	Value of units or directly held assets deemed allocated to contracts		Value of surplus units or directly held assets (7-8+9)			
							Gross	Reinsurance ceded				
1	2	3	4	5	6	7	8	9	10			
Abbey National Deposit	Abbey National Plan	1.000000	18498815	18499		18499	18499					
Invesco UK Growth Fund	Equity Builder	0.637000	1854611	1182		1182	1182					

**Long term insurance business : Analysis of assets and liabilities matching investment liabilities in respect of index linked benefits**Name of insurer **Commercial Union Life Assurance Company Limited**

Global business

United Kingdom business

Financial year ended **31st December 2002**Category of surplus **With Profit**

		Company registration number	GL/UK/CM	Period ended			Units	UK/OS	Category of Surplus	
		R56	79678	GL	31	12	2002	£000	UK	11
Type of assets and liabilities			Name of index link			Value of assets or liabilities		Gross derivative value		
			1			2		3		
Deposits			FTSE 100			39741				
Sub total assets						39741				
Sub total liabilities										
Sub total net assets						39741				
Treasury 2.5%, 2009, Index Linked Gilt			RPI			592				
Treasury 2.5%, 2013, Index Linked Gilt			RPI			66				
Sub total assets						658				
Sub total liabilities										
Sub total net assets						658				
Total assets						40399				
Total liabilities										
Net total assets						40399				

**Long term insurance business : Matching rectangle**Name of insurer **Commercial Union Life Assurance Company Limited**

Global business

Financial year ended **31st December 2002**

Sterling liabilities

Valuation rate(s) of interest **3.20%**Type of business **Life Assurance and Annuity Insurance Business**

With profits

Category of assets **Commercial Union Life Fund**

		Company registration number	GL/UK/CM	Period ended			Units	Stg/ NonStg	Valuation rate of interest	L&GA/Pens/ PHI/Other	WP/NP	Category of assets	
		R57	79678	GL	31	12	2002	£000	Stg	3.20	L&GA	WP	11
Type of asset notionally allocated			The valuation				The resilience scenario						
			Value of asset notionally allocated	Risk adjusted yield %	Value of assets notionally allocated					Risk adjusted yield %			
					On original allocation	Increase or decrease	Total under resilience scenario						
			1	2	3	4	5	6					
Land and buildings		11		6.12		682191	682191	6.80					
Fixed interest securities	Approved securities	12	470113	4.50	423997	281373	705370	5.50					
	Other	13	228417	5.49	206010	(206010)		6.49					
Variable interest and Variable yield securities (excluding items shown at line 16)	Approved securities	14											
	Other	15											
Equity shares and holdings in collective investment schemes		16	681889	4.43	591413	(591413)		4.85					
Loans secured by mortgages		17											
All other assets	Producing income	18		3.96				4.96					
	Not producing income	19	236989		236989	(129985)	107004						
Total (11 to 19)		29	1617408	3.95	1458409	36156	1494565	5.70					
Gross valuation interest rate %		31		3.61				5.40					
Net valuation interest rate % (where appropriate)		32		3.20				4.26					
Mathematical reserve or other liability, net of reinsurance		33	1617408				1494565						

**Long term insurance business : Matching rectangle**Name of insurer **Commercial Union Life Assurance Company Limited**

Global business

Financial year ended **31st December 2002**

Sterling liabilities

Valuation rate(s) of interest **3.60%**Type of business **Life Assurance and Annuity Insurance Business**

With profits

Category of assets **Commercial Union Life Fund**

		Company registration number	GL/UK/CM	Period ended			Units	Stg/ NonStg	Valuation rate of interest	L&GA/Pens/ PHI/Other	WP/NP	Category of assets	
		R57	79678	GL	31	12	2002	£000	Stg	3.60	L&GA	WP	11
Type of asset notionally allocated			The valuation				The resilience scenario						
			Value of asset notionally allocated	Risk adjusted yield %	Value of assets notionally allocated					Risk adjusted yield %			
					On original allocation	Increase or decrease	Total under resilience scenario						
			1	2	3	4	5	6					
Land and buildings		11	86586	6.12	77927	(77927)		6.80					
Fixed interest securities	Approved securities	12	421443	4.50	380101	763446	1143547	5.50					
	Other	13	108219	5.49	97603	(97603)		6.49					
Variable interest and Variable yield securities (excluding items shown at line 16)	Approved securities	14											
	Other	15											
Equity shares and holdings in collective investment schemes		16	605901	4.89	521651	(521651)		4.85					
Loans secured by mortgages		17											
All other assets	Producing income	18	37246	3.96	37246	(37246)		4.96					
	Not producing income	19	31740		31740	(10240)	21500						
Total (11 to 19)		29	1291135	4.75	1146268	18779	1165047	5.40					
Gross valuation interest rate %		31		4.17				5.16					
Net valuation interest rate % (where appropriate)		32		3.60				4.13					
Mathematical reserve or other liability, net of reinsurance		33	1291135				1165047						

**Long term insurance business : Matching rectangle**Name of insurer **Commercial Union Life Assurance Company Limited**

Global business

Financial year ended **31st December 2002**

Sterling liabilities

Valuation rate(s) of interest **3.80%**Type of business **Life Assurance and Annuity Insurance Business**

With profits

Category of assets **Commercial Union Life Fund**

		Company registration number	GL/UK/CM	Period ended			Units	Stg/ NonStg	Valuation rate of interest	L&GA/Pens/ PHI/Other	WP/NP	Category of assets	
		R57	79678	GL	31	12	2002	£000	Stg	3.80	L&GA	WP	11
Type of asset notionally allocated			The valuation				The resilience scenario						
			Value of asset notionally allocated	Risk adjusted yield %	Value of assets notionally allocated					Risk adjusted yield %			
					On original allocation	Increase or decrease	Total under resilience scenario						
			1	2	3	4	5	6					
Land and buildings		11	760824	6.12	684742	(483993)	200749	6.80					
Fixed interest securities	Approved securities	12	1460523	4.50	1317252	(1317252)		5.50					
	Other	13	482916	5.49	435544	540392	975936	6.49					
Variable interest and Variable yield securities (excluding items shown at line 16)	Approved securities	14											
	Other	15											
Equity shares and holdings in collective investment schemes		16	1812156	4.44	1571487	1383480	2954967	5.00					
Loans secured by mortgages		17											
All other assets	Producing income	18	2000	3.96	2000	(2000)		4.96					
	Not producing income	19											
Total (11 to 19)		29	4518419	4.85	4011025	120627	4131652	5.44					
Gross valuation interest rate %		31		4.42				5.08					
Net valuation interest rate % (where appropriate)		32		3.80				4.62					
Mathematical reserve or other liability, net of reinsurance		33	4518419				4131652						

