NORWICH UNION
an AVIVA company

CGNU Life Assurance Limited

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

Annual FSA Insurance Returns for the year ended 31 December 2006

FN 02 001

Returns under the Accounts and Statements Rules

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Name of insurer **CGNU Life Assurance Limited**

Global Business

Financial year ended **31st December 2006**

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Name of insurer **CGNU Life Assurance Limited**

Global Business

Financial year ended **31st December 2006**

Statement of solvency - long-term insurance business

Name of insurer **CGNU Life Assurance Limited**

Global business

Financial year ended **31st December 2006**

Solo solvency calculation

	Company registration number	GL/UK/CM	Period ended day	month	year	Units
R2	226742	GL	31	12	2006	£000

		As at end of this financial year 1	As at end of the previous year 2
Capital resources			
Capital resources arising within the long-term insurance fund	11	3967501	3566836
Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund	12	38627	31022
Capital resources available to cover long-term insurance business capital resources requirement (11+12)	13	4006128	3597858
Guarantee Fund			
Guarantee Fund requirement	21	245327	240973
Excess (deficiency) of available capital resources to cover guarantee fund requirement	22	3760801	3356885
Minimum capital requirement (MCR)			
Long-term insurance capital requirement	31	735981	722920
Resilience capital requirement	32		160384
Base capital resources requirement	33	2139	2030
Individual minimum capital requirement	34	735981	883304
Capital requirements of regulated related undertakings	35		
Minimum capital requirement (34 + 35)	36	735981	883304
Excess (deficiency) of available capital resources to cover 50% of MCR	37	3638138	3156206
Excess (deficiency) of available capital resources to cover 75% of MCR	38	3454142	2935380
Enhanced capital requirement			
With-profits insurance capital component	39	1116588	1062239
Enhanced capital requirement	40	1852569	1945543
Capital resources requirement (CRR)			
Capital resources requirement (greater of 36 and 40)	41	1852569	1945543
Excess (deficiency) of available capital resources to cover long-term insurance business CRR (13-41)	42	2153559	1652315
Contingent liabilities			
Quantifiable contingent liabilities in respect of long-term insurance business as shown in a supplementary note to Form 14	51		

Returns under the Accounts and Statements Rules

Covering page to Form 2

Name of insurer	**CGNU Life Assurance Limited**
Global business	
Financial year ended	**31st December 2006**

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

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

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

30 March 2007

Form 3
(Sheet 1)

Components of capital resources

Name of insurer **CGNU Life Assurance Limited**

Global business

Financial year ending **31st December 2006**

	Company registration number	GL/UK/CM	Period ended day	month	year	Units
R3	226742	GL	31	12	2006	£000

		General insurance business 1	Long-term insurance business 2	Total as at the end of this financial year 3	Total as at the end of the previous year 4
Core tier one capital					
Permanent share capital	11		250	250	250
Profit and loss account and other reserves	12		41228	41228	31233
Share premium account	13				
Positive valuation differences	14		1692504	1692504	1722503
Fund for future appropriations	15		2306717	2306717	1898277
Core tier one capital in related undertakings	16				
Core tier one capital (sum of 11 to 16)	19		4040699	4040699	3652263
Tier one waivers					
Unpaid share capital / unpaid initial funds and calls for supplementary contributions	21				
Implicit items	22				
Tier one waivers in related undertakings	23				
Total tier one waivers as restricted (21+22+23)	24				
Other tier one capital					
Perpetual non-cumulative preference shares as restricted	25				
Perpetual non-cumulative preference shares in related undertakings	26				
Innovative tier one capital as restricted	27				
Innovative tier one capital in related undertakings	28				
Total tier one capital before deductions (19+24+25+26+27+28)	31		4040699	4040699	3652263
Investments in own shares	32				
Intangible assets	33				
Amounts deducted from technical provisions for discounting	34				
Other negative valuation differences	35				
Deductions in related undertakings	36				
Deductions from tier one (32 to 36)	37				
Total tier one capital after deductions (31-37)	39		4040699	4040699	3652263

Components of capital resources

Name of insurer **CGNU Life Assurance Limited**

Global business

Financial year ending **31st December 2006**

	Company registration number	GL/UK/CM	Period ended day	month	year	Units
R3	226742	GL	31	12	2006	£000

Tier two capital

		General insurance business 1	Long-term insurance business 2	Total as at the end of this financial year 3	Total as at the end of the previous year 4
Implicit items, (tier two waivers and amounts excluded from line 22)	41				
Perpetual non-cumulative preference shares excluded from line 25	42				
Innovative tier one capital excluded from line 27	43				
Tier two waivers, innovative tier one capital and perpetual non-cumulative prefence shares treated as tier two capital (41 to 43)	44				
Perpetual cumulative preference shares	45				
Perpetual subordinated debt and securities	46				
Upper tier two capital in related undertakings	47				
Upper tier two capital (44 to 47)	49				
Fixed term preference shares	51				
Other tier two instruments	52				
Lower tier two capital in related undertakings	53				
Lower tier two capital (51+52+53)	59				
Total tier two capital before restrictions (49+59)	61				
Excess tier two capital	62				
Further excess lower tier two capital	63				
Total tier two capital after restrictions, before deductions (61-62-63)	69				

Components of capital resources

Name of insurer **CGNU Life Assurance Limited**

Global business

Financial year ending **31st December 2006**

		Company registration number	GL/UK/CM	Period ended day	month	year	Units
	R3	226742	GL	31	12	2006	£000

		General insurance Business 1	Long-Term insurance Business 2	Total as at the end of this financial year 3	Total as at the end of the previous year 4
Total capital resources					
Positive adjustments for regulated non-insurance related undertakings	71				
Total capital resources before deductions (39+69+71)	72		4040699	4040699	3652263
Inadmissible assets other than intangibles and own shares	73		34571	34571	42960
Assets in excess of market risk and counterparty limits	74				11445
Deductions for related ancillary services undertakings	75				
Deductions for regulated non-insurance related undertakings	76				
Deductions of ineligible surplus capital	77				
Total capital resources after deductions (72-73-74-75-76-77)	79		4006128	4006128	3597858
Available capital resources for GENPRU/INSPRU tests					
Available capital resources for guarantee fund requirement	81		4006128	4006128	3597858
Available capital resources for 50% MCR requirement	82		4006128	4006128	3597858
Available capital resources for 75% MCR requirement	83		4006128	4006128	3597858
Financial engineering adjustments					
Implicit items	91				
Financial reinsurance - ceded	92				
Financial reinsurance - accepted	93				
Outstanding contingent loans	94				
Any other charges on future profits	95				
Sum of financial engineering adjustments (91+92-93+94+95)	96				

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

Name of insurer **CGNU Life Assurance Limited**

Global business

Financial year ended **31st December 2006**

Long-term insurance business

	Company registration number	GL/UK/CM	Period ended day	month	year	Units
R11	226742	GL	31	12	2006	£000

			This financial year 1	Previous year 2
Gross premiums written		11	15771	19589
Premium taxes and levies (included in line 11)		12		
Premiums written net of taxes and levies (11-12)		13	15771	19589
Premiums for classes 11, 12 or 13 (included in line 13)		14		
Premiums for "actuarial health insurance" (included in line 13)		15		
Sub-total A (13 + 1/2 14 - 2/3 15)		16	15771	19589
Gross premiums earned		21	15771	1781
Premium taxes and levies (included in line 21)		22		
Premiums earned net of taxes and levies (21-22)		23	15771	1781
Premiums for classes 11, 12 or 13 (included in line 23)		24		
Premiums for "actuarial health insurance" (included in line 23)		25		
Sub-total H (23 + 1/2 24 - 2/3 25)		26	15771	1781
Sub-total I (higher of sub-total A and sub-total H)		30	15771	19589
Adjusted Sub-total I if financial year is not a 12 month period to produce an annual figure		31		
Division of gross adjusted premiums amount: sub-total I (or adjusted sub- total I if appropriate)	x 0.18	32	2839	3526
	Excess (if any) over 53.1M EURO x 0.02	33		
Sub-total J (32-33)		34	2839	3526
Claims paid in period of 3 financial years		41	709	410
Claims outstanding carried forward at the end of the 3 year period	For insurance business accounted for on an underwriting year basis	42		
	For insurance business accounted for on an accident year basis	43	1185	74
Claims outstanding brought forward at the beginning of the 3 year period	For insurance business accounted for on an underwriting year basis	44		
	For insurance business accounted for on an accident year basis	45		
Sub-total C (41+42+43-44-45)		46	1894	484
Amounts recoverable from reinsurers in respect of claims included in Sub-total C		47		
Sub-total D (46-47)		48	1894	484
Reinsurance ratio (Sub-total D / sub-total C or, if more, 0.50 or, if less, 1.00)		49	1.00	1.00
Premiums amount Sub-total J x **reinsurance ratio**		50	2839	3526
Provisions for claims outstanding (before discounting and net of reinsurance)		51	1185	74
Brought forward amount (12.43.2 x 51.1 / 51.2 or, if less, 12.43.2)		52	3526	32
Greater of lines 50 and 52		53	3526	3526

Calculation of general insurance capital requirement - claims amount and result

Name of insurer **CGNU Life Assurance Limited**

Global business

Financial year ended **31st December 2006**

Long-term insurance business

	Company registration number	GL/UK/CM	Period ended day	month	year	Units
R12	226742	GL	31	12	2006	£000

			This financial year 1	Previous year 2
Reference period (No. of months) See INSPRU 1.1.63R		11	24	12
Claims paid in reference period		21	709	410
Claims outstanding carried forward at the end of the reference period	For insurance business accounted for on an underwriting year basis	22		
	For insurance business accounted for on an accident year basis	23	1185	74
Claims outstanding brought forward at the beginning of the reference period	For insurance business accounted for on an underwriting year basis	24		
	For insurance business accounted for on an accident year basis	25		
Claims incurred in reference period (21+22+23-24-25)		26	1894	484
Claims incurred for classes 11, 12 or 13 (included in 26)		27		
Claims incurred for "actuarial health insurance" (included in 26)		28		
Sub-total E (26 + 1/2 27 - 2/3 28)		29	1894	484
Sub-total F - Conversion of Sub-total E to annual figure (Multiply by 12 and divide by number of months in reference period)		31	947	484
Division of sub-total F (gross adjusted claims amount)	X 0.26	32	246	126
	Excess (if any) over 37.2M EURO x 0.03	33		
Sub-total G (32 - 33)		39	246	126
Claims amount Sub-total G x **reinsurance ratio** (11.49)		41	246	126
Higher of **premiums amount** and **brought forward amount** (11.53)		42	3526	3526
General insurance capital requirement (higher of lines 41 and 42)		43	3526	3526

Analysis of admissible assets

Name of insurer **CGNU Life Assurance Limited**

Global business

Financial year ended **31st December 2006**

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

	Company registration number	GL/UK/CM	Period ended day	month	year	Units	Category of assets
R13	226742	GL	31	12	2006	£000	1

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 dependants	shares	21		
	debts and loans	22		
Other insurance dependants	shares	23		
	debts and loans	24		
Non-insurance dependants	shares	25		
	debts and loans	26		
Other group undertakings	shares	27		
	debts and loans	28		
Participating interests	shares	29		
	debts and loans	30		
Other financial investments				
Equity shares		41		
Other shares and other variable yield participations		42		
Holdings in collective investment schemes		43		
Rights under derivative contracts		44		
Fixed interest securities	Approved	45		
	Other	46		
Variable interest securities	Approved securities	47		
	Other	48		
Participation in investment pools		49		
Loans secured by mortgages		50		
Loans to public or local authorities and nationalised industries or undertakings		51		
Loans secured by policies of insurance issued by the company		52		
Other loans		53		
Bank and approved credit & financial institution deposits	One month or less withdrawal	54		
	More than one month withdrawal	55		
Other financial investments		56		

Form 13
(Sheet 2)

Analysis of admissible assets

Name of insurer **CGNU Life Assurance Limited**

Global business

Financial year ended **31st December 2006**

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

	Company registration number	GL/UK/CM	Period ended day	month	year	Units	Category of assets
R13	226742	GL	31	12	2006	£000	1

			As at the end of this financial year 1	As at the end of the previous year 2
Deposits with ceding undertakings		57		
Assets held to match linked liabilities	Index linked	58		
	Property linked	59		
Reinsurers' share of technical provisions				
Provision for unearned premiums		60		
Claims outstanding		61		
Provision for unexpired risks		62		
Other		63		
Debtors and salvage				
Direct insurance business	Policyholders	71		
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74		
	Ceded	75		
Dependants	Due in 12 months or less	76		
	Due in more than 12 months	77		
Other	Due in 12 months or less	78	21	6200
	Due in more than 12 months	79		
Other assets				
Tangible assets		80		
Deposits not subject to time restriction on withdrawal with approved institutions		81	38813	25112
Cash in hand		82		
Other assets (particulars to be specified by way of supplementary note)		83		
Accrued interest and rent		84		
Deferred acquisition costs (general business only)		85		
Other prepayments and accrued income		86		
Deductions from the aggregate value of assets		87		
Grand total of admissible assets after deduction of market risk and counterparty limits (11 to 86 less 87)		89	38834	31312

Analysis of admissible assets

Name of insurer **CGNU Life Assurance Limited**

Global business

Financial year ended **31st December 2006**

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

	Company registration number	GL/UK/CM	Period ended day	month	year	Units	Category of assets
R13	226742	GL	31	12	2006	£000	1

		As at the end of this financial year 1	As at the end of the previous year 2
Reconciliation to asset values determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting			
Total admissible assets after deduction of market risk and counterparty limits (as per line 89 above)	91	38834	31312
Assets in excess of market and counterparty limits	92		461
Capital resources requirement deduction of regulated related undertakings	93		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	94		
Inadmissible assets of regulated related insurance undertakings	95		
Book value of related ancillary services undertakings	96		
Other differences in the valuation of assets (other than for assets not valued above)	97	2851	
Deferred acquisition costs excluded from line 89	98		
Reinsurers' share of technical provisions excluded from line 89	99		
Other asset adjustments (may be negative)	100		87
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 100)	101	41685	31860

Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	102		3079

Form 13
(Sheet 1)

Analysis of admissible assets

Name of insurer **CGNU Life Assurance Limited**

Global business

Financial year ended **31st December 2006**

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

	Company registration number	GL/UK/CM	Period ended day	month	year	Units	Category of assets
R13	226742	GL	31	12	2006	£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	1622005	1666208
Investments in group undertakings and participating interests				
UK insurance dependants	shares	21		
	debts and loans	22		
Other insurance dependants	shares	23		
	debts and loans	24		
Non-insurance dependants	shares	25	223853	240875
	debts and loans	26		98687
Other group undertakings	shares	27		
	debts and loans	28	25751	63913
Participating interests	shares	29		
	debts and loans	30		
Other financial investments				
Equity shares		41	7451714	7279613
Other shares and other variable yield participations		42		
Holdings in collective investment schemes		43	1444159	1116241
Rights under derivative contracts		44	97139	76814
Fixed interest securities	Approved	45	2014726	2670316
	Other	46	1764323	1736252
Variable interest securities	Approved securities	47	190799	40016
	Other	48	71103	70195
Participation in investment pools		49		
Loans secured by mortgages		50	50462	52506
Loans to public or local authorities and nationalised industries or undertakings		51		
Loans secured by policies of insurance issued by the company		52	9701	11327
Other loans		53	63139	22603
Bank and approved credit & financial institution deposits	One month or less withdrawal	54	184574	12041
	More than one month withdrawal	55		
Other financial investments		56		

Analysis of admissible assets

Name of insurer **CGNU Life Assurance Limited**

Global business

Financial year ended **31st December 2006**

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

	Company registration number	GL/UK/CM	Period ended day	month	year	Units	Category of assets
R13	226742	GL	31	12	2006	£000	10

			As at the end of this financial year 1	As at the end of the previous year 2
Deposits with ceding undertakings		57		
Assets held to match linked liabilities	Index linked	58		
	Property linked	59	59956	49040
Reinsurers' share of technical provisions				
Provision for unearned premiums		60		
Claims outstanding		61		
Provision for unexpired risks		62		
Other		63		
Debtors and salvage				
Direct insurance business	Policyholders	71	101587	71330
	Intermediaries	72		103
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74	12147	2025
	Ceded	75	14833	5231
Dependants	Due in 12 months or less	76	103208	
	Due in more than 12 months	77		
Other	Due in 12 months or less	78	147457	378187
	Due in more than 12 months	79		
Other assets				
Tangible assets		80		
Deposits not subject to time restriction on withdrawal with approved institutions		81	65980	60155
Cash in hand		82		
Other assets (particulars to be specified by way of supplementary note)		83		
Accrued interest and rent		84	114970	68743
Deferred acquisition costs (general business only)		85		
Other prepayments and accrued income		86		
Deductions from the aggregate value of assets		87		
Grand total of admissible assets after deduction of market risk and counterparty limits (11 to 86 less 87)		89	15833586	15792421

Analysis of admissible assets

Name of insurer **CGNU Life Assurance Limited**

Global business

Financial year ended **31st December 2006**

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

	Company registration number	GL/UK/CM	Period ended day	month	year	Units	Category of assets
R13	226742	GL	31	12	2006	£000	10

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

		As at the end of this financial year 1	As at the end of the previous year 2
Total admissible assets after deduction of market risk and counterparty limits (as per line 89 above)	91	15833586	15792421
Assets in excess of market and counterparty limits	92		10984
Capital resources requirement deduction of regulated related undertakings	93		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	94		
Inadmissible assets of regulated related insurance undertakings	95		
Book value of related ancillary services undertakings	96		
Other differences in the valuation of assets (other than for assets not valued above)	97		
Deferred acquisition costs excluded from line 89	98		
Reinsurers' share of technical provisions excluded from line 89	99	25601332	21581167
Other asset adjustments (may be negative)	100	35463	35186
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 100)	101	41470381	37419758

Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	102		96634

Long term insurance business liabilities and margins

Name of insurer **CGNU Life Assurance Limited**

Global business

Financial year ended **31st December 2006**

Fund **Summary**

Units **£000**

			As at the end of this financial year 1	As at the end of the previous year 2
Mathematical reserves, after distribution of surplus		11	10864346	11072739
Cash bonuses which had not been paid to policyholders prior to end of the financial year		12		
Balance of surplus/(valuation deficit)		13	20	20
Long term insurance business fund carried forward (11 to 13)		14	10864366	11072759
Claims outstanding	Gross amount	15	110919	121867
	Reinsurers' share	16	1274	
	Net (15-16)	17	109645	121867
Provisions	Taxation	21	374156	303748
	Other	22	9	
Deposits received from reinsurers		23		
Creditors	Direct insurance business	31	116783	144047
	Reinsurance accepted	32		
	Reinsurance ceded	33	58202	146242
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions		36	5441	
Creditors	Taxation	37	54768	63459
	Other	38	267739	355930
Accruals and deferred income		39	14996	17553
Provision for "reasonably foreseeable adverse variations"		41		
Total other insurance and non-insurance liabilities (17 to 41)		49	1001739	1152846
Excess of the value of net admissible assets		51	3967481	3566816
Total liabilities and margins		59	15833586	15792421

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61	6849	45573
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62	59956	49040

Total liabilities (11+12+49)	71	11866085	12225585
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73	25601332	21581167
Other adjustments to liabilities (may be negative)	74	1696247	1714729
Capital and reserves and fund for future appropriations	75	2306717	1898277
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (71 to 75)	76	41470381	37419758

Long term insurance business liabilities and margins

Name of insurer **CGNU Life Assurance Limited**

Global business

Financial year ended **31st December 2006**

Fund **With Profit**

Units **£000**

			As at the end of this financial year 1	As at the end of the previous year 2
Mathematical reserves, after distribution of surplus		11	10482861	10719076
Cash bonuses which had not been paid to policyholders prior to end of the financial year		12		
Balance of surplus/(valuation deficit)		13	20	20
Long term insurance business fund carried forward (11 to 13)		14	10482881	10719096
Claims outstanding	Gross amount	15	110919	121867
	Reinsurers' share	16	1274	
	Net (15-16)	17	109645	121867
Provisions	Taxation	21	374156	303748
	Other	22	9	
Deposits received from reinsurers		23		
Creditors	Direct insurance business	31	116783	144047
	Reinsurance accepted	32		
	Reinsurance ceded	33	58202	146242
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions		36	5441	
Creditors	Taxation	37	54768	63459
	Other	38	267739	355930
Accruals and deferred income		39	14996	17553
Provision for "reasonably foreseeable adverse variations"		41		
Total other insurance and non-insurance liabilities (17 to 41)		49	1001739	1152846
Excess of the value of net admissible assets		51	3967481	3566816
Total liabilities and margins		59	15452101	15438758

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61	6849	45573
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62	59956	49040

Total liabilities (11+12+49)	71	11484600	11871922
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73		
Other adjustments to liabilities (may be negative)	74		
Capital and reserves and fund for future appropriations	75		
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (71 to 75)	76		

Long term insurance business liabilities and margins

Name of insurer **CGNU Life Assurance Limited**

Global business

Financial year ended **31st December 2006**

Fund **Stakeholder**

Units **£000**

			As at the end of this financial year 1	As at the end of the previous year 2
Mathematical reserves, after distribution of surplus		11	381485	353663
Cash bonuses which had not been paid to policyholders prior to end of the financial year		12		
Balance of surplus/(valuation deficit)		13		
Long term insurance business fund carried forward (11 to 13)		14	381485	353663
Claims outstanding	Gross amount	15		
	Reinsurers' share	16		
	Net (15-16)	17		
Provisions	Taxation	21		
	Other	22		
Deposits received from reinsurers		23		
Creditors	Direct insurance business	31		
	Reinsurance accepted	32		
	Reinsurance ceded	33		
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions		36		
Creditors	Taxation	37		
	Other	38		
Accruals and deferred income		39		
Provision for "reasonably foreseeable adverse variations"		41		
Total other insurance and non-insurance liabilities (17 to 41)		49		
Excess of the value of net admissible assets		51		
Total liabilities and margins		59	381485	353663
Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance		61		
Amounts included in line 59 attributable to liabilities in respect of property linked benefits		62		
Total liabilities (11+12+49)		71	381485	353663
Increase to liabilities - DAC related		72		
Reinsurers' share of technical provisions		73		
Other adjustments to liabilities (may be negative)		74		
Capital and reserves and fund for future appropriations		75		
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (71 to 75)		76		

Liabilities (other than long term insurance business)

Name of insurer **CGNU Life Assurance Limited**

Global business

Financial year ended **31st December 2006**

	Company registration number	GL/UK/CM	Period ended day	month	year	Units
R15	226742	GL	31	12	2006	£000

			As at the end of this financial year 1	As at the end of the previous year 2
Technical provisions (gross amount)				
Provision for unearned premiums		11		
Claims outstanding		12		
Provision for unexpired risks		13		
Equalisation provisions	Credit business	14		
	Other than credit business	15		
Other gross technical provisions		16		
Total gross technical provisions (11 to 16)		19		
Provisions and creditors				
Provisions	Taxation	21		
	Other risks and charges	22		
Deposits received from reinsurers		31		
Creditors	Direct insurance business	41		
	Reinsurance accepted	42		
	Reinsurance ceded	43		
Debenture loans	Secured	44		
	Unsecured	45		
Amounts owed to credit institutions		46		
Creditors	Taxation	47		5
	Declared dividend	48		
	Other	49	207	285
Accruals and deferred income		51		
Total (19 to 51)		59	207	290
Provision for "reasonably foreseeable adverse variations"		61		
Cumulative preference share capital		62		
Subordinated loan capital		63		
Total (59 to 63)		69	207	290

Amounts included in line 69 attributable to liabilities to related insurers, other than those under contracts of insurance or reinsurance	71	202	267

Reinsurers' share of DAC	81		
Amounts deducted from technical provisions for discounting	82		
Other adjustments (may be negative)	83		87
Capital and reserves	84	41478	31483
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (69+81-82+83+84)	85	41685	31860

Profit and loss account (non-technical account)

Name of insurer **CGNU Life Assurance Limited**

Global business

Financial year ended **31st December 2006**

	Company registration number	GL/UK/CM	Period ended day	month	year	Units
R16	226742	GL	31	12	2006	£000

			This financial year 1	Previous year 2
Transfer (to)/from the general insurance business technical account	From Form 20	11		
	Equalisation provisions	12		
Transfer from the long term insurance business revenue account		13	34463	24934
Investment income	Income	14	400	17
	Value re-adjustments on investments	15		
	Gains on the realisation of investments	16		3382
Investment charges	Investment management charges, including interest	17		
	Value re-adjustments on investments	18		
	Loss on the realisation of investments	19		
Allocated investment return transferred to the general insurance business technical account		20		
Other income and charges (particulars to be specified by way of supplementary note)		21		
Profit or loss on ordinary activities before tax (11+12+13+14+15+16-17-18-19-20+21)		29	34863	28333
Tax on profit or loss on ordinary activities		31		(54)
Profit or loss on ordinary activities after tax (29-31)		39	34863	28387
Extraordinary profit or loss (particulars to be specified by way of supplementary note)		41		
Tax on extraordinary profit or loss		42		
Other taxes not shown under the preceding items		43		
Profit or loss for the financial year (39+41-(42+43))		49	34863	28387
Dividends (paid or declared)		51	24934	54786
Profit or loss retained for the financial year (49-51)		59	9929	(26399)

Analysis of derivative contracts

Name of insurer **CGNU Life Assurance Limited**

Global business

Financial year ended **31st December 2006**

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

	Company registration number	GL/UK/CM	Period ended day	month	year	Units	Category of assets
R17	226742	GL	31	12	2006	£000	10

Derivative contracts			As at the end of this financial year Assets 1	As at the end of this financial year Liabilities 2	As at the end of the previous year Assets 3	As at the end of the previous year Liabilities 4
Futures contracts	Fixed-interest securities	11	5663	777		2188
	Equity shares	12	3370	1467		
	Land	13				
	Currencies	14	34582	13189	5008	16213
	Other	15				
Options	Fixed-interest securities	21	49017		61454	
	Equity shares	22	4212		7134	
	Land	23				
	Currencies	24				
	Other	25				
Contracts for differences	Fixed-interest securities	31				
	Equity shares	32			1453	7755
	Land	33	295	2077		
	Currencies	34				127
	Other	35				
Adjustments for variation margin		41			1765	3923
Total (11 to 41)		49	97139	17510	76814	30206

With-profits insurance capital component for the fund

Name of insurer **CGNU Life Assurance Limited**

Global business

Financial year ended **31st December 2006**

With-profits fund **With Profit 1**

Units **£000**

			As at end of this financial year **1**	As at end of the previous year **2**
Regulatory excess capital				
Regulatory value of assets	Long-term admissible assets of the fund	**11**	15833586	15792422
	Implicit items allocated to the fund	**12**		
	Mathematical reserves in respect of the fund's non-profit insurance contracts	**13**	956019	978350
	Long-term admissible assets of the fund covering the LTICR of the fund's non-profit insurance contracts	**14**	200739	160856
	Long-term admissible assets of the fund covering the RCR of the fund's non-profit insurance contracts	**15**		14171
	Total (11+12-(13+14+15))	**19**	14676828	14639045
Regulatory value of liabilities	Mathematical reserves (after distribution of surplus) in respect of the fund's with-profits insurance contracts	**21**	9908328	10094390
	Regulatory current liabilities of the fund	**22**	1001739	1152846
	Total (21+22)	**29**	10910067	11247236
Long-term insurance capital requirement in respect of the fund's with-profits insurance contracts		**31**	535241	562062
Resilience capital requirement in respect of the fund's with-profits insurance contracts		**32**		146215
Sum of regulatory value of liabilities, LTICR and RCR (29+31+32)		**39**	11445308	11955513
Regulatory excess capital (19-39)		**49**	3231520	2683532
Realistic excess capital				
Realistic excess capital		**51**	2045010	1621293
Excess assets allocated to with-profits insurance business				
Excess (deficiency) of assets allocated to with-profits insurance business in fund (49-51)		**61**	1186510	1062239
Face amount of capital instruments attributed to the fund and included in the capital resources (unstressed)		**62**		
Realistic amount of capital instruments attributed to the fund and included in the capital resources (stressed)		**63**		
Present value of future shareholder transfers arising from distribution of surplus		**64**	69922	
Present value of other future internal transfers not already taken into account		**65**		
With-profits insurance capital component for fund (if 62 exceeds 63, greater of 61+62-63-64-65 and zero; else greater of 61-64-65 and zero)		**66**	1116588	1062239

Realistic balance sheet

Name of insurer **CGNU Life Assurance Limited**

Global business

Financial year ended **31st December 2006**

With-profits fund **With Profit 1**

Units **£000**

			As at end of this financial year 1	As at end of the previous year 2
Realistic value of assets available to the fund				
Regulatory value of assets		11	14676828	14639045
Implicit items allocated to the fund		12		
Value of shares in subsidiaries held in the fund (regulatory)		13		
Excess admissible assets		21		10984
Present value of future profits (or losses) on non-profit insurance contracts written in the fund		22	663249	506770
Value of derivatives and quasi-derivatives not already reflected in lines 11 to 22		23		
Value of shares in subsidiaries held in the fund (realistic)		24		
Prepayments made from the fund		25		
Realistic value of assets of the fund (11+21+22+23+24+25-(12+13))		26	15340077	15156799
Support arrangement assets		27		
Assets available to the fund (26+27)		29	15340077	15156799
Realistic value of liabilities of fund				
With-profits benefits reserve		31	11179137	11074601
Future policy related liabilities	Past miscellaneous surplus attributed to with-profits benefits reserve	32		
	Past miscellaneous deficit attributed to with-profits benefits reserve	33		
	Planned enhancements to with-profits benefits reserve	34	20516	19306
	Planned deductions for the cost of guarantees, options and smoothing from with-profits benefits reserve	35		
	Planned deductions for other costs deemed chargeable to with-profits benefits reserve	36		
	Future costs of contractual guarantees (other than financial options)	41	284376	473809
	Future costs of non-contractual commitments	42	202470	229297
	Future costs of financial options	43	19781	21850
	Future costs of smoothing (possibly negative)	44	(37566)	(41263)
	Financing costs	45		
	Any other liabilities related to regulatory duty to treat customers fairly	46		
	Other long-term insurance liabilities	47	157024	173369
	Total (32+34+41+42+43+44+45+46+47-(33+35+36))	49	646601	876368
Realistic current liabilities of the fund		51	964434	1123999
Realistic value of liabilities of the fund (31+49+51)		59	12790172	13074968

Form 19
(Sheet 2)

Realistic balance sheet

Name of insurer **CGNU Life Assurance Limited**

Global business

Financial year ended **31st December 2006**

With-profits fund **With Profit 1**

Units **£000**

		As at end of this financial year **1**	As at end of the previous year **2**
Realistic excess capital and additional capital available			
Value of relevant assets before applying the most adverse scenario other than present value of future profits arising from business outside with-profits funds	**62**	13295067	13535506
Amount of present value of future profits (or losses) on long-term insurance contracts written outside the fund included in the value of relevant assets before applying most adverse scenario	**63**		
Value of relevant assets before applying the most adverse scenario (62+ 63)	**64**	13295067	13535506
Risk capital margin for fund (62-59)	**65**	504895	460538
Realistic excess capital for fund (26-(59+65))	**66**	2045010	1621293
Realistic excess available capital for fund (29-(59+65))	**67**	2045010	1621293
Working capital for for fund (29-59)	**68**	2549905	2081831
Working capital ratio for fund (68/29)	**69**	16.62	13.74
Other assets potentially available if required to cover the fund's risk capital margin			
Additional amount potentially available for inclusion in line 62	**81**		
Additional amount potentially available for inclusion in line 63	**82**		