**Long term insurance business : Matching rectangle**Name of insurer **Commercial Union Life Assurance Company Limited**

Global business

Financial year ended **31st December 2002**

Sterling liabilities

Valuation rate(s) of interest **4.00%**Type of business **Pension Insurance Business**

With profits

Category of assets **Commercial Union Life Fund**

		Company registration number	GL/UK/CM	Period ended			Units	Stg/ NonStg	Valuation rate of interest	L&GA/Pens/ PHI/Other	WP/NP	Category of assets	
		R57	79678	GL	31	12	2002	£000	Stg	4.00	Pens	WP	11
Type of asset notionally allocated			The valuation				The resilience scenario						
			Value of asset notionally allocated	Risk adjusted yield %	Value of assets notionally allocated					Risk adjusted yield %			
					On original allocation	Increase or decrease	Total under resilience scenario						
			1		2		3	4	5			6	
Land and buildings		11			6.12			190759		190759		6.80	
Fixed interest securities	Approved securities	12	224534		4.50		202508	(202508)				5.50	
	Other	13	92421		5.49		83355	(83355)				6.49	
Variable interest and Variable yield securities (excluding items shown at line 16)	Approved securities	14											
	Other	15											
Equity shares and holdings in collective investment schemes		16	263576		4.43		228605	30335		258940		4.85	
Loans secured by mortgages		17											
All other assets	Producing income	18	20000		3.96		20000	(20000)				4.96	
	Not producing income	19						3200		3200			
Total (11 to 19)		29	600531		4.60		534468	(81569)		452899		5.64	
Gross valuation interest rate %		31			4.00							5.30	
Net valuation interest rate % (where appropriate)		32											
Mathematical reserve or other liability, net of reinsurance		33	600531							452899			



**Long term insurance business : Matching rectangle**Name of insurer **Commercial Union Life Assurance Company Limited**

Global business

Financial year ended **31st December 2002**

Sterling liabilities

Valuation rate(s) of interest **4.25%**Type of business **Pension Insurance Business**

With profits

Category of assets **Commercial Union Life Fund**

		Company registration number	GL/UK/CM	Period ended			Units	Stg/ NonStg	Valuation rate of interest	L&GA/Pens/ PHI/Other	WP/NP	Category of assets	
		R57	79678	GL	31	12	2002	£000	Stg	4.25	Pens	WP	11
Type of asset notionally allocated			The valuation				The resilience scenario						
			Value of asset notionally allocated	Risk adjusted yield %	Value of assets notionally allocated					Risk adjusted yield %			
					On original allocation	Increase or decrease	Total under resilience scenario						
			1	2	3	4	5	6					
Land and buildings		11	124119	6.12	111707	(111707)		6.80					
Fixed interest securities	Approved securities	12	358375	4.50	323220	526280	849500	5.50					
	Other	13	83644	5.49	75439	(75439)		6.49					
Variable interest and Variable yield securities (excluding items shown at line 16)	Approved securities	14											
	Other	15											
Equity shares and holdings in collective investment schemes		16	352559	4.43	305776	(305776)		4.85					
Loans secured by mortgages		17											
All other assets	Producing income	18	11002	3.96	11002	(11002)		4.96					
	Not producing income	19	7411		7411	8589	16000						
Total (11 to 19)		29	937110	4.73	834555	30945	865500	5.40					
Gross valuation interest rate %		31		4.25				5.15					
Net valuation interest rate % (where appropriate)		32											
Mathematical reserve or other liability, net of reinsurance		33	937110				865500						

**Long term insurance business : Matching rectangle**Name of insurer **Commercial Union Life Assurance Company Limited**

Global business

Financial year ended **31st December 2002**

Sterling liabilities

Valuation rate(s) of interest **4.50%**Type of business **Pension Insurance Business**

With profits

Category of assets **Commercial Union Life Fund**

		Company registration number	GL/UK/CM	Period ended			Units	Stg/ NonStg	Valuation rate of interest	L&GA/Pens/ PHI/Other	WP/NP	Category of assets	
		R57	79678	GL	31	12	2002	£000	Stg	4.50	Pens	WP	11
Type of asset notionally allocated			The valuation				The resilience scenario						
			Value of asset notionally allocated	Risk adjusted yield %	Value of assets notionally allocated					Risk adjusted yield %			
					On original allocation	Increase or decrease	Total under resilience scenario						
			1	2	3	4	5	6					
Land and buildings		11	224107	6.12	201696	(82618)	119078	6.80					
Fixed interest securities	Approved securities	12	376264	4.50	339354	268184	607538	5.50					
	Other	13	201357	5.49	181605	(35759)	145846	6.49					
Variable interest and Variable yield securities (excluding items shown at line 16)	Approved securities	14											
	Other	15											
Equity shares and holdings in collective investment schemes		16	506649	4.43	439435	(255569)	183866	4.91					
Loans secured by mortgages		17											
All other assets	Producing income	18		3.96		77366	77366	4.96					
	Not producing income	19				61799	61799						
Total (11 to 19)		29	1308377	4.90	1162090	33403	1195493	5.34					
Gross valuation interest rate %		31		4.5				4.89					
Net valuation interest rate % (where appropriate)		32											
Mathematical reserve or other liability, net of reinsurance		33	1308377				1195793						

**Long term insurance business : Matching rectangle**Name of insurer **Commercial Union Life Assurance Company Limited**

Global business

Financial year ended **31st December 2002**

Sterling liabilities

Valuation rate(s) of interest **4.50%**Type of business **Pension Insurance Business**

Non profit

Category of assets **Commercial Union Life Fund**

		Company registration number	GL/UK/CM	Period ended			Units	Stg/ NonStg	Valuation rate of interest	L&GA/Pens/ PHI/Other	WP/NP	Category of assets	
		R57	79678	GL	31	12	2002	£000	Stg	4.50	Pens	NP	11
Type of asset notionally allocated			The valuation				The resilience scenario						
			Value of asset notionally allocated	Risk adjusted yield %	Value of assets notionally allocated					Risk adjusted yield %			
					On original allocation	Increase or decrease	Total under resilience scenario						
			1	2	3	4	5	6					
Land and buildings		11	74560	6.12	67104	(54194)	12910	6.80					
Fixed interest securities	Approved securities	12	375109	4.50	338312	(178200)	160112	5.50					
	Other	13		5.49		63081	63081	6.49					
Variable interest and Variable yield securities (excluding items shown at line 16)	Approved securities	14											
	Other	15											
Equity shares and holdings in collective investment schemes		16	10491	4.53	9111	151009	160120	4.93					
Loans secured by mortgages		17											
All other assets	Producing income	18		3.96				4.96					
	Not producing income	19											
Total (11 to 19)		29	460160	4.76	414527	(18304)	396223	5.47					
Gross valuation interest rate %		31		4.50				5.20					
Net valuation interest rate % (where appropriate)		32											
Mathematical reserve or other liability, net of reinsurance		33	460160				396223						