Long-term insurance business : Revenue account

Name of insurer **CGNU Life Assurance Limited**

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

Financial year ended **31st December 2006**

Units **£000**

		Financial year	Previous year
		1	**2**
Income			
Earned premiums	**11**	654968	1999099
Investment income receivable before deduction of tax	**12**	561970	584446
Increase (decrease) in the value of non-linked assets brought into account	**13**	529481	372705
Increase (decrease) in the value of linked assets	**14**	5126	82
Other income	**15**		
Total income	**19**	1751545	2956332
Expenditure			
Claims incurred	**21**	1678231	1278121
Expenses payable	**22**	184775	148916
Interest payable before deduction of tax	**23**	6925	9173
Taxation	**24**	55544	67423
Other expenditure	**25**		
Transfer to (from) non technical account	**26**	34463	24934
Total expenditure	**29**	1959938	1528567
Business transfers-in	**31**		
Business transfers-out	**32**		30178
Increase (decrease) in fund in financial year (19-29+31-32)	**39**	(208393)	1397587
Fund brought forward	**49**	11072759	9675172
Fund carried forward (39+49)	**59**	10864366	11072759

Long-term insurance business : Revenue account

Name of insurer **CGNU Life Assurance Limited**

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

Financial year ended **31st December 2006**

Units **£000**

		Financial year	Previous year
		1	**2**
Income			
Earned premiums	**11**	606989	1861228
Investment income receivable before deduction of tax	**12**	535094	564881
Increase (decrease) in the value of non-linked assets brought into account	**13**	536936	388338
Increase (decrease) in the value of linked assets	**14**	5126	82
Other income	**15**		
Total income	**19**	1684145	2814529
Expenditure			
Claims incurred	**21**	1642397	1259972
Expenses payable	**22**	181031	147684
Interest payable before deduction of tax	**23**	6925	9173
Taxation	**24**	55544	67423
Other expenditure	**25**		
Transfer to (from) non technical account	**26**	34463	24934
Total expenditure	**29**	1920360	1509186
Business transfers-in	**31**		
Business transfers-out	**32**		
Increase (decrease) in fund in financial year (19-29+31-32)	**39**	(236215)	1305343
Fund brought forward	**49**	10719096	9413753
Fund carried forward (39+49)	**59**	10482881	10719096

Long-term insurance business : Revenue account

Name of insurer **CGNU Life Assurance Limited**

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

Financial year ended **31st December 2006**

Units **£000**

		Financial year	Previous year
		1	**2**
Income			
Earned premiums	**11**	47979	137871
Investment income receivable before deduction of tax	**12**	26876	19565
Increase (decrease) in the value of non-linked assets brought into account	**13**	(7455)	(15633)
Increase (decrease) in the value of linked assets	**14**		
Other income	**15**		
Total income	**19**	67400	141803
Expenditure			
Claims incurred	**21**	35834	18149
Expenses payable	**22**	3744	1232
Interest payable before deduction of tax	**23**		
Taxation	**24**		
Other expenditure	**25**		
Transfer to (from) non technical account	**26**		
Total expenditure	**29**	39578	19381
Business transfers-in	**31**		
Business transfers-out	**32**		
Increase (decrease) in fund in financial year (19-29+31-32)	**39**	27822	122422
Fund brought forward	**49**	353663	231241
Fund carried forward (39+49)	**59**	381485	353663

Long-term insurance business : Revenue account

Name of insurer **CGNU Life Assurance Limited**

Name and number of fund/Summary **Permanent Health**

Financial year ended **31st December 2006**

Units **£000**

		Financial year	Previous year
		1	**2**
Income			
Earned premiums	**11**		
Investment income receivable before deduction of tax	**12**		
Increase (decrease) in the value of non-linked assets brought into account	**13**		
Increase (decrease) in the value of linked assets	**14**		
Other income	**15**		
Total income	**19**		
Expenditure			
Claims incurred	**21**		
Expenses payable	**22**		
Interest payable before deduction of tax	**23**		
Taxation	**24**		
Other expenditure	**25**		
Transfer to (from) non technical account	**26**		
Total expenditure	**29**		
Business transfers-in	**31**		
Business transfers-out	**32**		30178
Increase (decrease) in fund in financial year (19-29+31-32)	**39**		(30178)
Fund brought forward	**49**		30178
Fund carried forward (39+49)	**59**		

Long term insurance business : Analysis of premiums

Name of insurer **CGNU Life Assurance Limited**

Total business/subfund **Summary**

Financial year ended **31st December 2006**

Units **£000**

		UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
		1	2	3	4	5
Gross						
Regular premiums	11	245901	997746	20993	1264640	1365588
Single premiums	12	3127199	1936943	36304	5100446	4861350
Reinsurance - external						
Regular premiums	13	57153	2212		59365	69898
Single premiums	14					
Reinsurance - intra-group						
Regular premiums	15	23679	891944	14091	929714	811595
Single premiums	16	2663244	2036893	20902	4721039	3346346
Net of reinsurance						
Regular premiums	17	165069	103590	6902	275561	484095
Single premiums	18	463955	(99950)	15402	379407	1515004
Total						
Gross	19	3373100	2934689	57297	6365086	6226938
Reinsurance	20	2744076	2931049	34993	5710118	4227839
Net	21	629024	3640	22304	654968	1999099

Long term insurance business : Analysis of premiums

Name of insurer **CGNU Life Assurance Limited**

Total business/subfund **With Profit**

Financial year ended **31st December 2006**

Units **£000**

		UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
		1	2	3	4	5
Gross						
Regular premiums	11	245901	920161	20993	1187055	1282019
Single premiums	12	3127199	1921131	36304	5084634	4755374
Reinsurance - external						
Regular premiums	13	57153	2212		59365	69898
Single premiums	14					
Reinsurance - intra-group						
Regular premiums	15	23679	853679	14091	891449	770909
Single premiums	16	2663244	2029740	20902	4713886	3335358
Net of reinsurance						
Regular premiums	17	165069	64270	6902	236241	441212
Single premiums	18	463955	(108609)	15402	370748	1420016
Total						
Gross	19	3373100	2841292	57297	6271689	6037393
Reinsurance	20	2744076	2885631	34993	5664700	4176165
Net	21	629024	(44339)	22304	606989	1861228

Long term insurance business : Analysis of premiums

Name of insurer	**CGNU Life Assurance Limited**
Total business/subfund	**Stakeholder**
Financial year ended	**31st December 2006**
Units	**£000**

		UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
		1	2	3	4	5
Gross						
Regular premiums	11		77585		77585	83569
Single premiums	12		15812		15812	105976
Reinsurance - external						
Regular premiums	13					
Single premiums	14					
Reinsurance - intra-group						
Regular premiums	15		38265		38265	40686
Single premiums	16		7153		7153	10988
Net of reinsurance						
Regular premiums	17		39320		39320	42883
Single premiums	18		8659		8659	94988
Total						
Gross	19		93397		93397	189545
Reinsurance	20		45418		45418	51674
Net	21		47979		47979	137871

Long term insurance business : Analysis of claims

Name of insurer	**CGNU Life Assurance Limited**
Total business/subfund	**Summary**
Financial year ended	**31st December 2006**
Units	**£000**

		UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
		1	2	3	4	5
Gross						
Death or disability lump sums	11	355757	22759	2482	380998	377685
Disability periodic payments	12	93	204	5	302	511
Surrender or partial surrender	13	2228134	1590710	198327	4017171	3185428
Annuity payments	14	722	42519		43241	41688
Lump sums on maturity	15	95317	220392	2277	317986	193548
Total	16	2680023	1876584	203091	4759698	3798860
Reinsurance - external						
Death or disability lump sums	21	39079	858		39937	25679
Disability periodic payments	22					
Surrender or partial surrender	23					32254
Annuity payments	24					
Lump sums on maturity	25					
Total	26	39079	858		39937	57933
Reinsurance - intra-group						
Death or disability lump sums	31	174721	17308	252	192281	179534
Disability periodic payments	32	27	198		225	131
Surrender or partial surrender	33	1330200	1313014	48838	2692052	2215762
Annuity payments	34					
Lump sums on maturity	35	380	155880	712	156972	67379
Total	36	1505328	1486400	49802	3041530	2462806
Net of reinsurance						
Death or disability lump sums	41	141957	4593	2230	148780	172472
Disability periodic payments	42	66	6	5	77	380
Surrender or partial surrender	43	897934	277696	149489	1325119	937412
Annuity payments	44	722	42519		43241	41688
Lump sums on maturity	45	94937	64512	1565	161014	126169
Total	46	1135616	389326	153289	1678231	1278121

Long term insurance business : Analysis of claims

Name of insurer **CGNU Life Assurance Limited**

Total business/subfund **With Profit**

Financial year ended **31st December 2006**

Units **£000**

		UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
		1	2	3	4	5
Gross						
Death or disability lump sums	11	355757	20905	2482	379144	376546
Disability periodic payments	12	93	204	5	302	511
Surrender or partial surrender	13	2228134	1546869	198327	3973330	3159865
Annuity payments	14	722	42519		43241	41688
Lump sums on maturity	15	95317	193971	2277	291565	183474
Total	16	2680023	1804468	203091	4687582	3762084
Reinsurance - external						
Death or disability lump sums	21	39079	858		39937	25679
Disability periodic payments	22					
Surrender or partial surrender	23					32254
Annuity payments	24					
Lump sums on maturity	25					
Total	26	39079	858		39937	57933
Reinsurance - intra-group						
Death or disability lump sums	31	174721	16427	252	191400	178956
Disability periodic payments	32	27	198		225	131
Surrender or partial surrender	33	1330200	1291055	48838	2670093	2202849
Annuity payments	34					
Lump sums on maturity	35	380	142438	712	143530	62243
Total	36	1505328	1450118	49802	3005248	2444179
Net of reinsurance						
Death or disability lump sums	41	141957	3620	2230	147807	171911
Disability periodic payments	42	66	6	5	77	380
Surrender or partial surrender	43	897934	255814	149489	1303237	924762
Annuity payments	44	722	42519		43241	41688
Lump sums on maturity	45	94937	51533	1565	148035	121231
Total	46	1135616	353492	153289	1642397	1259972

Long term insurance business : Analysis of claims

Name of insurer **CGNU Life Assurance Limited**

Total business/subfund **Stakeholder**

Financial year ended **31st December 2006**

Units **£000**

		UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
		1	2	3	4	5
Gross						
Death or disability lump sums	11		1854		1854	1139
Disability periodic payments	12					
Surrender or partial surrender	13		43841		43841	25563
Annuity payments	14					
Lump sums on maturity	15		26421		26421	10074
Total	16		72116		72116	36776
Reinsurance - external						
Death or disability lump sums	21					
Disability periodic payments	22					
Surrender or partial surrender	23					
Annuity payments	24					
Lump sums on maturity	25					
Total	26					
Reinsurance - intra-group						
Death or disability lump sums	31		881		881	578
Disability periodic payments	32					
Surrender or partial surrender	33		21959		21959	12913
Annuity payments	34					
Lump sums on maturity	35		13442		13442	5136
Total	36		36282		36282	18627
Net of reinsurance						
Death or disability lump sums	41		973		973	561
Disability periodic payments	42					
Surrender or partial surrender	43		21882		21882	12650
Annuity payments	44					
Lump sums on maturity	45		12979		12979	4938
Total	46		35834		35834	18149

Long term insurance business : Analysis of expenses

Name of insurer	**CGNU Life Assurance Limited**
Total business/subfund	**Summary**
Financial year ended	**31st December 2006**
Units	**£000**

		UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
		1	2	3	4	5
Gross						
Commission - acquisition	11	188202	99308	3328	290838	202286
Commission - other	12	12975	11102	225	24302	21346
Management - acquisition	13	61793	77307	2011	141111	111029
Management - maintenance	14	4828	32487	(30)	37285	51351
Management - other	15	75220	36813	510	112543	81805
Total	16	343018	257017	6044	606079	467817
Reinsurance - external						
Commission - acquisition	21					
Commission - other	22	63	2		65	71
Management - acquisition	23					
Management - maintenance	24					
Management - other	25					
Total	26	63	2		65	71
Reinsurance - intra-group						
Commission - acquisition	31	147549	94844	1173	243566	162898
Commission - other	32	614	8056	84	8754	8787
Management - acquisition	33	49022	67389	425	116836	90626
Management - maintenance	34	151	10991	11	11153	12881
Management - other	35	12648	28219	63	40930	43638
Total	36	209984	209499	1756	421239	318830
Net of reinsurance						
Commission - acquisition	41	40653	4464	2155	47272	39388
Commission - other	42	12298	3044	141	15483	12488
Management - acquisition	43	12771	9918	1586	24275	20403
Management - maintenance	44	4677	21496	(41)	26132	38470
Management - other	45	62572	8594	447	71613	38167
Total	46	132971	47516	4288	184775	148916

Long term insurance business : Analysis of expenses

Name of insurer **CGNU Life Assurance Limited**

Total business/subfund **With Profit**

Financial year ended **31st December 2006**

Units **£000**

		UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
		1	2	3	4	5
Gross						
Commission - acquisition	11	188202	99308	3328	290838	202286
Commission - other	12	12975	11102	225	24302	21346
Management - acquisition	13	61793	77307	2011	141111	111029
Management - maintenance	14	4828	28743	(30)	33541	50119
Management - other	15	75220	36813	510	112543	81805
Total	16	343018	253273	6044	602335	466585
Reinsurance - external						
Commission - acquisition	21					
Commission - other	22	63	2		65	71
Management - acquisition	23					
Management - maintenance	24					
Management - other	25					
Total	26	63	2		65	71
Reinsurance - intra-group						
Commission - acquisition	31	147549	94844	1173	243566	162898
Commission - other	32	614	8056	84	8754	8787
Management - acquisition	33	49022	67389	425	116836	90626
Management - maintenance	34	151	10991	11	11153	12881
Management - other	35	12648	28219	63	40930	43638
Total	36	209984	209499	1756	421239	318830
Net of reinsurance						
Commission - acquisition	41	40653	4464	2155	47272	39388
Commission - other	42	12298	3044	141	15483	12488
Management - acquisition	43	12771	9918	1586	24275	20403
Management - maintenance	44	4677	17752	(41)	22388	37238
Management - other	45	62572	8594	447	71613	38167
Total	46	132971	43772	4288	181031	147684

Long term insurance business : Analysis of expenses

Name of insurer **CGNU Life Assurance Limited**

Total business/subfund **Stakeholder**

Financial year ended **31st December 2006**

Units **£000**

		UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
		1	2	3	4	5
Gross						
Commission - acquisition	11					
Commission - other	12					
Management - acquisition	13					
Management - maintenance	14		3744		3744	1232
Management - other	15					
Total	16		3744		3744	1232
Reinsurance - external						
Commission - acquisition	21					
Commission - other	22					
Management - acquisition	23					
Management - maintenance	24					
Management - other	25					
Total	26					
Reinsurance - intra-group						
Commission - acquisition	31					
Commission - other	32					
Management - acquisition	33					
Management - maintenance	34					
Management - other	35					
Total	36					
Net of reinsurance						
Commission - acquisition	41					
Commission - other	42					
Management - acquisition	43					
Management - maintenance	44		3744		3744	1232
Management - other	45					
Total	46		3744		3744	1232

Long term insurance business : Linked funds balance sheet

Name of insurer **CGNU Life Assurance Limited**

Total business

Financial year ended **31st December 2006**

Units **£000**

		Financial year	Previous year
		1	**2**
Internal linked funds (excluding cross investment)			
Directly held assets (excluding collective investment schemes)	11		11390
Directly held assets in collective investment schemes of connected companies	12		
Directly held assets in other collective investment schemes	13	59956	
Total assets (excluding cross investment) (11+12+13)	14	59956	11390
Provision for tax on unrealised capital gains	15		
Secured and unsecured loans	16		
Other liabilities	17		
Total net assets (14-15-16-17)	18	59956	11390
Directly held linked assets			
Value of directly held linked assets	21		
Total			
Value of directly held linked assets and units held (18+21)	31	59956	11390
Surplus units	32		
Deficit units	33		
Net unit liability (31-32+33)	34	59956	11390

Long term insurance business : Revenue account for internal linked funds

Name of insurer **CGNU Life Assurance Limited**

Total business

Financial year ended **31st December 2006**

Units **£000**

		Financial year	Previous year
		1	**2**
Income			
Value of total creation of units	11	22829	13316
Investment income attributable to the funds before deduction of tax	12		
Increase (decrease) in the value of investments in the financial year	13	5126	82
Other income	14	33121	
Total income	19	61076	13398
Expenditure			
Value of total cancellation units	21	12510	2588
Charges for management	22		
Charges in respect of tax on investment income	23		
Taxation on realised capital gains	24		
Increase (decrease) in amount set aside for tax on capital gains not yet realised	25		
Other expenditure	26		
Total expenditure	29	12510	2588
Increase (decrease) in funds in financial year (19-29)	39	48566	10810
Internal linked fund brought forward	49	11390	580
Internal linked funds carried forward (39 + 49)	59	59956	11390

Long term insurance business : Summary of new business

Name of insurer **CGNU Life Assurance Limited**

Total business

Financial year ended **31st December 2006**

Units **£000**

		UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
		1	2	3	4	5
Number of new policyholders/scheme members for direct insurance business						
Regular premium business	11	1002	68244	915	70161	53634
Single premium business	12	77444	60671	342	138457	106486
Total	13	78446	128915	1257	208618	160120
Amount of new regular premiums						
Direct insurance business	21	796	337896	3766	342458	218789
External reinsurance	22					
Intra-group reinsurance	23					213
Total	24	796	337896	3766	342458	219002
Amount of new single premiums						
Direct insurance business	25	3031704	2058203	36304	5126211	3553690
External reinsurance	26					
Intra-group reinsurance	27	103235			103235	107660
Total	28	3134939	2058203	36304	5229446	3661350

Form 47
(Sheet 1)

Long term insurance business : Analysis of new business

Name of insurer **CGNU Life Assurance Limited**

Total business

Financial year ended **31st December 2006**

Units **£000**

UK Life / Direct insurance business

		Regular premium business		Single premium business	
Product code number	Product description	Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	**2**	**3**	**4**	**5**	**6**
100	Conventional whole life with-profits OB	716	336	2	35
120	Conventional endowment with-profits OB savings	34	87		
325	Level term assurance	12	17		
330	Decreasing term assurance	28	101		25
360	Income protection non-profit (guaranteed premiums)	208	74		
400	Annuity non-profit (CPA)			3	77
415	Collective Life		116		27592
500	Life UWP single premium			20157	685703
505	Life UWP whole life regular premium		5		
515	Life UWP endowment regular premium - target cash		9		
700	Life property linked single premium			57282	2318272
710	Life property linked whole life regular premium		51		

Long term insurance business : Analysis of new business

Name of insurer **CGNU Life Assurance Limited**

Total business

Financial year ended **31st December 2006**

Units **£000**

UK Life / Direct insurance business

Product code number	Product description	Regular premium business: Number of policyholders / scheme members	Regular premium business: Amount of premiums	Single premium business: Number of policyholders / scheme members	Single premium business: Amount of premiums
1	**2**	**3**	**4**	**5**	**6**
720	Life property linked endowment regular premium - target cash	4			

Long term insurance business : Analysis of new business

Name of insurer **CGNU Life Assurance Limited**

Total business

Financial year ended **31st December 2006**

Units **£000**

UK Life / Reinsurance accepted intra-group

		Regular premium business		Single premium business	
Product code number	Product description	Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	**2**	**3**	**4**	**5**	**6**
575	Miscellaneous UWP				103235

Long term insurance business : Analysis of new business

Name of insurer **CGNU Life Assurance Limited**

Total business

Financial year ended **31st December 2006**

Units **£000**

UK Pension / Direct insurance business

		Regular premium business		Single premium business	
Product code number	Product description	Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	**2**	**3**	**4**	**5**	**6**
175	Group conventional deferred annuity with-profits		11		5
185	Group conventional pensions endowment with-profits	1	11		44
400	Annuity non-profit (CPA)			1039	25747
525	Individual pensions UWP	217	3228	95	11675
530	Individual pensions UWP - increments		3425		19950
535	Group money purchase pensions UWP	2251	7908	1478	5304
540	Group money purchase pensions UWP - increments		9379		23501
565	DWP National Insurance rebates UWP				13897
571	Trustee investment plan UWP				430
575	Miscellaneous UWP		13		1288
725	Individual pensions property linked	25006	73472	25951	842637
730	Individual pensions property linked - increments		32407		572491

Long term insurance business : Analysis of new business

Name of insurer **CGNU Life Assurance Limited**

Total business

Financial year ended **31st December 2006**

Units **£000**

UK Pension / Direct insurance business

		Regular premium business		Single premium business	
Product code number	Product description	Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	**2**	**3**	**4**	**5**	**6**
735	Group money purchase pensions property linked	40769	126333	32108	121113
740	Group money purchase pensions property linked - increments		81709		242065
745	DWP National Insurance rebates property linked				52712
755	Trustee investment plan				125344

Form 47
(Sheet 6)

Long term insurance business : Analysis of new business

Name of insurer **CGNU Life Assurance Limited**

Total business

Financial year ended **31st December 2006**

Units **£000**

Overseas (France) / Direct insurance business

		Regular premium business		Single premium business	
Product code number	Product description	Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	**2**	**3**	**4**	**5**	**6**
500	Life UWP single premium				1448
700	Life property linked single premium				977

Form 47
(Sheet 7)

Long term insurance business : Analysis of new business

Name of insurer **CGNU Life Assurance Limited**

Total business

Financial year ended **31st December 2006**

Units **£000**

Overseas (Sweden) / Direct insurance business

		Regular premium business		Single premium business	
Product code number	Product description	Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	**2**	**3**	**4**	**5**	**6**
500	Life UWP single premium			210	22139
510	Life UWP endowment regular premium - savings		3		
700	Life property linked single premium			16	209

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Form 47
(Sheet 8)

Long term insurance business : Analysis of new business

Name of insurer **CGNU Life Assurance Limited**

Total business

Financial year ended **31st December 2006**

Units **£000**

Overseas (Ireland) / Direct insurance business

		Regular premium business		Single premium business	
Product code number	Product description	Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	**2**	**3**	**4**	**5**	**6**
525	Individual pensions UWP	4	26		5
725	Individual pensions property linked	5	6	3	11

Form 47
(Sheet 9)

Long term insurance business : Analysis of new business

Name of insurer **CGNU Life Assurance Limited**

Total business

Financial year ended **31st December 2006**

Units **£000**

Overseas (Other) / Direct insurance business

		Regular premium business		Single premium business	
Product code number	Product description	Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	**2**	**3**	**4**	**5**	**6**
100	Conventional whole life with-profits OB	2			
330	Decreasing term assurance	1			
360	Income protection non-profit (guaranteed premiums)	2	2		
400	Annuity non-profit (CPA)			13	874
525	Individual pensions UWP	10	51	4	294
530	Individual pensions UWP - increments		283		741
571	Trustee investment plan UWP				129
575	Miscellaneous UWP				15
725	Individual pensions property linked	891	2610	96	8410
730	Individual pensions property linked - increments		785		1052

Long term insurance business : Non-linked assets

Name of insurer **CGNU Life Assurance Limited**

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

Financial year ended **31st December 2006**

Units **£000**

		Unadjusted assets	Economic Exposure	Expected income from assets in column 2	Yield before adjustment	Return on assets in financial year
		1	2	3	4	5
Assets backing non-profit liabilities and non-profit capital requirement						
Land and buildings	11					
Approved fixed interest securities	12	555358	555358	27687	4.57	
Other fixed interest securities	13	541442	541442	30889	5.75	
Variable interest securities	14					
UK listed equity shares	15					
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18					
Total	19	1096800	1096800	58576	5.15	
Assets backing with-profits liabilities and with-profits capital requirement						
Land and buildings	21	1622005	2847389	123624	4.34	18.84
Approved fixed interest securities	22	1482576	1334129	73823	4.14	.21
Other fixed interest securities	23	1258033	1537519	71769	4.66	.81
Variable interest securities	24	263583	303809	2719	2.31	1.08
UK listed equity shares	25	5061975	5604093	147511	4.15	16.82
Non-UK listed equity shares	26	1399227	1912727	35248	3.17	8.63
Unlisted equity shares	27	1214364	178453	18	0.01	
Other assets	28	2375067	958711	25019	2.60	4.97
Total	29	14676830	14676830	479731	3.92	11.65
Overall return on with-profits assets						
Post investment costs but pre-tax	31					10.69
Return allocated to non taxable 'asset shares'	32					11.99
Return allocated to taxable 'asset shares'	33					10.29

Long term insurance business : Fixed and variable interest assets

Name of insurer **CGNU Life Assurance Limited**

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

Financial year ended **31st December 2006**

Units **£000**

		Value of assets	Mean term	Yield before adjustment	Yield after adjustment
		1	2	3	4
UK government approved fixed interest securities	11	1757457	9.39	4.10	4.10
Other approved fixed interest securities	21	132030	9.40	5.21	5.21
Other fixed interest securities					
AAA/Aaa	31	298297	5.47	4.61	4.52
AA/Aa	32	581388	5.62	5.17	4.89
A/A	33	670005	4.99	5.40	5.08
BBB/Baa	34	385471	5.80	5.20	4.53
BB/Ba	35	53268	0.92	1.74	0.06
B/B	36	71687	0.55	1.56	
CCC/Caa	37	9245	2.17	13.96	9.01
Other (including unrated)	38	9600	4.56	3.16	2.47
Total other fixed interest securities	39	2078961	5.11	4.99	4.55
Approved variable interest securities	41	193695	14.65	1.57	1.57
Other variable interest securities	51	110114	6.18	3.61	3.61
Total (11+21+39+41+51)	61	4272257	7.46	4.44	4.23

Long term insurance business : Summary of mathematical reserves

Name of insurer **CGNU Life Assurance Limited**

Total business/subfund **Summary**

Financial year ended **31st December 2006**

Units **£000**

		UK Life	UK Pension	Overseas	Total Financial Year	Total Previous Year
		1	2	3	4	5
Gross						
Form 51 - with-profits	11	2449474	200961	28451	2678886	2349093
Form 51 - non-profit	12	362975	598052	17531	978558	1014226
Form 52	13	8472516	2896004	517723	11886243	13029781
Form 53 - linked	14	8222686	11468587	202625	19893898	14815905
Form 53 - non-linked	15	(151369)	85640	4016	(61713)	45071
Form 54 - linked	16					
Form 54 - non-linked	17					
Total	18	19356282	15249244	770346	35375872	31254076
Reinsurance - external						
Form 51 - with-profits	21	1327			1327	1309
Form 51 - non-profit	22	159878	6156	2037	168071	185741
Form 52	23					
Form 53 - linked	24					
Form 53 - non-linked	25					
Form 54 - linked	26					
Form 54 - non-linked	27					
Total	28	161205	6156	2037	169398	187050
Reinsurance - intra-group						
Form 51 - with-profits	31	30834		404	31238	21720
Form 51 - non-profit	32	23466	48	40	23554	34081
Form 52	33	3829262	989935	34711	4853908	5477656
Form 53 - linked	34	8222374	11468587	142980	19833941	14766865
Form 53 - non-linked	35	(240165)	68309	1014	(170842)	(89834)
Form 54 - linked	36					
Form 54 - non-linked	37					
Total	38	11865771	12526879	179149	24571799	20210488
Net of reinsurance						
Form 51 - with-profits	41	2417313	200961	28047	2646321	2326064
Form 51 - non-profit	42	179631	591848	15454	786933	794404
Form 52	43	4643254	1906069	483012	7032335	7552125
Form 53 - linked	44	312		59645	59957	49040
Form 53 - non-linked	45	88796	17331	3002	109129	134905
Form 54 - linked	46					
Form 54 - non-linked	47					
Total	48	7329306	2716209	589160	10634675	10856538

Long term insurance business : Summary of mathematical reserves

Name of insurer **CGNU Life Assurance Limited**

Total business/subfund **With Profit**

Financial year ended **31st December 2006**

Units **£000**

		UK Life	UK Pension	Overseas	Total Financial Year	Total Previous Year
		1	2	3	4	5
Gross						
Form 51 - with-profits	11	2449474	200961	28451	2678886	2349093
Form 51 - non-profit	12	362975	598052	17531	978558	1014226
Form 52	13	8472516	2159172	517723	11149411	12332506
Form 53 - linked	14	8222686	11468587	202625	19893898	14815905
Form 53 - non-linked	15	(151369)	85640	4016	(61713)	45071
Form 54 - linked	16					
Form 54 - non-linked	17					
Total	18	19356282	14512412	770346	34639040	30556801
Reinsurance - external						
Form 51 - with-profits	21	1327			1327	1309
Form 51 - non-profit	22	159878	6156	2037	168071	185741
Form 52	23					
Form 53 - linked	24					
Form 53 - non-linked	25					
Form 54 - linked	26					
Form 54 - non-linked	27					
Total	28	161205	6156	2037	169398	187050
Reinsurance - intra-group						
Form 51 - with-profits	31	30834		404	31238	21720
Form 51 - non-profit	32	23466	48	40	23554	34081
Form 52	33	3829262	620340	34711	4484313	5122722
Form 53 - linked	34	8222374	11468587	142980	19833941	14766865
Form 53 - non-linked	35	(240165)	68309	1014	(170842)	(89834)
Form 54 - linked	36					
Form 54 - non-linked	37					
Total	38	11865771	12157284	179149	24202204	19855554
Net of reinsurance						
Form 51 - with-profits	41	2417313	200961	28047	2646321	2326064
Form 51 - non-profit	42	179631	591848	15454	786933	794404
Form 52	43	4643254	1538832	483012	6665098	7209784
Form 53 - linked	44	312		59645	59957	49040
Form 53 - non-linked	45	88796	17331	3002	109129	134905
Form 54 - linked	46					
Form 54 - non-linked	47					
Total	48	7329306	2348972	589160	10267438	10514197

Long term insurance business : Summary of mathematical reserves

Name of insurer **CGNU Life Assurance Limited**

Total business/subfund **Stakeholder**

Financial year ended **31st December 2006**

Units **£000**

		UK Life	UK Pension	Overseas	Total Financial Year	Total Previous Year
		1	2	3	4	5
Gross						
Form 51 - with-profits	11					
Form 51 - non-profit	12					
Form 52	13		736832		736832	697275
Form 53 - linked	14					
Form 53 - non-linked	15					
Form 54 - linked	16					
Form 54 - non-linked	17					
Total	18		736832		736832	697275
Reinsurance - external						
Form 51 - with-profits	21					
Form 51 - non-profit	22					
Form 52	23					
Form 53 - linked	24					
Form 53 - non-linked	25					
Form 54 - linked	26					
Form 54 - non-linked	27					
Total	28					
Reinsurance - intra-group						
Form 51 - with-profits	31					
Form 51 - non-profit	32					
Form 52	33		369595		369595	354934
Form 53 - linked	34					
Form 53 - non-linked	35					
Form 54 - linked	36					
Form 54 - non-linked	37					
Total	38		369595		369595	354934
Net of reinsurance						
Form 51 - with-profits	41					
Form 51 - non-profit	42					
Form 52	43		367237		367237	342341
Form 53 - linked	44					
Form 53 - non-linked	45					
Form 54 - linked	46					
Form 54 - non-linked	47					
Total	48		367237		367237	342341

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

Name of insurer	**CGNU Life Assurance Limited**
Total business / subfund	**With Profit**
Financial year ended	**31st December 2006**
Units	**£000**