**Long term insurance business : Matching rectangle**Name of insurer **Commercial Union Life Assurance Company Limited**

Global business

Financial year ended **31st December 2002**

Sterling liabilities

Valuation rate(s) of interest **5.00%**Type of business **Pension Insurance Business**

Non profit

Category of assets **Commercial Union Life Fund**

		Company registration number	GL/UK/CM	Period ended			Units	Stg/ NonStg	Valuation rate of interest	L&GA/Pens/ PHI/Other	WP/NP	Category of assets	
		R57	79678	GL	31	12	2002	£000	Stg	5.00	Pens	NP	11
Type of asset notionally allocated			The valuation				The resilience scenario						
			Value of asset notionally allocated	Risk adjusted yield %	Value of assets notionally allocated					Risk adjusted yield %			
					On original allocation	Increase or decrease	Total under resilience scenario						
			1	2	3	4	5	6					
Land and buildings		11		6.12									
Fixed interest securities	Approved securities	12		4.50									
	Other	13	875529	5.49	789644	(17009)	772635	6.49					
Variable interest and Variable yield securities (excluding items shown at line 16)	Approved securities	14											
	Other	15											
Equity shares and holdings in collective investment schemes		16											
Loans secured by mortgages		17											
All other assets	Producing income	18		3.96					4.96				
	Not producing income	19											
Total (11 to 19)		29	875529	5.49	789644	(17009)	772635	6.49					
Gross valuation interest rate %		31		5.00					6.33				
Net valuation interest rate % (where appropriate)		32											
Mathematical reserve or other liability, net of reinsurance		33	875529					772635					

## Long term insurance business : Matching rectangle

Sterling/Non sterling liabilities

Name of insurer **Commercial Union Life Assurance Company Limited**Valuation rate(s) of interest **Balance**

Global business

Type of business

Financial year ended **31st December 2002**

With profits/Non profit

Category of assets

**Commercial Union Life Fund**

		Company registration number	GL/UK/CM	Period ended			Units	Stg/ NonStg	Valuation rate of interest	L&GA/Pens/ PHI/Other	WP/NP	Category of assets
		R57	79678	GL	31	12	2002	£000		98		11
Type of asset notionally allocated			The valuation				The resilience scenario					
			Value of asset notionally allocated	Risk adjusted yield %	Value of assets notionally allocated			Risk adjusted yield %				
					On original allocation	Increase or decrease	Total under resilience scenario					
			1	2	3	4	5	6				
Land and buildings		11	79058	6.12	71152	(62510)	8642	6.80				
Fixed interest securities	Approved securities	12	378007	4.50	340926	(141323)	199603	5.50				
	Other	13	178490	5.49	160981	(88298)	72683	6.49				
Variable interest and Variable yield securities (excluding items shown at line 16)	Approved securities	14										
	Other	15										
Equity shares and holdings in collective investment schemes		16	190414	4.43	165158	109585	274743	4.86				
Loans secured by mortgages		17										
All other assets	Producing income	18	14100	3.96	14100	(7118)	6982	4.96				
	Not producing income	19				66638	66638					
Total (11 to 19)		29	840069	4.84	752317	(123026)	629291	4.76				
Gross valuation interest rate %		31										
Net valuation interest rate % (where appropriate)		32										
Mathematical reserve or other liability, net of reinsurance		33	840069				629291					

Sterling/Non sterling liabilities

Valuation rate(s) of interest	<b>Total</b>
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Type of business

With profits/Non profit

## Commercial Union Life Fund

		Company registration number	GL/UK/CM	Period ended			Units	Stg/ NonStg	Valuation rate of interest	L&GA/Pens/ PHI/Other	WP/NP	Category of assets
				day	month	year						
		R57	79678	GL	31	12	2002	£000		99		11
Type of asset notionally allocated			The valuation				The resilience scenario					
			Value of asset notionally allocated	Risk adjusted yield %	Value of assets notionally allocated				Risk adjusted yield %			
					On original allocation	Increase or decrease	Total under resilience scenario					
			1	2	3	4	5	6				
Land and buildings		11	1349253	6.12	1214328		1214328	6.80				
Fixed interest securities	Approved securities	12	4064367	4.50	3665670		3665670	5.50				
	Other	13	2250993	5.49	2030180		2030180	6.49				
Variable interest and Variable yield securities (excluding items shown at line 16)	Approved securities	14										
	Other	15										
Equity shares and holdings in collective investment schemes		16	4423636	4.50	3832634		3832634	4.97				
Loans secured by mortgages		17										
All other assets	Producing income	18	84348	3.96	84348		84348	4.96				
	Not producing income	19	276140		276140		276140					
Total (11 to 19)		29	12448737	4.75	11103300		11103300	5.50				
Gross valuation interest rate %		31										
Net valuation interest rate % (where appropriate)		32										
Mathematical reserve or other liability, net of reinsurance		33	12448737				11103300					

**Long term insurance business : Matching rectangle**Name of insurer **Commercial Union Life Assurance Company Limited**

Global business

Financial year ended **31st December 2002**

Sterling liabilities

Valuation rate(s) of interest **3.75%**Type of business **Permanent Health Insurance Business**

Non profit

Category of assets **Permanent Health Fund**

		Company registration number	GL/UK/CM	Period ended			Units	Stg/ NonStg	Valuation rate of interest	L&GA/Pens/ PHI/Other	WP/NP	Category of assets	
		R57	79678	GL	31	12	2002	£000	Stg	3.75	PHI	NP	12
Type of asset notionally allocated			The valuation				The resilience scenario						
			Value of asset notionally allocated	Risk adjusted yield %	Value of assets notionally allocated					Risk adjusted yield %			
					On original allocation	Increase or decrease	Total under resilience scenario						
			1	2	3	4	5	6					
Land and buildings		11											
Fixed interest securities	Approved securities	12	13116	4.28	12247	1772	14019	5.28					
	Other	13	4043	5.76	3634	(2516)	1118	6.76					
Variable interest and Variable yield securities (excluding items shown at line 16)	Approved securities	14											
	Other	15											
Equity shares and holdings in collective investment schemes		16											
Loans secured by mortgages		17											
All other assets	Producing income	18											
	Not producing income	19											
Total (11 to 19)		29	17159	4.63	15881	(744)	15137	5.39					
Gross valuation interest rate %		31		3.75				4.67					
Net valuation interest rate % (where appropriate)		32											
Mathematical reserve or other liability, net of reinsurance		33	17159				15137						

## Sterling liabilities

Valuation rate(s) of interest **4.00%**Type of business **Permanent Health Insurance Business**

Non profit

## Permanent Health Fund

		Company registration number	GL/UK/CM	Period ended			Units	Stg/ NonStg	Valuation rate of interest	L&GA/Pens/ PHI/Other	WP/NP	Category of assets	
				day	month	year							
		R57	79678	GL	31	12	2002	£000	Stg	4.00	PHI	NP	12
Type of asset notionally allocated			The valuation				The resilience scenario						
			Value of asset notionally allocated	Risk adjusted yield %	Value of assets notionally allocated						Risk adjusted yield %		
					On original allocation	Increase or decrease	Total under resilience scenario						
			1	2	3	4	5	6					
Land and buildings		11											
Fixed interest securities	Approved securities	12	55100	4.28	51450	(1865)	49585	5.28					
	Other	13		5.76		2516	2516	6.76					
Variable interest and Variable yield securities (excluding items shown at line 16)	Approved securities	14											
	Other	15											
Equity shares and holdings in collective investment schemes		16											
Loans secured by mortgages		17											
All other assets	Producing income	18											
	Not producing income	19											
Total (11 to 19)		29	55100	4.28	51450	651	52101	5.35					
Gross valuation interest rate %		31		4.00				4.90					
Net valuation interest rate % (where appropriate)		32											
Mathematical reserve or other liability, net of reinsurance		33	55100				52101						



**Long term insurance business : Matching rectangle**Name of insurer **Commercial Union Life Assurance Company Limited**

Global business

Financial year ended **31st December 2002**

Sterling/Non sterling liabilities

Valuation rate(s) of interest **Balance**

Type of business

With profits/Non profit

Category of assets

**Permanent Health Fund**

		Company registration number	GL/UK/CM	Period ended			Units	Stg/ NonStg	Valuation rate of interest	L&GA/Pens/ PHI/Other	WP/NP	Category of assets
		R57	79678	GL	31	12	2002	£000		98		12
Type of asset notionally allocated			The valuation				The resilience scenario					
			Value of asset notionally allocated	Risk adjusted yield %	Value of assets notionally allocated				Risk adjusted yield %			
					On original allocation	Increase or decrease	Total under resilience scenario					
			1	2	3	4	5	6				
Land and buildings		11										
Fixed interest securities	Approved securities	12	1403	4.28	1310	93	1403	5.28				
	Other	13										
Variable interest and Variable yield securities (excluding items shown at line 16)	Approved securities	14										
	Other	15										
Equity shares and holdings in collective investment schemes		16										
Loans secured by mortgages		17										
All other assets	Producing income	18										
	Not producing income	19										
Total (11 to 19)		29	1403	4.28	1310	93	1403	5.28				
Gross valuation interest rate %		31										
Net valuation interest rate % (where appropriate)		32										
Mathematical reserve or other liability, net of reinsurance		33	1403					1403				

## Long term insurance business : Matching rectangle

Sterling/Non sterling liabilities

Name of insurer **Commercial Union Life Assurance Company Limited**Valuation rate(s) of interest **Total**

Global business

Type of business

Financial year ended **31st December 2002**

With profits/Non profit

Category of assets

**Permanent Health Fund**

		Company registration number	GL/UK/CM	Period ended			Units	Stg/ NonStg	Valuation rate of interest	L&GA/Pens/ PHI/Other	WP/NP	Category of assets
		R57	79678	GL	31	12	2002	£000		99		12
Type of asset notionally allocated			The valuation				The resilience scenario					
			Value of asset notionally allocated	Risk adjusted yield %	Value of assets notionally allocated				Risk adjusted yield %			
					On original allocation	Increase or decrease	Total under resilience scenario					
			1	2	3	4	5	6				
Land and buildings		11										
Fixed interest securities	Approved securities	12	69619	4.28	65008		65008	5.28				
	Other	13	4043	5.76	3634		3634	6.76				
Variable interest and Variable yield securities (excluding items shown at line 16)	Approved securities	14										
	Other	15										
Equity shares and holdings in collective investment schemes		16										
Loans secured by mortgages		17										
All other assets	Producing income	18										
	Not producing income	19										
Total (11 to 19)		29	73662	4.36	68642		68642	5.36				
Gross valuation interest rate %		31										
Net valuation interest rate % (where appropriate)		32										
Mathematical reserve or other liability, net of reinsurance		33	73662				68642					

**Long term insurance business : Valuation result and distribution of surplus**Name of insurer **Commercial Union Life Assurance Company Limited**

Global business

Financial year ended **31st December 2002**Company  
registration  
number

GL/UK/CM

Period ended

day month year

Units

Category  
of surplusCategory of surplus **With Profit**

R58	79678	GL	31	12	2002	£000	11
				11	12232784		
Policyholders in anticipation of a surplus				12	52391		
Transfer to non-technical account				13	47567		
Transfer to other funds/parts of funds				14			
Parts of funds (13+14)				15	47567		
				16	12332742		
Accumulating with profit policies				17	7271266		
Other non linked contracts				18	4379913		
Property linked contracts				19	149298		
Index linked contracts				20	41530		
				21	11842007		
and other reserves held towards the (21)				29	490735		
Carried forward unappropriated from last valuation				31	54301		
Transfer from non-technical account				32			
Transfer from other funds/parts of fund				33			
of fund (32+33)				34			
at valuation				35	436434		
				39	490735		
Policyholders in anticipation of a surplus				41	52391		
Cash bonuses				42			
Reversionary bonuses				43	382528		
Other bonuses				44			
Premium reductions				45			
Others (41 to 45)				46	434919		
of fund				47	47567		
(46+47)				48	482486		
Contingency and other reserves held carried forward unappropriated				49	8249		
				59	490735		
Policyholders of fund/part of fund				61	90.14		
2001 )				62	90.04		
2000 )				63	90.00		
1999 )				64	90.00		

**Long term insurance business : Valuation result and distribution of surplus**Name of insurer **Commercial Union Life Assurance Company Limited**

Global business

Financial year ended **31st December 2002**Company  
registration  
number

GL/UK/CM

Period ended

day month year

Units

Category  
of surplusCategory of surplus **Stakeholder Fund**

R58	79678	GL	31	12	2002	£000	12
				11	133967		
Policyholders in anticipation of a surplus				12			
Transfer to non-technical account				13			
Transfer to other funds/parts of funds				14			
Parts of funds (13+14)				15			
				16	133967		
Accumulating with profit policies				17	129647		
Other non linked contracts				18			
Property linked contracts				19			
Index linked contracts				20			
				21	129647		
And other reserves held towards the (21)				29	4320		
Carried forward unappropriated from last valuation				31	24		
Transfer from non-technical account				32			
Transfer from other funds/parts of fund				33			
Of fund (32+33)				34			
At valuation				35	4296		
				39	4320		
Policyholders in anticipation of a surplus				41			
Cash bonuses				42			
Reversionary bonuses				43	4236		
Other bonuses				44			
Premium reductions				45			
Others (41 to 45)				46	4236		
Of fund				47			
(46+47)				48	4236		
Contingency and other reserves held carried forward unappropriated				49	84		
				59	4320		
Policyholders of fund/part of fund				61	100.00		
2001 )				62	100.00		
2000 )				63			
1999 )				64			