UK Life / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**
100	Conventional whole life with-profits OB	36902	889274	27038	n/a	n/a	n/a	258419
120	Conventional endowment with-profits OB savings	19239	185988	10039	n/a	n/a	n/a	100894
125	Conventional endowment with-profits OB target cash	172008	3028156	108499	n/a	n/a	n/a	1659095
175	Group conventional deferred annuity with-profits	33	13		n/a	n/a	n/a	222
205	Miscellaneous conventional with-profits	30	1705	30	n/a	n/a	n/a	1570
210	Additional reserves with-profits OB			624	n/a	n/a	n/a	429274
300	Regular premium non-profit WL/EA OB	15883	90667	1757	n/a	n/a	n/a	48543
325	Level term assurance	88070	8624935	27666	n/a	n/a	n/a	67617
330	Decreasing term assurance	64217	5236838	30392	n/a	n/a	n/a	108437
340	Accelerated critical illness (guaranteed premiums)	35946	2882103	14537	n/a	n/a	n/a	67625
360	Income protection non-profit (guaranteed premiums)	9378	451070	1903	n/a	n/a	n/a	139

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

Name of insurer **CGNU Life Assurance Limited**
Total business / subfund **With Profit**
Financial year ended **31st December 2006**
Units **£000**
UK Life / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**
390	Deferred annuity non-profit	12359	219	1	n/a	n/a	n/a	2777
395	Annuity non-profit (PLA)	193	386		n/a	n/a	n/a	3619
400	Annuity non-profit (CPA)	2036	471		n/a	n/a	n/a	3753
410	Group Life	248	85		n/a	n/a	n/a	17
415	Collective Life		2795506	198	n/a	n/a	n/a	41787
435	Miscellaneous non-profit	1725	458326	1612	n/a	n/a	n/a	8749
440	Additional reserves non-profit OB			745	n/a	n/a	n/a	9912

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Form 51
(Sheet 3)

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

Name of insurer **CGNU Life Assurance Limited**
Total business / subfund **With Profit**
Financial year ended **31st December 2006**
Units **£000**
UK Life / Reinsurance ceded external

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**
100	Conventional whole life with-profits OB		1652	6	n/a	n/a	n/a	1319
120	Conventional endowment with-profits OB savings		8		n/a	n/a	n/a	8
300	Regular premium non-profit WL/EA OB		2799	135	n/a	n/a	n/a	768
325	Level term assurance		7706876	24954	n/a	n/a	n/a	50534
330	Decreasing term assurance		3229167	21069	n/a	n/a	n/a	63832
340	Accelerated critical illness (guaranteed premiums)		2112985	10782	n/a	n/a	n/a	43066
360	Income protection non-profit (guaranteed premiums)		4515	5	n/a	n/a	n/a	
395	Annuity non-profit (PLA)		3		n/a	n/a	n/a	13
400	Annuity non-profit (CPA)		5		n/a	n/a	n/a	12
410	Group Life		310	1	n/a	n/a	n/a	4
435	Miscellaneous non-profit		132498	848	n/a	n/a	n/a	923

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

Name of insurer **CGNU Life Assurance Limited**
Total business / subfund **With Profit**
Financial year ended **31st December 2006**
Units **£000**
UK Life / Reinsurance ceded external

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**
440	Additional reserves non-profit OB			726	n/a	n/a	n/a	726

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

Name of insurer **CGNU Life Assurance Limited**
Total business / subfund **With Profit**
Financial year ended **31st December 2006**
Units **£000**
UK Life / Reinsurance ceded intra-group

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**
120	Conventional endowment with-profits OB savings		32568	2565	n/a	n/a	n/a	12647
125	Conventional endowment with-profits OB target cash		131071	7161	n/a	n/a	n/a	18076
210	Additional reserves with-profits OB			111	n/a	n/a	n/a	111
325	Level term assurance		121025	245	n/a	n/a	n/a	3539
330	Decreasing term assurance		100329	753	n/a	n/a	n/a	1434
340	Accelerated critical illness (guaranteed premiums)		245222	1069	n/a	n/a	n/a	7523
360	Income protection non-profit (guaranteed premiums)		186037	527	n/a	n/a	n/a	114
415	Collective Life		2243539		n/a	n/a	n/a	10757
435	Miscellaneous non-profit		2014	16	n/a	n/a	n/a	63
440	Additional reserves non-profit OB			36	n/a	n/a	n/a	36

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

Name of insurer **CGNU Life Assurance Limited**
Total business / subfund **With Profit**
Financial year ended **31st December 2006**
Units **£000**
UK Pension / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**
175	Group conventional deferred annuity with-profits	3700	7007	534	n/a	n/a	n/a	85445
185	Group conventional pensions endowment with-profits	1547	70000	640	n/a	n/a	n/a	77558
200	Annuity with-profits (CPA)	818	2931		n/a	n/a	n/a	27433
205	Miscellaneous conventional with-profits	71	566		n/a	n/a	n/a	25
210	Additional reserves with-profits OB				n/a	n/a	n/a	10500
325	Level term assurance	7230	572066	2538	n/a	n/a	n/a	6450
330	Decreasing term assurance	220	5911	47	n/a	n/a	n/a	44
360	Income protection non-profit (guaranteed premiums)	164	4737	30	n/a	n/a	n/a	5
390	Deferred annuity non-profit	12496	8613	1	n/a	n/a	n/a	76746
400	Annuity non-profit (CPA)	28074	47015	6	n/a	n/a	n/a	510598
410	Group Life	3676	97918	526	n/a	n/a	n/a	1758
435	Miscellaneous non-profit	1739	31877	46	n/a	n/a	n/a	2422

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Form 51
(Sheet 7)

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

Name of insurer **CGNU Life Assurance Limited**
Total business / subfund **With Profit**
Financial year ended **31st December 2006**
Units **£000**
UK Pension / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**
440	Additional reserves non-profit OB			29	n/a	n/a	n/a	29

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

Name of insurer **CGNU Life Assurance Limited**
Total business / subfund **With Profit**
Financial year ended **31st December 2006**
Units **£000**
UK Pension / Reinsurance ceded external

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**
325	Level term assurance		550184	2438	n/a	n/a	n/a	5809
330	Decreasing term assurance		32		n/a	n/a	n/a	
360	Income protection non-profit (guaranteed premiums)		1		n/a	n/a	n/a	
400	Annuity non-profit (CPA)		92	3	n/a	n/a	n/a	52
410	Group Life		25311	164	n/a	n/a	n/a	271
435	Miscellaneous non-profit		372		n/a	n/a	n/a	2
440	Additional reserves non-profit OB			22	n/a	n/a	n/a	22

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

Name of insurer **CGNU Life Assurance Limited**
Total business / subfund **With Profit**
Financial year ended **31st December 2006**
Units **£000**
UK Pension / Reinsurance ceded intra-group

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**
325	Level term assurance		2444	17	n/a	n/a	n/a	48

Form 51
(Sheet 10)

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

Name of insurer **CGNU Life Assurance Limited**
Total business / subfund **With Profit**
Financial year ended **31st December 2006**
Units **£000**
Overseas / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**
100	Conventional whole life with-profits OB	154	3692	162	n/a	n/a	n/a	706
120	Conventional endowment with-profits OB savings	241	4517	201	n/a	n/a	n/a	2494
125	Conventional endowment with-profits OB target cash	1019	30637	1236	n/a	n/a	n/a	14948
175	Group conventional deferred annuity with-profits	141	1022	275	n/a	n/a	n/a	10015
205	Miscellaneous conventional with-profits	39	379	4	n/a	n/a	n/a	265
210	Additional reserves with-profits OB			23	n/a	n/a	n/a	23
300	Regular premium non-profit WL/EA OB	90	1336	19	n/a	n/a	n/a	857
325	Level term assurance	1005	138870	511	n/a	n/a	n/a	1211
330	Decreasing term assurance	1194	126028	433	n/a	n/a	n/a	664
340	Accelerated critical illness (guaranteed premiums)	638	70167	343	n/a	n/a	n/a	1083
360	Income protection non-profit (guaranteed premiums)	43	2335	13	n/a	n/a	n/a	1

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

Name of insurer **CGNU Life Assurance Limited**
Total business / subfund **With Profit**
Financial year ended **31st December 2006**
Units **£000**
Overseas / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**
390	Deferred annuity non-profit	11	6		n/a	n/a	n/a	39
395	Annuity non-profit (PLA)	4	3		n/a	n/a	n/a	37
400	Annuity non-profit (CPA)	244	1114		n/a	n/a	n/a	13450
410	Group Life	62	1657	10	n/a	n/a	n/a	17
435	Miscellaneous non-profit	16	8832	22	n/a	n/a	n/a	150
440	Additional reserves non-profit OB			22	n/a	n/a	n/a	22

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

Name of insurer **CGNU Life Assurance Limited**
Total business / subfund **With Profit**
Financial year ended **31st December 2006**
Units **£000**
Overseas / Reinsurance ceded external

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**
325	Level term assurance		106665	344	n/a	n/a	n/a	902
330	Decreasing term assurance		99410	311	n/a	n/a	n/a	330
340	Accelerated critical illness (guaranteed premiums)		57277	271	n/a	n/a	n/a	761
360	Income protection non-profit (guaranteed premiums)		1469	8	n/a	n/a	n/a	1
435	Miscellaneous non-profit		3330	24	n/a	n/a	n/a	23
440	Additional reserves non-profit OB			20	n/a	n/a	n/a	20

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

Name of insurer **CGNU Life Assurance Limited**
Total business / subfund **With Profit**
Financial year ended **31st December 2006**
Units **£000**
Overseas / Reinsurance ceded intra-group

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**
120	Conventional endowment with-profits OB savings		703	46	n/a	n/a	n/a	276
125	Conventional endowment with-profits OB target cash		1285	69	n/a	n/a	n/a	126
210	Additional reserves with-profits OB			2	n/a	n/a	n/a	2
325	Level term assurance		1666	7	n/a	n/a	n/a	29
330	Decreasing term assurance		2849	31	n/a	n/a	n/a	(45)
340	Accelerated critical illness (guaranteed premiums)		3934	24	n/a	n/a	n/a	54
440	Additional reserves non-profit OB			2	n/a	n/a	n/a	2

Form 52
(Sheet 1)

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

Name of insurer **CGNU Life Assurance Limited**
Total business / subfund **With Profit**
Financial year ended **31st December 2006**
Units **£000**
UK Life / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**
500	Life UWP single premium	242275	8607888		8307063	8109123	12000	8121123
505	Life UWP whole life regular premium	3655	348043	2807	9420	9721		9721
510	Life UWP endowment regular premium - savings	2	93	2	83	83		83
515	Life UWP endowment regular premium - target cash	8255	336796	9140	56763	57046		57046
575	Miscellaneous UWP		307733		304686	284538		284538
605	Miscellaneous protection rider		5676	128			5	5
605	Miscellaneous protection rider		5802					

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Form 52
(Sheet 2)

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

Name of insurer **CGNU Life Assurance Limited**
Total business / subfund **With Profit**
Financial year ended **31st December 2006**
Units **£000**
UK Life / Reinsurance ceded intra-group

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**
500	Life UWP single premium		3908851		3894932	3788296		3788296
505	Life UWP whole life regular premium		338623					
510	Life UWP endowment regular premium - savings		9					
515	Life UWP endowment regular premium - target cash		320832	6424	40798	40961		40961
605	Miscellaneous protection rider		5676	128			5	5
605	Miscellaneous protection rider		5802					

Form 52
(Sheet 3)

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

Name of insurer **CGNU Life Assurance Limited**
Total business / subfund **With Profit**
Financial year ended **31st December 2006**
Units **£000**
UK Pension / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
525	Individual pensions UWP	41739	1291016	25892	1281315	1272707		1272707
535	Group money purchase pensions UWP	24108	321670	32999	320678	320537		320537
571	Trustee investment plan UWP				133587	131164		131164
575	Miscellaneous UWP	15713	189927	3420		433248		433248
605	Miscellaneous protection rider		8333	372			16	16
610	Additional reserves UWP						1500	1500

Form 52
(Sheet 4)

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

Name of insurer **CGNU Life Assurance Limited**
Total business / subfund **With Profit**
Financial year ended **31st December 2006**
Units **£000**
UK Pension / Reinsurance ceded intra-group

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**
525	Individual pensions UWP		457716	10541	448016	441643		441643
535	Group money purchase pensions UWP		135713	15986	134720	134745		134745
571	Trustee investment plan UWP				45156	43936		43936
605	Miscellaneous protection rider		8333	372			16	16

Form 52
(Sheet 5)

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

Name of insurer **CGNU Life Assurance Limited**
Total business / subfund **With Profit**
Financial year ended **31st December 2006**
Units **£000**
Overseas (other overseas) / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**
525	Individual pensions UWP	3842	167280	5371	166188	165329		165329
571	Trustee investment plan UWP				2619	2604		2604
575	Miscellaneous UWP	112	3914	156		9554		9554
605	Miscellaneous protection rider		916	20			1	1

Form 52
(Sheet 6)

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

Name of insurer	**CGNU Life Assurance Limited**
Total business / subfund	**With Profit**
Financial year ended	**31st December 2006**
Units	**£000**

Overseas (Ireland) / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**
500	Life UWP single premium	2437	93058		93058	92894		92894
525	Individual pensions UWP	318	8368	671	8368	8315		8315
605	Miscellaneous protection rider		21					

Form 52
(Sheet 7)

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

Name of insurer **CGNU Life Assurance Limited**

Total business / subfund **With Profit**

Financial year ended **31st December 2006**

Units **£000**

Overseas (France) / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**
500	Life UWP single premium	2621	137154		135767	134656		134656
505	Life UWP whole life regular premium	160	1359	115	1345	1334		1334

Form 52
(Sheet 8)

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

Name of insurer	**CGNU Life Assurance Limited**
Total business / subfund	**With Profit**
Financial year ended	**31st December 2006**
Units	**£000**

Overseas (Germany) / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**
510	Life UWP endowment regular premium - savings	205	4407	478	3764	3764		3764
525	Individual pensions UWP	71	1282	57	516	516		516

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(Sheet 9)

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

Name of insurer **CGNU Life Assurance Limited**
Total business / subfund **With Profit**
Financial year ended **31st December 2006**
Units **£000**
Overseas (Sweden) / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**
500	Life UWP single premium	2392	98363		97389	95600		95600
510	Life UWP endowment regular premium - savings	344	3242	309	3215	3156		3156
605	Miscellaneous protection rider		6					

Form 52
(Sheet 10)

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

Name of insurer **CGNU Life Assurance Limited**
Total business / subfund **With Profit**
Financial year ended **31st December 2006**
Units **£000**
Overseas (other overseas) / Reinsurance ceded intra-group

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**
525	Individual pensions UWP		35076	1869	34857	34350		34350
571	Trustee investment plan UWP				373	360		360
605	Miscellaneous protection rider		916	20			1	1

Form 52
(Sheet 11)

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

Name of insurer **CGNU Life Assurance Limited**
Total business / subfund **With Profit**
Financial year ended **31st December 2006**
Units **£000**
Overseas (Ireland) / Reinsurance ceded intra-group

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

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(Sheet 12)

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

Name of insurer **CGNU Life Assurance Limited**
Total business / subfund **With Profit**
Financial year ended **31st December 2006**
Units **£000**
Overseas (Sweden) / Reinsurance ceded intra-group

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

Form 52
(Sheet 13)

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

Name of insurer **CGNU Life Assurance Limited**
Total business / subfund **Stakeholder**
Financial year ended **31st December 2006**
Units **£000**
UK Pension / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**
525	Individual pensions UWP	50695	555669	40159	555669	557701	5129	562830
535	Group money purchase pensions UWP	19874	172549	30227	172549	172778	1225	174002

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(Sheet 14)

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

Name of insurer **CGNU Life Assurance Limited**
Total business / subfund **Stakeholder**
Financial year ended **31st December 2006**
Units **£000**
UK Pension / Reinsurance ceded intra-group

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**
525	Individual pensions UWP		273601	19610	273601	274599	5129	279728
535	Group money purchase pensions UWP		88533	15161	88533	88642	1225	89867

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Form 53
(Sheet 1)

Long term insurance business : Valuation summary of property linked contracts

Name of insurer	**CGNU Life Assurance Limited**
Total business / subfund	**With Profit**
Financial year ended	**31st December 2006**
Units	**£000**