**Long term insurance business : Valuation result and distribution of surplus**Name of insurer **Commercial Union Life Assurance Company Limited**

Global business

Financial year ended **31st December 2002**Company  
registration  
number

GL/UK/CM

Period ended

day month year

Units

Category  
of surplus

Category of surplus

**Permanent Health  
Fund****R58****79678****GL****31****12****2002****£000****13**

Valuation result	Fund carried forward		11	73682
	Bonus payments made to policyholders in anticipation of a surplus		12	
	Transfers out of fund/ parts of fund	Transfer to non-technical account	13	
		Transfer to other funds/parts of funds	14	
	Net transfer out of funds/parts of funds (13+14)		15	
	Total (11+12+15)		16	73682
	Mathematical reserves for accumulating with profit policies		17	
	Mathematical reserves for other non linked contracts		18	73662
	Mathematical reserves for property linked contracts		19	
	Mathematical reserves for index linked contracts		20	
	Total (17 to 20)		21	73662
	Surplus including contingency and other reserves held towards the solvency margin (deficiency) (16-21)		29	20
Composition of surplus	Balance of surplus brought forward unappropriated from last valuation		31	20
	Transfers into fund/part of fund	Transfer from non-technical account	32	
		Transfer from other funds/parts of fund	33	
	Net transfer into fund/part of fund (32+33)		34	
	Surplus arising since the last valuation		35	
	Total (31+34+35)		39	20
Distribution of surplus	Bonus payments made to policyholders in anticipation of a surplus		41	
	Allocated to policyholders by way of	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	
	Balance of surplus (including contingency and other reserves held towards the solvency margin) carried forward unappropriated		49	20
	Total (48+49)		59	20
Percentage of distributed surplus allocated to policyholders of fund/part of fund			61	
Corresponding percentage at three immediately previous valuations	Latest	(year of valuation <b>2001</b> )	62	
	Earlier	(year of valuation <b>2000</b> )	63	
	Earliest	(year of valuation <b>1999</b> )	64	

R60	79678	GL	31	12	2002	£000
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[illegible]

**Supplementary notes – Life Fund**Name of insurer **Commercial Union Life Assurance Company Limited**Financial year ended **31 December 2002****Code**

**0001** Some reinsurance accepted has been included with direct written business in IPRU (INS) Appendix 9.4. The amount of such business represents less than 0.1% of the net mathematical reserves.

**4601** The number of group contracts in force at the end of the report period is:

United Kingdom Non-linked	11,556
United Kingdom Linked	104
Overseas Non-linked	185

**4801** The accrued interest included in line 84 of Form 13 is split between lines 12 to 15 of Form 48 as follows:

Line number	Amount of accrued interest
12	44,936,000
13	45,328,000
14	40
15	514

**4802** Expected interest from four debentures currently in default is excluded from column 2 of Form 48. The total expected interest is £640k. The yield on these assets is not required to support the valuation basis rates of interest in Forms 51 and 57.

**5101** No information is shown in columns 7, 8, 10 and 11 of Form 51 in respect of the following contracts for the reasons stated:

- (i) Decreasing term, group life, some term and convertible term assurances, other assurance (unitised with profits), other group (deposit administration) and other group (unitised with profits). Net premiums and value of future premiums are not used in the method of valuation.
- (ii) All deferred annuities except reversionary annuities. The liability is obtained by valuing the secured benefits.

**5102** Sums assured under contracts with decreasing sums assured are approximate amounts only.

**5103** No office premium has been shown for group deferred annuity contracts under which premiums have not ceased, except for those where level annual premiums are payable.

**5105** The number of contracts stated in Forms 51 and 53, exceeds the actual number of contracts issued by:

Form 51	471,700
Form 53	4

**5106** "Section 620" refers to contracts approved under Section 620 of the Income and Corporation Taxes Act 1988.

**5110** Commercial Union Life Assurance Company Ltd is one of a group of offices which reassures the annuity business of Investment Annuity Life Assurance Co. Ltd. A Section 68 order has been obtained from the Secretary of State releasing Commercial Union Life Assurance Company Ltd from the requirement to show the reinsurance and subsequent retrocession in returns.

**5111** For convertible term assurances which are valued by the net premium method and included with "Term Assurances" in Form 51, the office premiums, and hence the percentage of the office premiums reserved for expenses, contain an element in respect of the conversion option.

**5113 Aggregate liabilities and adjustments**

**Unallocated premiums** relate to group deferred annuities and are described in paragraph 6 of the Abstract.

**Adjustment for unprocessed movements** are mainly in respect of maturity proceeds not taken.

**Future expenses** are described in paragraph 8 of the Abstract.

## Supplementary notes – Life Fund

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

Financial year ended **31 December 2002**

### Code

**5202** Certain contracts in Forms 52 and 53 are issued in policy clusters. Further, where a cluster has units invested in both the With Profits Fund and the internal linked funds, each policy within the cluster is counted in both Forms 52 and 53. Consequently the contract count shown in Forms 52 and 53 exceeds the number of clusters by 803,856 for Life Assurance business and 501,394 for Pensions business.

Certain contracts in Form 52 under the heading Reassurance accepted have some units currently invested either partly or entirely in the internal linked funds.

The amounts of premium shown on Form 52 represent the proportions of current premiums directed to the With Profits Fund, and the balance is shown on Form 53. Amounts of benefits are split according to the actual unit holdings. Other contract liabilities are related to either premiums or unit holdings and are split accordingly.

### **5203 Aggregate liabilities and adjustments**

Contractual Final Bonus is the bonus benefit on Personal Pension Plans.

**5301** Valuation rates of interest and mortality tables and net premiums are not used in the calculation of the unit liabilities for any of the linked contracts.

**5302** In Form 53, the entries under 'Category of Unit Link' and 'Unit Liability' for the Abbey National Plan refer to the linked liabilities for this contract. However the liabilities under this plan accumulate by reference to interest rates and are not linked to units.

### **5303 Aggregate liabilities and adjustments**

**Adjustment (Equity Builder).** This is an adjustment to the value of the linked liabilities for Equity Builder contracts and is described in Section 6 of IPRU (INS) Appendix 9.4. For the purpose of the actuary's certificate, the amount of this deduction has been added back to the mathematical reserves on the IPRU (INS) Appendix 9.4 basis, for consistency with the relevant asset valuation basis.

**Guaranteed Maturity Benefit.** This reserve relates to equity builder contracts and is described in paragraph 5 of the Abstract.

**Adjustment.** This is an adjustment to the value of the linked liabilities for each of the With Profit Bonds and Personal Pension Plans. It is made in order to achieve consistency between the amount of mathematical reserves and the amount of the long-term insurance business fund.

### **5401 Aggregate liabilities and adjustments**

**Contingent CGT** relates to index-linked business and is described in paragraph 6(1)(f) of the Abstract.

**5501** The liabilities under the Abbey National Plan accumulate by reference to interest rates and are not linked to units. Thus the valuation price shown is notional and assumes a unit is equivalent to a liability of £1.

**5701** The contracts covered on the sheet coded Balance are Life Non Profit Assurances, Life Immediate Annuities, Pensions Non Profit Assurances, Life Non Profit Annuities, Life Non-Profit and With Profit Deferred Annuities, Non unit reserves, unitised With Profit overseas Reinsurance accepted, conventional With Profit Reinsurance accepted and the provision for Capital Gains Tax, referred to in sub-paragraph 6(1)(f)..



**Supplementary notes – Permanent Health Fund**

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

Global business

Financial year ended **31 December 2002**

**Code**

Code Note

**0001** Some reinsurance accepted has been included with direct written business in Appendix 9.4. The amount of such business represents less than 0.5% of the net mathematical reserves.

**4601** There are 136 group contracts in force at the end of the year.

**4801** The accrued interest included in line 84 of form 13 is split between lines 12 to 15 of form 48 as follows:

Line Number	Amount of Accrued Interest
12	1,089,000
13	71,000
14	0
15	0

**4802** The fund did not have any assets where the payment of interest was in default.

**5102** The liability shown for AP claims in payment relates to Annual Benefits of £2,766,540 p.a.

**5103 Aggregate Liabilities and Adjustments**

Treaty with Swiss Reinsurance is described in paragraph 6.(c).

**Supplementary notes**

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

Global business

Financial year ended **31st December 2002**

**Code**

**0901 Written concessions**

**Reinsurance arrangements**

The Secretary of State for Trade and Industry, on the application of the Company, issued to the Company in February 1997 an Order under section 68 of the Insurance Companies Act 1982 directing that for the purpose of section 18(4) of that Act, the liabilities in respect of annuity contracts issued by the Investment Annuity Life Assurance Company Limited shall be deemed to be nil.

This written concession has been carried forward under the transitional provisions of the Supervision Manual in relation to the equivalent rules in IPRU (INS).

**0902 Section 148 waivers**

The Financial Services Authority, on the application of the firm, made a direction in December 2002 under section 148 of the Act. The direction allows the firm to limit its provision for deferred tax, on any capital gains made on their shares, to the amount that would be due if those shares were immediately realised at their "Valuation of Assets Rules" value.

The Financial Services Authority, on the application of the insurer, made a direction on 24 June 2002 under section 148 of the Act. The effect of the direction is to allow the insurer to take into account the implicit item in Form 9 of this return.

The Financial Services Authority, on the application of the firm, made a direction in December 2002 under section 148 of the Act. The effect of the direction is to modify the provisions of IPRU (INS) Rule 3.4 so that it does not apply to certain internal reinsurance treaties.

**0903 Other than long term insurance business assets allocated towards long term insurance business required minimum margin**

For the financial year ending 31 December 2002 the long term business returns state an amount of £56.3m at Form 9 line 22, this being the amount of other than long term business assets of Commercial Union Life Assurance Company Limited allocated towards the long term business required minimum margin.

**09A3 Financial Reinsurance – accepted**

The impact of the financial reinsurance shown at line 15 is to increase mathematical reserves by £53m. The amount of contingent asset for payments from cedants is £53m. The commutation value of the reinsurance arrangement at the end of the financial year is £53m.

**1001 Reconciliation to shareholder accounts**

The reconciliation to shareholder accounts is provided in the Company's general business return, which includes the Company's shareholder funds.

**1002, 1003, 1301, 1302, 1303, 1304, 1305, 1306, 1307, 1314, 1315, 1317, 1501, 1502, 1503**

As the shareholder funds of the Company are included in the Company's general business return, the aforementioned notes are not applicable.

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

The Commercial Union Life Fund held £653.1m in unlisted securities and £8.7m 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.

**1309 Aggregate value of hybrid securities**

The Company held hybrid securities of £288.7m in the Commercial Union Life Fund.

**1310 Statement of amounts set off**

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

## Supplementary notes

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

Financial year ended **31st December 2002**

### Code

#### 1311 Counterparty limits during the year

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

##### Deposits

The maximum permitted exposure to counterparties is set out in the lending limit list approved by the Group Risk Committee.

Each Fund cannot hold more than 2% of funds under management (or £100m if less) with 'Tier 1' counterparties, 1.5% of funds under management (or £75m if less) with 'Tier 2' counterparties and 0.5% of funds under management (or £50m if less) with 'Tier 3' counterparties. Tier 1 represents AAA rated institutions, Tier 2 represents institutions rated AA- or better whilst Tier 3 represents institutions rated A- or better.

The absolute limit for a particular counterparty holding at the end of the financial year was £100m for Tier 1, £75m for Tier 2 and £50m for Tier 3.

##### Equities

The maximum of a company's equity held by all funds is limited to 10%. Unquoted holdings are limited to 2% of the UK equity portfolio.

##### Fixed

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 holding across all funds of a single issue is limited to 25% of the issue. Private placements are limited to 3% of the non-government bond portfolio.

##### Derivatives

Exposure to OTC derivatives is only undertaken with the approval of senior management.

Exposure to one type of contract is limited to 5% and overall exposure is limited to 10% of the relevant fund.

#### 1312 Counterparty exposure at the year end

Exposure to any one counterparty at the end of the financial year did not exceed 5% of the long-term insurance business amount.

#### 1313 Fully secured rights

Not applicable.

#### 1316 Tangible lease assets

There are no tangible leased assets included in line 80.

#### 1401 Provision for adverse changes

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

#### 1402 Contingent liabilities, etc.

There are no charges over any assets of the Company.

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.

## Supplementary notes

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

Financial year ended **31st December 2002**

### Code

#### **1500 Form omitted**

**1600**

These forms have been omitted as they are included in the company's general business return.

#### **1700 Form omitted**

This form has been omitted for the Permanent Health Fund as there are no derivatives on this fund.

#### **1701 Variation margin**

There is no aggregate amount of excess variation margin received due to market movements, which has subsequently been partly or wholly reversed. No variation margin has been offset against assets or liabilities in respect of derivative contracts at 31 December 2002.