UK Life / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**
700	Life property linked single premium	255462	8443450		8163592	8163592	(221655)	7941938
710	Life property linked whole life regular premium	10242	1005420	5378	17202	17202	727	17929
715	Life property linked endowment regular premium - savings	19	5251	14	538	538	7	545
720	Life property linked endowment regular premium - target cash	4459	353513	4704	41354	41354	500	41854
790	Miscellaneous protection rider		13931	93			4	4
790	Miscellaneous protection rider		3525					
795	Miscellaneous property linked		110449	412			17	17
800	Additional reserves property linked						69031	69031

Long term insurance business : Valuation summary of property linked contracts

Name of insurer **CGNU Life Assurance Limited**
Total business / subfund **With Profit**
Financial year ended **31st December 2006**
Units **£000**
UK Life / Reinsurance ceded intra-group

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**
700	Life property linked single premium		8205347		8163592	8163592	(241318)	7922274
710	Life property linked whole life regular premium		926784	4943	17202	17202	716	17918
715	Life property linked endowment regular premium - savings		226	12	226	226	1	227
720	Life property linked endowment regular premium - target cash		230559	4443	41354	41354	432	41786
790	Miscellaneous protection rider		13931	93			4	4
790	Miscellaneous protection rider		3525					

Form 53
(Sheet 3)

Long term insurance business : Valuation summary of property linked contracts

Name of insurer **CGNU Life Assurance Limited**
Total business / subfund **With Profit**
Financial year ended **31st December 2006**
Units **£000**
UK Pension / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**
725	Individual pensions property linked	340170	8204736	324118	8000570	8000570	30488	8031058
735	Group money purchase pensions property linked	318579	3094762	350224	3083678	3083678	56133	3139811
755	Trustee investment plan				384339	384339	(1038)	383301
790	Miscellaneous protection rider		32271	1360			57	57
795	Miscellaneous property linked		570	2				

Form 53
(Sheet 4)

Long term insurance business : Valuation summary of property linked contracts

Name of insurer **CGNU Life Assurance Limited**
Total business / subfund **With Profit**
Financial year ended **31st December 2006**
Units **£000**
UK Pension / Reinsurance ceded intra-group

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**
725	Individual pensions property linked		8068261	321099	8000570	8000570	18470	8019040
735	Group money purchase pensions property linked		3086823	349765	3083678	3083678	51235	3134913
755	Trustee investment plan				384339	384339	(1453)	382886
790	Miscellaneous protection rider		32271	1360			57	57

Form 53
(Sheet 5)

Long term insurance business : Valuation summary of property linked contracts

Name of insurer **CGNU Life Assurance Limited**
Total business / subfund **With Profit**
Financial year ended **31st December 2006**
Units **£000**
Overseas (Ireland) / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**
700	Life property linked single premium	713	11752		11752	11752	418	12171
725	Individual pensions property linked	809	13211	759	13211	13211	543	13754
790	Miscellaneous protection rider		27	1				

Form 53
(Sheet 6)

Long term insurance business : Valuation summary of property linked contracts

Name of insurer **CGNU Life Assurance Limited**
Total business / subfund **With Profit**
Financial year ended **31st December 2006**
Units **£000**
Overseas (France) / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**
700	Life property linked single premium	1354	59566		58977	58977		58977
710	Life property linked whole life regular premium	83	674	74	668	668		668

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Form 53
(Sheet 7)

Long term insurance business : Valuation summary of property linked contracts

Name of insurer **CGNU Life Assurance Limited**
Total business / subfund **With Profit**
Financial year ended **31st December 2006**
Units **£000**
Overseas (Germany) / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**
715	Life property linked endowment regular premium - savings	327	4069	256	1163	1163	2222	3385
725	Individual pensions property linked	28	534	23	113	113	278	392

Long term insurance business : Valuation summary of property linked contracts

Name of insurer **CGNU Life Assurance Limited**
Total business / subfund **With Profit**
Financial year ended **31st December 2006**
Units **£000**
Overseas (Sweden) / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**
700	Life property linked single premium	275	3587		3525	3525	10	3535
715	Life property linked endowment regular premium - savings	300	2578	187	2546	2546	1	2547
790	Miscellaneous protection rider		17					

Long term insurance business : Valuation summary of property linked contracts

Name of insurer **CGNU Life Assurance Limited**
Total business / subfund **With Profit**
Financial year ended **31st December 2006**
Units **£000**
Overseas (other overseas) / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**
725	Individual pensions property linked	8230	110985	12679	109417	109417	567	109984
755	Trustee investment plan				1253	1253	(24)	1229
790	Miscellaneous protection rider		1912	36			1	1

Form 53
(Sheet 10)

Long term insurance business : Valuation summary of property linked contracts

Name of insurer **CGNU Life Assurance Limited**
Total business / subfund **With Profit**
Financial year ended **31st December 2006**
Units **£000**
Overseas (Ireland) / Reinsurance ceded intra-group

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**
700	Life property linked single premium		11752		11752	11752		11752
725	Individual pensions property linked		13211	721	13211	13211	510	13721
790	Miscellaneous protection rider		27	1				

Long term insurance business : Valuation summary of property linked contracts

Name of insurer **CGNU Life Assurance Limited**
Total business / subfund **With Profit**
Financial year ended **31st December 2006**
Units **£000**
Overseas (Germany) / Reinsurance ceded intra-group

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**
715	Life property linked endowment regular premium - savings		4069	248	1163	1163	515	1679
725	Individual pensions property linked		534	22	113	113	50	163

Form 53
(Sheet 12)

Long term insurance business : Valuation summary of property linked contracts

Name of insurer **CGNU Life Assurance Limited**
Total business / subfund **With Profit**
Financial year ended **31st December 2006**
Units **£000**
Overseas (Sweden) / Reinsurance ceded intra-group

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**
700	Life property linked single premium		3525		3525	3525		3525
715	Life property linked endowment regular premium - savings		2546	172	2546	2546	1	2547
790	Miscellaneous protection rider		17					

Form 53
(Sheet 13)

Long term insurance business : Valuation summary of property linked contracts

Name of insurer **CGNU Life Assurance Limited**
Total business / subfund **With Profit**
Financial year ended **31st December 2006**
Units **£000**
Overseas (other overseas) / Reinsurance ceded intra-group

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**
725	Individual pensions property linked		110919	12539	109417	109417	(39)	109378
755	Trustee investment plan				1253	1253	(24)	1229
790	Miscellaneous protection rider		1912	36			1	1

Long-term insurance business - analysis of valuation interest rates

Name of insurer **CGNU Life Assurance Limited**

Total business / subfund **With Profit**

Financial year ended **31st December 2006**

Units £000

Product group	Net mathematical reserves	Net valuation interest rate	Gross valuation interest rate	Risk adjusted yield on matching assets
1	**2**	**3**	**4**	**5**
UK L&GA WP Form 51	2402788	2.90	3.25	4.81
UK L&GA NP Form 51	171434	2.90	3.63	4.74
UK Pens WP Form 51	183923		3.70	4.81
UK Pens WP Form 51 Immediate Annuities	27945		2.00	4.81
UK Pens NP Form 51 Deferred Annuities	84473		3.60	4.74
UK Pens NP Form 51 Annuity in Payment	531024		4.20	4.99
UK L&GA WP Form 52	4488234	3.55	3.98	4.81
UK L&GA WP Form 52 NUIL	297546		4.00	4.81
UK Pens WP Form 52	1138245		4.00	4.81
UK Pens WP Form 52 SEDA	444281		3.70	4.81
OS WP Form 52	483682		4.00	4.81
UK L&GA NP Form 53	90931	3.40	4.25	4.74
UK Pens NP Form 53	18199		4.20	4.74
Misc	120156	n/a	n/a	
Total:	**10482861**	n/a	n/a	n/a

Long-term insurance business - analysis of valuation interest rates

Name of insurer **CGNU Life Assurance Limited**

Total business / subfund **Stakeholder**

Financial year ended **31st December 2006**

Units £000

Product group	Net mathematical reserves	Net valuation interest rate	Gross valuation interest rate	Risk adjusted yield on matching assets
1	**2**	**3**	**4**	**5**
UK Pens WP Form 52	381485		4.00	4.81
Total:	**381485**	n/a	n/a	n/a

Long term insurance business : distribution of surplus

Name of insurer **CGNU Life Assurance Limited**

Total business/subfund **Summary**

Financial year ended **31st December 2006**

Units **£000**

		Financial year	Previous year
		1	2
Valuation result			
Fund carried forward	11	10864366	11072759
Bonus payments in anticipation of a surplus	12	102145	22724
Transfer to non-technical account	13	34463	24934
Transfer to other funds/parts of funds	14		
Subtotal (11 to 14)	15	11000974	11120417
Mathematical reserves	21	10634675	10856538
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	366299	263879
Composition of Surplus			
Balance brought forward	31	20	20
Transfer from non-technical account	32		
Transfer from other funds/parts of funds	33		
Surplus arising since the last valuation	34	366279	263859
Total	39	366299	263879
Distribution of Surplus			
Bonus paid in anticipation of a surplus	41	102145	22724
Cash bonuses	42		
Reversionary bonuses	43	229671	216201
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	331816	238925
Net transfer out of fund/part of fund	47	34463	24934
Total distributed surplus (46+47)	48	366279	263859
Surplus carried forward	49	20	20
Total (48+49)	59	366299	263879
Percentage of distributed surplus allocated to policyholders			
Current year	61		
Current year - 1	62		
Current year - 2	63		
Current year - 3	64		

Long term insurance business : distribution of surplus

Name of insurer **CGNU Life Assurance Limited**

Total business/subfund **With Profit**

Financial year ended **31st December 2006**

Units **£000**

		Financial year	Previous year
		1	2
Valuation result			
Fund carried forward	11	10482881	10719096
Bonus payments in anticipation of a surplus	12	97178	21837
Transfer to non-technical account	13	34463	24934
Transfer to other funds/parts of funds	14		
Subtotal (11 to 14)	15	10614522	10765867
Mathematical reserves	21	10267438	10514197
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	347084	251670
Composition of Surplus			
Balance brought forward	31	20	20
Transfer from non-technical account	32		
Transfer from other funds/parts of funds	33		
Surplus arising since the last valuation	34	347064	251650
Total	39	347084	251670
Distribution of Surplus			
Bonus paid in anticipation of a surplus	41	97178	21837
Cash bonuses	42		
Reversionary bonuses	43	215423	204879
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	312601	226716
Net transfer out of fund/part of fund	47	34463	24934
Total distributed surplus (46+47)	48	347064	251650
Surplus carried forward	49	20	20
Total (48+49)	59	347084	251670
Percentage of distributed surplus allocated to policyholders			
Current year	61	90.07	90.09
Current year - 1	62	90.09	90.09
Current year - 2	63	90.09	90.10
Current year - 3	64	90.10	90.07

Long term insurance business : distribution of surplus

Name of insurer **CGNU Life Assurance Limited**

Total business/subfund **Stakeholder**

Financial year ended **31st December 2006**

Units **£000**

		Financial year	Previous year
		1	2
Valuation result			
Fund carried forward	11	381485	353663
Bonus payments in anticipation of a surplus	12	4967	887
Transfer to non-technical account	13		
Transfer to other funds/parts of funds	14		
Subtotal (11 to 14)	15	386452	354550
Mathematical reserves	21	367237	342341
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	19215	12209
Composition of Surplus			
Balance brought forward	31		
Transfer from non-technical account	32		
Transfer from other funds/parts of funds	33		
Surplus arising since the last valuation	34	19215	12209
Total	39	19215	12209
Distribution of Surplus			
Bonus paid in anticipation of a surplus	41	4967	887
Cash bonuses	42		
Reversionary bonuses	43	14248	11322
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	19215	12209
Net transfer out of fund/part of fund	47		
Total distributed surplus (46+47)	48	19215	12209
Surplus carried forward	49		
Total (48+49)	59	19215	12209
Percentage of distributed surplus allocated to policyholders			
Current year	61	100.00	100.00
Current year - 1	62	100.00	100.00
Current year - 2	63	100.00	100.00
Current year - 3	64	100.00	100.00

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

Name of insurer **CGNU Life Assurance Limited**

Original insurer **CGNU Life Assurance Limited**

Date of maturity value/open market option **1st March 2007**

Category of with-profits policy	Original term (years)	Maturity value/ open market option	Terminal bonus	MVA	CWP/UWP	MVA permitted?	Death benefit
1	2	3	4	5	6	7	8
Endowment assurance	10	7001	805	N/A	CWP	N	7001
Endowment assurance	15	13696	1786	N/A	CWP	N	13696
Endowment assurance	20	25284	4214	N/A	CWP	N	25284
Endowment assurance	25	47459	11775	N/A	CWP	N	47459
Regular premium pension	5	15947	2721	0	UWP	N	15947
Regular premium pension	10	30386	2632	0	UWP	N	30386
Regular premium pension	15	59649	7818	0	UWP	N	59649
Regular premium pension	20	140456	12540	N/A	CWP	N	140456
Single premium pension	5	15397	3273	0	UWP	N	15397
Single premium pension	10	18605	1844	0	UWP	N	18605
Single premium pension	15	33687	7573	0	UWP	N	33687
Single premium pension	20	63994	4740	N/A	CWP	N	63994

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

Name of insurer **CGNU Life Assurance Limited**

Original insurer **CGNU Life Assurance Limited**

Date of surrender value **1st March 2007**

Category of with-profits policy	Duration at surrender (years)	Surrender value	Terminal bonus	MVA	CWP/UWP	MVA permitted?	Death benefit
1	2	3	4	5	6	7	8
Endowment assurance	5	1437	N/A	N/A	CWP	N	13160
Endowment assurance	10	6243	N/A	N/A	CWP	N	17444
Endowment assurance	15	13093	N/A	N/A	CWP	N	23288
Endowment assurance	20	24923	N/A	N/A	CWP	N	31624
With-profits bond	2	11448	1084	0	UWP	Y	12033
With-profits bond	3	12787	1987	0	UWP	Y	13138
With-profits bond	5	13453	2052	0	UWP	Y	13567
With-profits bond	10	16622	1231	0	UWP	Y	16776
Single premium pension	2	12168	1494	0	UWP	Y	12168
Single premium pension	3	13857	2859	0	UWP	Y	13857
Single premium pension	5	15397	3273	0	UWP	Y	15397
Single premium pension	10	18605	1844	0	UWP	Y	18605

Long term insurance capital requirement

Name of insurer **CGNU Life Assurance Limited**

Global business

Financial year ended **31st December 2006**

Units **£000**

		LTICR factor	Gross reserves / capital at risk	Net reserves / capital at risk	Reinsurance factor	LTICR Financial year	LTICR Previous year
		1	2	3	4	5	6
Insurance death risk capital component							
Life protection reinsurance	11	0.0%	259186	259186			
Classes I (other), II and IX	12	0.1%	34144	11858	0.50	17	129
Classes I (other), II and IX	13	0.15%					
Classes I (other), II and IX	14	0.3%	22194494	5330253		33292	39289
Classes III, VII and VIII	15	0.3%	3253351	1046166	0.50	4880	4536
Total	16		25741175	6647463		38189	43954
Insurance health risk and life protection reinsurance capital component							
Class IV, supplementary classes 1 and 2 and life protection reinsurance	21					3526	3526
Insurance expense risk capital component							
Life protection and permanent health reinsurance	31	0.0%					
Classes I (other), II and IX	32	1%	4892392	4667451	0.95	46675	43197
Classes III, VII and VIII (investment risk)	33	1%	14139940	8846514	0.85	120189	118203
Classes III, VII and VIII (expenses fixed 5 yrs +)	34	1%	6045804	1310910	0.85	51389	29001
Classes III, VII and VIII (other)	35	25%				95	66
Class IV (other)	36	1%	30826	30826	1.00	308	179
Class V	37	1%					
Class VI	38	1%	2105	2105	1.00	21	15
Total	39					218677	190661
Insurance market risk capital component							
Life protection and permanent health reinsurance	41	0.0%	169	169			
Classes I (other), II and IX	42	3%	4892392	4667451	0.95	140024	129591
Classes III, VII and VIII (investment risk)	43	3%	13120662	7827236	0.85	334577	354608
Classes III, VII and VIII (expenses fixed 5 yrs +)	44	0%	6045804	1310910			
Classes III, VII and VIII (other)	45	0%	13630565	755523			
Class IV (other)	46	3%	30826	30826	1.00	925	536
Class V	47	0%					
Class VI	48	3%	2105	2105	1.00	63	44
Total	49		37722523	14594220		475589	484779
Long term insurance capital requirement	51					735981	722920

Supplementary notes

Name of insurer **CGNU Life Assurance Limited**

Global business

Financial year ended **31st December 2006**

Code

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

		2006 £000
i)	Net admissible assets	
	Form 13 Line 89 (Long term business)	15,833,586
	Form 13 Line 89 (Other than long term business)	38,834
	Form 14 Lines 11, 12 and 49	(11,866,085)
	Form 15 Line 69	(207)
		4,006,128
ii)	Components of Capital resources that are treated as a liability	-
iii)	Components of capital resources not included in ii) that arise as a result of a waiver and are not represented by admissible assets included in Form 13	-
iv)	Any other items – Capital resources requirement of regulated related insurance undertakings	-
	Total i) to iv) above	4,006,128
	Form 3, line 79	4,006,128

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

		2006 £000
i)	Positive valuation differences in respect of assets where valuation in GENPRU AND INSPRU exceeds the valuation that the firm uses for external financial reporting purposes	**-**
ii)	Positive valuation differences in respect of liabilities where valuation in GENPRU AND INSPRU is lower than the valuation that the firm uses for external financial reporting purposes	1,695,355
iii)	Negative valuation differences in respect of assets where valuation in GENPRU AND INSPRU is lower than the valuation that the firm uses for external financial reporting purposes	(2,851)
iv)	Negative valuation differences in respect of liabilities where valuation in GENPRU AND INSPRU exceeds the valuation that the firm uses for external financial reporting purposes	-
	Net positive valuation difference included in line 14 /(35)	1,692,504

The amounts included at line ii) represent the differences in respect of technical provisions and Irish Branch exchange differences.