#### **1702 Quasi-derivatives**

Not applicable.

#### **4005 Foreign currency conversion**

Transactions denominated in currencies other than sterling are translated at the exchange rate at the date of the transaction.

#### **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**

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

##### **Taxation**

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

#### **4008 Provision of management services**

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

#### **4009 Related party transactions**

1)	Connected Party	CGNU Life Assurance Limited
	Nature of relationship	Fellow group undertaking
	Nature of transactions during the period	Reinsurance accepted
	Value of transactions during the period	Premiums £1,011m
		Claims £261m
		Commission £31m
		Expenses £29m
	Amounts unpaid at the end of the period	£13m owed by CGNU Life Assurance Limited
	Amounts written off in the period	£nil

#### **4300, 4400, 4500**

Forms omitted.

**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 2002**

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 Commercial Union Life Fund. No derivative transactions were carried out in respect of the Permanent Health Fund of the company.

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

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

The amounts recorded in Form 13 would have been reduced by £0.2m if contracts held had been exercised at the end of the financial year.

During the financial year, the above changes would not have been significantly larger from those at year end.

The maximum loss in the event of failure by any one counterparty to fulfil its obligations at the end of the financial year would have been £24.6m. This would not have been materially greater at any one time during the year or under other foreseeable market conditions.

All derivative contracts held at any time during the financial year fell within rule 4.12 (2), or (where appropriate) the definition of a permitted derivative contract.

During the financial period, the company's use of derivatives included the granting of rights under derivative contracts for a fixed consideration. This was in the activity of Stock Underwriting. The fee income over the financial period was £0.4m.

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 2002**

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 Norwich Union Holdings Limited.

100% of the issued share capital of Norwich Union Holdings Limited is held by Norwich Union plc.

100% of the issued share capital of Norwich Union plc is held by General Accident plc.

100% of the issued ordinary share capital of General Accident plc is held by the ultimate parent undertaking, Aviva plc (previously known as CGNU plc).

All shares are voting shares.

**Statement of information on appointed actuary required by IPRU (INS) 9.36**

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

Global business

Financial year ended **31st December 2002**

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In accordance with rule 9.36 of the Interim Prudential Sourcebook for Insurers, M N Urmston, the appointed actuary of the Company, was requested to furnish and has provided the following information:

- (a)
- (1) An interest in 11,522 ordinary shares at 31 December 2002 in Aviva plc, and an interest in 9,790 ordinary shares at 31 December 2001.
  - (2) 42,641 ordinary shares are held in the Aviva Long Term Incentive Plan, these shares will vest upon the satisfaction of certain performance criteria. In addition 34,112 ordinary shares are held in the Aviva Deferred Bonus Plan.
  - (3) Options were held at 31 December 2002 to subscribe for 116,639 ordinary shares in Aviva plc under UK Employees Savings Related and Executive Share Option Schemes.

	<b>No. of shares</b>
Options held at 31 December 2001	116,341
Options granted during the year	1,228
Options exercised or lapsed during the year	(930)

- (b) Four with profits low cost endowment policies with CGNU Life Assurance Limited, with aggregate sums assured of £67,924 and annual premiums of £1,868. One non-profit term assurance policy with CGNU Life Assurance Limited with sum assured of £75,000 and annual premiums of £332. In addition the actuary held general insurance policies with subsidiaries of Aviva plc for which total premiums of £2146 were paid in the year to 31 December 2002.
- (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 2002 was £303,921. Under the contract he was Appointed Actuary and Director of:

CGNU Life Assurance Limited  
 Commercial Union Life Assurance Company Limited  
 Norwich Union Linked Life Assurance Limited  
 Norwich Union Life (RBS) Limited  
 Norwich Union Life & Pensions Limited  
 Norwich Union Annuity Limited

*appointed actuary of:-*  
 The Northern Assurance Company Ltd

*And a director of:-*  
 Fidelity Life Assurance Limited  
 GA Life Property Ireland Limited  
 National Westminster Life Assurance Limited  
 Norwich Union Commercial Finance Limited  
 Norwich Union Commercial Mortgages Limited  
 Norwich Union Equity Release Limited  
 Norwich Union Healthcare Limited  
 Norwich Union Life Holdings Limited  
 Norwich Union Life (RBS) JV Limited  
 Norwich Union Life Services Limited  
 Norwich Union Mortgage Finance Limited  
 Norwich Union Mortgages (Life) Limited  
 Norwich Union Mortgage Holdings Limited  
 Norwich Union Personal Finance Limited

**Statement of information on appointed actuary required by IPRU (INS) 9.36**

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

Global business

Financial year ended **31st December 2002**

NULH2 Limited

Provident Mutual Life Assurance Limited

RBS Life Investments Limited

Royal Scottish Assurance plc

Tesco Personal Finance Investments Limited

Tesco Personal Finance Life Limited

The General Practice Finance Corporation Limited

The General Practice Finance Corporation Property Management 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(a) and IPRU (INS) Appendix 9.6**

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

Global business

Financial year ended **31st December 2002**

We certify:

- 1 (a)** in relation to the part of the return comprising Forms 9, 9A, 10, 13, 14, 17 and 40 to 42, (including the supplementary notes) and the statements required by rules 9.29 and 9.30 that:

  - (i) the return has been prepared in accordance with the Accounts and Statements Rules;
  - (ii) proper accounting records have been maintained and adequate information has been obtained by Commercial Union Life Assurance Company Limited (the Company); and
  - (iii) appropriate systems and controls have been established and maintained by the Company over its transactions and records;
- (b)** that reasonable enquiries have been made by the Company for the purpose of identifying material connected-party transactions;
- (c)** that in respect of the Company's business which is not excluded by rule 7.6, the assets held throughout the financial year enabled the Company to comply with rules 7.1 to 7.5 (matching and localisation);
- (d)** in relation to the statement required by rule 9.36:

  - (i) that for the purpose of preparing the statement, proper accounts and records have been maintained; and
  - (ii) that the information given has been ascertained in conformity with that rule.
- 2** that the margin of solvency for long term insurance business required by rule 2.1 has been maintained throughout the financial year.
- 3 (a)** that the requirements of rules 3.1 to 3.4 have been fully complied with and in particular that, subject to the provisions of rules 3.2(2) to (4) and rule 3.3, assets attributable to long term insurance business, the income arising therefrom, the proceeds of any realisation of such assets and any other income or proceeds allocated to the long term insurance business funds have not been applied otherwise than for the purpose of the long term insurance business;
- (b)** that any amount payable from or receivable by the long term insurance business funds in respect of services rendered by or to any other business carried on by the Company or by a person who, for the purposes of rule 3.4, is connected with it or is a subordinate company of it has been determined and where appropriate apportioned on terms which are believed to be no less than fair to those funds, and any exchange of assets representing such funds for other assets of the Company has been made at fair market value;
- (c)** that all guarantees given by the Company of the performance by a related company which would fall to be met by any long term insurance business fund have been disclosed in the return, and that the funds on which each such guarantee would fall has been identified therein;
- (d)** that the investment policy and practice of the Company in respect of the internal linked funds maintained was, during the financial year, consistent with any representations made to policyholders or potential policyholders of the Company;
- (e)** that the returns in respect of long term insurance business are not distorted by agreements with any other company carrying on insurance business with which the Company has financial, commercial or administrative links, or by any arrangements which could affect the apportionment of expenses and income; and
- (f)** that the Company has fully complied with the requirements of rule 3.5.