The amounts included at line iii) represent prior year transfers from the PHI fund.

1201 Reference period

Line 11 uses a reference period of 24 months, since the category of business reported through Form 12 was not written in the Company prior to that period. A reference period of 36 months would result in a distorted annualised claims figure in line 31.

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

The company held hybrid securities of £360.3m in the Long Term Insurance Fund.

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

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

Supplementary notes

Name of insurer **CGNU Life Assurance Limited**

Global business

Financial year ended **31st December 2006**

Code

1305 Counterparty limits during the year
1319 Counterparty limits during the year

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

Deposits
The maximum permitted exposure to counterparties is set out in the lending limit list approved by the Group Risk Committee.

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

Equities
The maximum of a company's equity held by all funds is limited to 19.99%. Unquoted holdings are limited to 2.4% of the fund.

Fixed
Exposure to non-government bonds is limited to holdings which are deemed to be of a suitable quality determined by senior investment management. Private placements are limited to 2% of the non-government bond portfolio.

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

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

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

1308 Aggregate value of unlisted investments, etc. - long term insurance business

The long-term fund held £1,091.4m in unlisted securities and £304.8m of units in unregulated collective investment schemes. There were no holdings in listed companies, which are not readily realisable, or reversionary interests or remainders in property.

1318 Other asset adjustments

	£'000
Premium debt restriction	34,571
Gross up of Derivatives	2,341
Irish Branch exchange difference	(1,247)
Inter company gross up	(202)
Other asset adjustments included in Form 13 line 100	35,463

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

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

Supplementary notes

Name of insurer **CGNU Life Assurance Limited**

Global business

Financial year ended **31st December 2006**

Code

1402 Contingent liabilities, etc.

There are no charges over any assets of the Company.

Included in deferred tax liabilities at line 21 of Form 14 is an amount of £374m comprising a full provision for potential capital gains tax on unrealised gains and run-off of tax acquisition expenses.

There are no contingent liabilities not included on the Form.

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

1404 Implicit provision for derivative contracts

Included in line 38 is £18m relating to provision required by INSPRU 3.2.17R(3)

1405 Other adjustments to liabilities

	£'000
Gross up of Derivatives	2,341
Technical provisions adjustment	1,694,841
Irish Branch exchange differences	(733)
Inter company gross up	(202)
Other adjustments to liabilities included in Form 14 line 74	1,696,247

1502 Contingent liabilities, etc.

There are no charges over any assets of the Company.

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

There are no contingent liabilities not included on the Form.

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

1601 Basis of conversion of foreign currency

Assets and liabilities in currencies other than sterling have been translated into sterling at rates of exchange ruling at 31 December 2006. Revenue items in currencies other than sterling have been translated into sterling at an average rate of exchange for the year.

1700 Form omitted

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

1701 Variation margin

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

	£'000
Form 13 line 44	Nil

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

Supplementary notes

Name of insurer	**CGNU Life Assurance Limited**
Global business	
Financial year ended	**31st December 2006**

Code

4006 Apportionment of items between different long term business funds

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

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

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

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

4008 Provision of management services

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

4009 Related party transactions

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

1)	Connected Party	Norwich Union Life & Pensions Limited	
	Nature of relationship	Fellow group undertaking	
	Nature of transactions during the period	**Reinsurance ceded**	
	Value of transactions during the period	Premiums	£5,310m
		Claims	£1,835m
		Commission	£236m
		Expenses	£154m
	Nature of transactions during the period	**Reinsurance accepted**	
	Value of transactions during the period	Premiums	£113m
		Claims	£40m
		Expenses	(£8)m
	Amounts unpaid at the end of the period	£44m owed to Norwich Union Life & Pensions Limited	
	Amounts written off in the period	£nil	
2)	Connected Party	Commercial Union Life Assurance Company Limited	
	Nature of relationship	Fellow group undertaking	
	Nature of transactions during the period	**Reinsurance ceded**	
	Value of transactions during the period	Premiums	£366m
		Claims	£1,206m
		Commission	£16m
		Expenses	£21m
	Amounts unpaid at the end of the period	£17m owed to Commercial Union Life Assurance Company Limited	
	Amounts written off in the period	£nil	

4401 Basis of valuation in internal linked funds

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

Supplementary notes

Name of insurer **CGNU Life Assurance Limited**

Global business

Financial year ended **31st December 2006**

Code

4502 Other Income

Other income comprises the following balance:

	2006
	£'000
Recapture of unit linked reinsurance	33,121

4701 The number of new group schemes for which there is no record of benefits at member level is as follows, divided by product code.

Code	Number of schemes
415	0
571	12
755	735

4704 Single premiums shown on Form 41 differ from single premiums shown on Form 47. This is due to Form 41 including a one off payment from CGNU to Norwich Union Life & Pensions Limited Provident Mutual fund in return for AMC's and expenses in future years. The amount of this payment is £7,740,000 for UK Life, and £121,260,000 for UK Pensions categories.

4802 Expected income where payment of interest is in default

There is a reduction of income where payment of interest is in default. The amount of interest involved is £13k.

4803 Redemption of securities

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

4804 Yields for other assets

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

	Yield
Interest bearing debtors	5.13%
Non-interest bearing debtors	0.00%
Loans secured by mortgages	5.71%
Loans to group undertakings	7.63% and 5.70%
Loans secured by insurance policies	8.50%

4806 Returns on assets backing with-profits liabilities

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

4901 Rating agency

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

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

Supplementary notes

Name of insurer **CGNU Life Assurance Limited**

Global business

Financial year ended **31st December 2006**

Code

5101/5201/5301

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

Note	Code	Number of schemes
5101	415	79
5201	571	1,062
5301	755	2,186

5203 Since 1% of gross mathematical reserves = £357m, then any miscellaneous product codes that exceed £10m are mentioned below.

Product 575 Miscellaneous UWP

UK Life Gross
Norwich Union International Limited With Profit Bond and Core Funds Bond £284.5m.

UK Pension Gross
Retirement Annuity £433.2m

5104 Mathematical reserves for product codes 395 and 400 are approximated in UK Life and Overseas categories. Values are calculated using the proportion of benefit amount attributable to each of the two codes multiplied by the total reserve for annuities in payment.

6002 The mathematical reserves after deduction for reinsurance as shown in Form 60, exceed the actual reserves as shown in Form 58 by 3,729,875 (£000). 1,756,034 (£000) of this excess represents the unit liabilities in respect of the UK Life, Irish Life, and Pensions Guaranteed Funds, which are reinsured to Norwich Union Life & Pensions Limited (NUL&P). Although the unit liabilities are reinsured, the guarantee on the fifth anniversary of investment is retained by the Company. The presentation adopted in Form 60 ensures that the Company provides the long term insurance capital requirement in relation to these liabilities. The remainder of the excess, 1,973,841 (£000), relates to Unit Linked business which is subject to reinsurance between NUL&P and CGNU Life Assurance Limited (CGNU). These reserves are shown on Form 60 but not on Form 58 because although the reserves are held within NUL&P, CGNU accepts the risk associated with the reserves. The presentation adopted in Form 60 ensures that CGNU provides the long term insurance capital requirement in relation to these reserves.

1. Introduction

(1) The **valuation date** is 31 December 2006.

(2) The previous valuation was completed with an effective date of 31 December 2005.

(3) An interim valuation was carried out with an effective date of 30 June 2006 for the purposes of rule 9.3A.

2. Product Range

A new inflation-protected guarantee for with-profit fund investments made in the Portfolio investment bond was introduced from 30 January 2006. The guarantee applies to money held in the with-profit fund for at least five years and moved out in full on any subsequent date.

The following products have been withdrawn during the financial year:

Executive Personal Pension
Free Standing AVC
Pension Buy Out Plan (Section 32)

A new product the "Norwich Union Stakeholder Pension" was sold from 10 April 2006.

This fund is open to new with-profit business.

3. Discretionary charges and benefits

(1) The table below shows the period during which a market value reduction (MVR) applied during 2006. The table is separated by class of business and by year of unit purchase. Entries marked 'N/A' imply that an MVR was not applied to units for that product/year of purchase combination during 2006. Units purchased in a year that is not shown were not subject to an MVR during 2006.

Product	UWP Life (explicitly-charged business)	UWP Life (implicitly charged business excl Bond 2000)	UWP Life (Bond 2000)	UWP Pensions (explicitly-charged business excl Stakeholder)	UWP Pensions (implicitly-charged business)	UWP Pensions (Stakeholder)	UWP Life business reinsured from NUIL
1997	(N/A)	(N/A)	(N/A)	(N/A)	(N/A)	(N/A)	(N/A)
1998	(N/A)	01/01/06 - 31/12/06	(N/A)	(N/A)	01/01/06 - 31/12/06	(N/A)	(N/A)
1999	(N/A)	01/01/06 - 31/12/06	(N/A)	(N/A)	01/01/06 - 31/12/06	(N/A)	(N/A)
2000	(N/A)	01/01/06 - 31/12/06	01/01/06 - 31/12/06	(N/A)	01/01/06 - 31/12/06	(N/A)	(N/A)
2001	(N/A)	(N/A)	(N/A)	(N/A)	(N/A)	(N/A)	(N/A)

Irish business:

No MVRs have been applied throughout 2006.

French business:

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

German business:

MVRs are calculated on a case-by-case basis. No MVRs have been applied throughout 2006.

Swedish business:

MVRs used are the same as for implicitly charged pensions.

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

No MVRs have been applied during 2006.

(2) There have been no changes to premiums on reviewable protection policies.

(3) The fund does not have any non-profit deposit administration benefits.

(4) **Service charge increases:**

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

The monthly administration charge increased by 2.8%, except for Irish products where the charge increased by 2.4%.

Ex-GA products

The monthly administration charge increased by 4.2% on Life and Pensions products.

(5) There have been no changes to benefit charges on linked policies.

(6) There have been no changes to notional charges on accumulating with-profit policies. There were no changes to unit management charges.

(7) One pool of assets is operated for each internal linked fund. Asset units are created and cancelled at either the asset offer price or the asset bid price depending upon the prevailing basis of the fund and using the most recently available price. The pricing basis is set depending upon the short and medium term expectation of whether the associated internal linked fund will be in a net inflow or outflow position. This includes sales and purchases by Managed funds.

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

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

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

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

For funds with an excess of realised/unrealised gains over losses the percentage used for gains and losses varied by fund in the range 17.5% to 20% during the year to 31 December 2006.

Credit is also applied to unit prices for accumulated realised losses and unrealised losses. For funds with an excess of realised/unrealised losses over gains the percentage used for gains and losses varied by fund in the range 13% to 19.5% during the year to 31 December 2006.

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

4. Valuation basis (other than for special reserves)

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

(1) **Valuation methodology**

£10m is less than 1% of gross mathematical reserves = £357m. Therefore £10m has been used as the materiality limit for this section.

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

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

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

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

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

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

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

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

Provision is made for future expenses on the basis of the charges made to the Company under the Management Services Agreement with Norwich Union Life Services assuming future inflation at 4.01% per annum.

Principles adopted in the valuation of particular contracts were:

(a) The reserve for single premium group and individual term assurance contracts was the single premium and for Group Decreasing Term Assurance contracts the reserve was one year's office premium for annual premium contracts and the unearned proportion of the premium on the 24ths basis for single premium contracts, plus an appropriate reserve for profit sharing.

(b) Retirement Annuities by recurring single premiums were valued using a prospective bonus reserve valuation. The valuation assumes that future regular bonuses are nil. Allowance is made for the excess, if any, of the value of benefits purchased by future premiums at the current level over the value of such premiums.

(c) Equity Endowment Assurances were valued by taking the Bid Prices of the Units deemed to have been purchased at the valuation date and adding 1/12 of the total annual premium payable.

(d) For contracts with benefits linked to the internal linked funds of NUL&P the unit liability was taken as the value of units deemed allocated to the policies in the internal linked funds of those companies.

(e) Unitised With Profit business is valued initially by determining the lower of:

   (i) the current non-guaranteed surrender value and

   (ii) the amount of this benefit after removal of final bonus/MVR.

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

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

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

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

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

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

Debts that have been imposed on assurances have been ignored.

(g) Amounts in overseas currencies were converted to sterling using rates of exchange current at the valuation date.

(h) The reserve for the Irish and German term assurance contracts was taken as one year's premium.

(i) The reserve for waiver of premium benefits attaching to endowment assurance, term assurance and decreasing term assurance contracts has been taken as one year's premium.

(j) The Company has a liability for some Creditor business (reserve: £30.8m). The methodology for the valuation of this business is outlined in detail in the Appendix 9.4 report for the NUL&P NP fund.

(2) **Valuation interest rates:**

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

Product Group	31 December 2006	31 December 2005
Life Assurances		
All Conventional With-Profit business	2.9%	3.1%
All Conventional Non-Profit business	2.9%	2.9%
All Unitised With Profit business	3.55%	3.55%
Pensions and General Annuities		
Immediate Annuities (currently in payment)	4.2%	4.2%
With-Profit Deferred Annuity In payment In deferment	 3.7% 3.7%	 3.9% 3.9%
Non-Profit Deferred Annuity In payment In deferment	 3.6% 3.6%	 3.6% 3.6%
Pure Endowment WP	3.7%	3.9%
In-payment rate for valuing Guaranteed Annuity Options	3.7%	3.9%
Other Non-Profit Conventional business	3.6%	3.6%
All Unitised With-Profit business	4.0%	4.15%
With Profit Annuity	2.0%	2.0%

(3) **Adjustment to yield for credit risk**

Equity/Property assets

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

In the case of equity, the cap is the Long Term Gilt Yield + 2%. The cap reduces the average yield on equities by approximately 0.10%. In the case of property, the cap is also the Long Term Gilt Yield + 2%. The cap reduces the average yield on property by approximately 0.02%.