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

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

Global business

Financial year ended **31st December 2002**

**4 (a)** that the systems and controls established and maintained by the Company in respect of its business complied at the end of the financial year with the following published guidance:

- (i) Guidance Note P.1 – ‘Systems and controls over the investments (and counterparty exposure) of insurers with particular reference to the use of derivatives’;
- (ii) ‘The prevention of Money Laundering - Guidance Notes for the UK Financial Sector’ (revised December 2001) issued by the Joint Money Laundering Steering Group;

and it is reasonable to believe that those systems continued to so comply subsequently and will continue to so comply in future; and

**(b)** the return has been prepared in accordance with the following published guidance:

- (i) Guidance Note 4.1 - ‘Guidance for insurers and auditors on the Valuation of Assets Rules’;
- (ii) Guidance Note 4.2 - ‘Use of derivative contracts in insurance funds’; and
- (iii) Guidance Note 9.1 - ‘Preparation of Returns’.

..... **GN WITHERS**  
Chief Executive

..... **J A NEWMAN**  
Director

..... **M N URMSTON**  
Director

26<sup>th</sup> March 2003

**Certificate by the appointed actuary required by IPRU (INS) 9.34(b) and IPRU (INS) Appendix 9.6**

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

Global business

Financial year ended **31st December 2002**

I certify:

- (a) (i) that in my opinion proper records have been kept by Commercial Union Life Assurance Company Limited (the Company) adequate for the purpose of the valuation of the liabilities of its long term insurance business;
- (ii) that the sum of the mathematical reserves as shown on Form 14, together with an amount of £118,789,000 (being part of the excess of the value of the admissible assets representing the long term insurance business over the amount of those funds shown in Form 14), constitute proper provision as at 31st December 2002 for the liabilities (other than 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 investigation as at that date into the financial condition of the long term insurance business;
- (iii) that for the purpose of sub-paragraph (ii) above, the liabilities have been assessed in accordance with the Determination of Liabilities Rules in the context of assets valued in accordance with the Valuation of Assets Rules, as shown in Form 13;
- (iv) that the current versions of Guidance Notes, issued by the Institute of Actuaries and the Faculty of Actuaries, numbered GN1, GN2 (effective date 30.12.02), GN7, GN8 (effective date 30.12.02), GN22 and GN25 have been complied with; and
- (v) that in my opinion premiums for contracts entered into during the financial year and the income earned thereon are sufficient, on reasonable actuarial assumptions and taking into account the other financial resources of the Company that are available for the purpose, to enable the Company to meet its commitments in respect of those contracts and, in particular, to establish adequate mathematical reserves.
- (b) that the amount of the required minimum margin applicable to the Company's long term insurance business immediately following the end of the financial year (including any amounts resulting from any increase in liabilities arising from a distribution of surplus as a result of the investigation into the financial condition of the long term business) is £494,168,000.

M N Urmston

Appointed Actuary

26 March 2003

**Report of the auditors to the directors pursuant to rule 9.35 of the Accounts and Statements Rules**

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

Global Business

Financial year ended **31st December 2002**

We have examined the following documents prepared by the company pursuant to the Accounts and Statements Rules set out in Chapter 9 to the Interim 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 9, 9A, 10, 13, 14, 17 and 40 to 42 (including the supplementary notes) ("the Forms");
- the statement required by rule 9.29 on page 149 ("the statement"); and
- the certificate signed in accordance with rule 9.34(a) on page 153 ("the certificate").

In the case of the certificate, our examination did not extend to:

- a) paragraph 1 in relation to the statements required by rules 9.30 and 9.36 concerning controllers and Information on the appointed actuary;
- b) paragraph 3(d) concerning the investment policy and practice of internal linked funds required by paragraph 4(d) of Appendix 9.6; and
- c) paragraph 4(a) in so far as it relates to controls with respect to Money Laundering.

This report is made solely to the company's directors, in accordance with rule 9.35 of the Accounts and Statements Rules. Our examination has been undertaken so that we might state to the company'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 company for our examination, for this report, or for the opinions we have formed.

**Respective responsibilities of the company and its auditors**

The company is responsible for the preparation of an annual return (including the Forms, statement and certificate) under the provisions of the Rules. The requirements of the Rules have been modified by waivers and written concessions referred to in supplementary note 0901. Under rule 9.11 the Forms and statement are required to be prepared in the manner set out in the Rules and to state fairly the information provided on the basis required by the Rules.

It is our responsibility to form an independent opinion as to whether the Forms and statement meet these requirements, and in the case of the certificate whether it was or was not unreasonable for the persons giving the certificate to have made the statement therein, and to report our opinions to you. Our responsibilities, as independent auditors, are established in the United Kingdom by Statute, the Auditing Practices Board and by our profession's ethical guidance.

**Bases of opinions**

We conducted our work in accordance with Practice Note 20 "The audit of insurers in the United Kingdom" 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 and statement. The evidence included that previously obtained by us relating to the audit of the financial statements of the company for the financial year on which we reported on 25 March 2003. It also included an assessment of the significant estimates and judgements made by the company in the preparation of the Forms and statement.

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 and statement are free from material misstatement, whether caused by fraud or other irregularity or error, and comply with rule 9.11.

In the case of the certificate, the work performed involved a review of the procedures undertaken by the signatories to enable them to make the statements therein, and does not extend to an evaluation of the effectiveness of the company's internal control systems.

In giving our opinion we have relied on:

- a) the certificate of the actuary on page 155 with respect to the mathematical reserves and the required minimum margin for long term insurance business; and
- b) the identity and value of implicit items as they have been admitted in accordance with the waiver to rule 2.10 referred to in supplementary note 0902.

**Opinions**

In our opinion:

- (a) the Forms and statement 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) according to the information and explanations received by us:
  - (i) the certificate has been properly prepared in accordance with the provisions of the Rules; and
  - (ii) it was not unreasonable for the persons giving the certificate to have made the statements therein.