This is because the yields on the Company's property are currently low (average 4.2%) compared to gilt yields, with 96% of the business having a yield below 6%. This implies that much of the credit risk has already been taken into account in the calculation of the base running yields.

Fixed interest securities

The allowance for credit risk will vary depending on the credit rating of the bond. The table below shows the allowances used.

Corporate Bond Deductions								
Rating	AAA	AA	A	BBB	BB	B	C	Alternative Investments
Deduction	0.09%	0.28%	0.32%	0.67%	1.68%	3.10%	4.95%	0.69%

For the purposes of the valuation a single deduction was calculated and applied to all bonds. This was an average of the allowances for securities with different credit ratings, weighted by the bonds' market values at 30 November 2006 plus an additional margin.

The deduction used was 0.48%. It applies to all fixed interest securities except Approved fixed interest (gilts and other bonds issued by approved UK and international public sector bodies).

For Mortgages, a deduction of 0.50% was used, while for Deposits, the equivalent deduction was 0.10%.

(4) **Mortality assumptions**

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

Product	Mortality basis 31 December 2006	Mortality basis 31 December 2005
CGNU Life Assurances		
Whole life and Endowments; Decreasing Term Assurance on Low Cost Endowment and Whole Life; Group & IPA Term Assurance; Contingent Assurances	80% AM92/85% AF92 (Non-Smoker) 210% AM92/250% AF92 (Smoker)	80% AM92/85% AF92 (Non-Smoker) 210% AM92/250% AF92 (Smoker)
Unitised With Profits	120% AM92/AF92	120% AM92/AF92
Term assurance (Non-Profit)	75% TM92/75% TF92 (NS) 160% TM92/220% TF92 (S)	75% TM92/75% TF92 (NS) 150% TM92/220% TF92 (S)
Mortgage Protection (Non-Profit)	85% TM92/90% TF92 (NS) 165% TM92/210% TF92 (S)	85% TM92/90% TF92 (NS) 165% TM92/210% TF92 (S)
Other term	1x premium	1x premium
Lifecover plus	Lifecover plus 93	Lifecover plus 93
CGNU General Annuities		
Immediate Annuities – Individual	74% IML00/77% IFL00	69% IML00/72% IFL00
Immediate Annuities – Group; GAOs in payment	90.5% PCMA00/85% PCFA00 (assume all business pre 1/1/03)	86% PCMA00/80% PCFA00 (assume all business pre 1/1/03)
Individual deferred annuity In deferment Post vesting	 50% AM92/50% AF92 74% IML00/77% IFL00	 50% AM92/50% AF92 69% IML00/72% IFL00
Group deferred annuity In deferment Post vesting	 50% AM92/50% AF92 90.5% PCMA00/85% PCFA00	 50% AM92/50% AF92 86% PCMA00/80% PCFA00
CGNU Pensions Business		
Immediate Annuities; With profit Annuity	90.5% PCMA00/85% PCFA00	86% PCMA00/80% PCFA00
GAOs in payment	90.5% PCMA00/85% PCFA00	86% PCMA00/80% PCFA00
Pure Endowment	50% AM92/50% AF92	50% AM92/50% AF92
Whole Life & Endowment Insurance Group Term Assurance	AM92/AF92	AM92/AF92
Unitised With Profits	50% AM92/AF92	90% AM92/AF92
Term assurance	75% TM92/75% TF92 (NS) 160% TM92/220% TF92 (S)	75% TM92/75% TF92 (NS) 150% TM92/220% TF92 (S)
Deferred Annuity Reversionary Annuity In deferment Post vesting	 50% AM92/50% AF92 90.5% PCMA00/85% PCFA00	 50% AM92/50% AF92 86% PCMA00/80% PCFA00
Widows Death in Service In deferment Post vesting	 AM92/AF92 90.5% PCMA00/85% PCFA00	 AM92/AF92 86% PCMA00/80% PCFA00
Current Cost Term Insurance	1 periodic premium	1 periodic premium

Notes on tables:

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

	31 December 2006	31 December 2005
Males	100% of Medium Cohort, minimum 2.0%, applicable from 2005	100% of Medium Cohort, minimum 2.0%, applicable from 2005
Females	75% of Medium Cohort, minimum 1.5%, applicable from 2005	75% of Medium Cohort, minimum 1.5%, applicable from 2005

- There are no products where the assurance mortality basis is expressed as 'modified table'.

Expectation of Life

The table below shows the required examples for expectation of life using the base mortality tables, percentage adjustments and improvement factors quoted above.

Table Description	Expectation of Life for annuitant aged 65 in 2006	Expectation of Life for annuitant aged 75 in 2006	Expectation of Life from age 65 for annuitant aged 45 in 2006	Expectation of Life from age 65 for annuitant aged 55 in 2006
90.5% of PCMA00 plus 100% CMI_Medium_Cohort, min 2%, applied from 2005	23.076	13.952	27.552	25.252
85% of PCFA00 plus 75% CMI_Medium_Cohort, min 1.5%, applied from 2005	25.228	15.886	28.289	26.731
74% IML00 plus 100% CMI_Medium_Cohort, min 2%, applied from 2005	25.201	15.540	29.534	27.313
77% IFL00 plus 75% CMI_Medium_Cohort, min 1.5%, applied from 2005	26.937	16.910	29.839	28.359

Allowance for future changes in mortality where not implicit in the basis:

There are no explicit reserves for alterations to mortality. All future changes are made to the tables used to calculate base mathematical reserves.

Allowance/reserve for:

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

(b) developments in medical science on the mortality experience of the insurer:

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

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

(5) **Morbidity assumptions**

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

Age	Male Non-Smoker	Male Smoker	Female Non-Smoker	Female Smoker
25	1.16	1.41	0.74	1.00
35	1.51	2.28	1.74	1.90
45	3.54	7.63	3.78	5.31
55	9.80	22.17	8.63	13.31

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

Age	Male Non-Smoker	Male Smoker	Female Non-Smoker	Female Smoker
25	0.97	1.17	0.62	0.83
35	1.26	1.90	1.45	1.59
45	2.95	6.36	3.15	4.43
55	8.17	18.48	7.19	11.09

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

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

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

(6) **Expense assumptions:**

Expense assumptions (except for unit-linked business) are taken as 130% (110% for 2005) of the amounts detailed in the Management Services Agreement (MSA) plus an aggregate provision of £23.3m. These loadings are used to set a long-term assumption for additional costs arising within the business (e.g. project costs, regulatory fees, audit fees) and to give a margin for adverse deviation. Unit-linked expenses for 2006 are based on attributable expenses from a revised MSA.

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

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

The table below shows the per-policy expenses assumptions in 2005 and 2006 (excluding allowance for project costs). These figures form the base position for the valuation expense assumptions.

Product	Product code	Renewal admin (£ per policy)	
		2006	2005
CWP savings endowment	120	16.97	13.92
CWP target cash endowment	125	16.97	13.92
Term assurance	325/330	16.97	13.92
Critical illness	340/345/350/355	16.97	13.92
Income protection	360/365	16.97	13.92
Annuity	400	16.52	13.55
UWP bond	500	19.2	15.74
UWP savings endowment	510	15.05	12.34
UWP target cash endowment	515	15.05	12.34
UWP regular premium pension	525/545	19.04	23.69
UWP single premium pension	525/545	56.13	46.02
UWP group regular premium pension	535	19.04	23.69
UWP group single premium pension	535	19.04	23.69
UL bond	700	14.49	16.34
UL savings endowment	715	28.22	30.05
UL target cash endowment	720	10.23	26.44
UL regular premium pension	725	19.04	24.59
UL single premium pension	725	45.40	39.99
UL group regular premium pension	735	19.78	24.59
UL group single premium pension	735	19.78	24.59

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

Assumed future expense inflation:

4.01% per annum (NAE – 1%, as set by the MSA agreement)

Zillmer adjustments:

No Zillmer adjustments were made to net premium reserves.

Investment expenses:

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

Asset Class	Reduction in asset yield
Equity	0.138%
Property	0.195%
Gilts	0.047%
Other Fixed Interest	0.087%
Cash	0.038%

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

Tax relief

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

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

	31 December 2006		31 December 2005	
	Life	Pensions	Life	Pensions
Assumed Fund Growth (before annual management charge)	4.70%	5.60%	4.30%	5.20%
Discount rate	3.40%	4.20%	3.20%	3.90%
Policy fee inflation	2.00%	2.00%	2.00%	2.00%

4.01% per annum (NAE – 1%, as set out by the MSA agreement).

(8) **Bonus Assumptions:**

Conventional with-profit business:

The Company is a realistic basis life firm. Accordingly, no allowance has been made for future annual or final bonus on Conventional with-profit business. This is consistent with INSPRU1.2.31G. There are no guarantees relating to future annual or final bonus on this business.

Unitised with-profit business:

Certain classes of business have guaranteed annual bonus rates. These have been used in the projection of liabilities. No allowance has been made for discretionary annual bonus or final bonus.

Guaranteed regular bonus by product:

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

(9) **Persistency assumptions:**

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

For Unitised business, we have allowed for surrender rates consistent with the table below. This will serve to increase the reserve in certain circumstances, for example on small policies where the principal driver of the reserve is the expense loading.

An extra reserve is being held in respect of Unitised with-profit business retained by the Company to give a margin for adverse deviation in respect of lapses. This reserve is based on a +/-2.5% change in lapses on Life business and +/-1.5% change in lapses on Pensions business. The reserve is £3m.

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

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

Product		**Average lapse/surrender/paid-up rate for the policy years**			
		1-5	**6-10**	**11-15**	**16-20**
Level term	Lapse	0%	0%	0%	0%
Decreasing term	Lapse	0%	0%	0%	0%
Accelerated critical illness	Lapse	0%	0%	0%	0%
Income protection	Lapse	0%	0%	0%	0%
CWP savings endowment	Surrender	0%	0%	0%	0%
CWP target cash endowment	Surrender	0%	0%	0%	0%
UWP savings endowment	Surrender	4.1%	6.3%	4.5%	4.5%
UWP target cash endowment	Surrender	4.1%	6.3%	4.5%	4.5%
UL savings endowment	Surrender	0%	0%	0%	0%
UL target cash endowment	Surrender	0%	0%	0%	0%
UWP bond*	Surrender	2.85%	5%	5%	5%
UWP bond	Automatic withdrawals	X% of current	X% of current	X% of current	X% of current
UL bond**	Surrender	1.82%	7.35%	7.83%	7.83%
UL bond	Automatic withdrawals	X% of current	X% of current	X% of current	X% of current
CWP pension regular premium	PUP	0%	0%	0%	0%
CWP pension regular premium	Surrender	0%	0%	0%	0%
CWP pension single premium	Surrender	0%	0%	0%	0%
UWP indiv pension regular premium	PUP	Peak 1 valuation assumes no future premiums on UWP business			
UWP indiv pension regular premium	Surrender	1.75%	1.75%	1.75%	1.75%
UWP indiv pension single premium	Surrender	1.75%	1.75%	1.75%	1.75%
UL indiv pension regular premium	PUP	0%	0%	0%	0%
UL indiv pension regular premium	Surrender	0%	0%	0%	0%
UL group pension regular premium	PUP	0%	0%	0%	0%
UL group pension regular premium	Surrender	0%	0%	0%	0%
UL group pension single premium	Surrender	0%	0%	0%	0%

* Additional surrenders in the period where surrender penalties no longer apply are as follows 17% year 6 and 8% in years 7-9.

** On policies where a surrender penalty applies for the first 5 years the average lapse rate increases to 10.19%.

(10) **Other basis items:**

Option Take-Up Rates

Guaranteed Annuity Rate Options:

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

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

Guaranteed Minimum Pensions on Section 32 policies:

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

Taxation

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

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

A reserve has been made for deferred taxation, including Capital Gains Tax, which has been adjusted for the BLAGAB proportion of business in the fund. No discounting has been applied to the tax rate used; this is line with the new IFRS regulations. This reserve forms part of the Company's Accounting Liabilities as shown on Form 14.

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

(11) The unit liability in respect of index linked contracts was taken as the surrender value of the matching derivative instruments.

(12) The effect on mathematical reserves of specified changes in the valuation methodology arising from changes in INSPRU valuation rules are shown in the table below:

Allowance for lapses on valuation of protection business	-£1m
Allowance for negative reserves on valuation of protection business	-£1m
Allowance for lapses on valuation of unit-linked business	£0m
Allowance for attributable expenses on valuation of unit-linked business	£-16m

5. Options and Guarantees

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

(a) **Method:**

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

- Calculate the amount of the cash benefit that we have assumed will be converted into an annuity (using the option take-up rates given in section 4(10)).
- Determine the amount of annuity that this cash would buy if it were to be converted on guaranteed terms.
- Calculate the present value of the resulting annuity using the annuitant mortality basis given in section 4(4) and in-payment interest rate basis given in 4(2).
- If the total is greater than the total policy benefit at retirement then add on the difference. Discount the result to valuation date at the discount rate given in section 4(2).
- Add on the reserve for the expenses of administering the annuity (set equal to 3% of the value of the guaranteed annuity).

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

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

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

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

If this second reserve is larger than the base Regulatory-peak figure, an allowance for stochastic variation is added to the Regulatory-peak reserve. The allowance at 31 December 2006 is zero.

(b)

(i) Product name	Group conventional pensions endowment with-profits	Group conventional pensions endowment with-profits	Group conventional pensions endowment with-profits	Group conventional pensions endowment with-profits
Category description	Policies written pre 1977	Policies written from 1/1/1977 to 30/4/1994	Policies written 1/5/1994 to 30/6/1999	Policies written from 1/7/1999
(ii) Basic Reserve (£m)	0.3	43.0	4.1	1.4
(iii) Spread of o/s durations:				
% with o/s dur'n of 1 year	9.3%	11.4%	9.3%	16.4%
% with o/s dur'n of 2 to 5 years	74.7%	36.5%	36.5%	24.4%
% with o/s dur'n of 6 to 10 years	15.3%	25.4%	24.2%	22.3%
% with o/s dur'n of 11 to 20 years	0.8%	22.0%	20.5%	13.3%
% with o/s dur'n of over 20 years	0.0%	4.7%	9.5%	23.6%
(iv) guarantee reserve (£m)	0.1	26.2	0.6	0.0
(v) guaranteed annuity rate	10.31%	11.11%	7.51%	4.98%
(vi) increments allowed?	See note below	See note below	See note below	See note below
(vii) form of annuity	Payable monthly in advance, single life, no guarantee period, no escalation in payment	Payable monthly in advance, single life, no guarantee period, no escalation in payment	Payable monthly in advance, single life, no guarantee period, no escalation in payment	Payable monthly in advance, single life, no guarantee period, no escalation in payment
(viii) retirement ages	62 to 75	52 to 75	57 to 75	57 to 75

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

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

Non-unit-linked:

The only such policies with a guaranteed surrender value are certain Unitised with-profit Life contracts.

No Conventional policies have a guaranteed surrender value. Unitised with-profit Pensions contracts cannot be surrendered, only transferred or switched; in either case, an MVR would apply if this were to be done before normal retirement rate. Retirement under such policies can happen on more than one date without incurring an MVR. Retirement is a contractual exit (not a surrender of the policy) and is explicitly valued.

There are three types of guaranteed surrender value:

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

(a) **Methodology:**

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

Max([Accumulated Benefit + adjustment], [Prospective reserve for future benefit]).

- The [Accumulated Benefit + adjustment] item is calculated in accordance with INSPRU 1.2.71R(1).
- The [Prospective reserve for future benefit] is calculated as the present value of the benefit paid to the policyholder after allowing for lapses. The basis of the calculation includes assumptions for surrender before the guarantee date(s), an assumption about the percentage of remaining policyholders who choose to surrender on their guarantee date(s) and an assumption for the level of MVR-free regular withdrawals taken by policyholders.

Persistency assumptions are given in item 4(9), along with assumptions about guarantee take-up. The interest rates used in the calculation are given in 4(2).

The guarantee is explicitly valued as part of the main calculation – there is no explicit reserve for it. The reserve calculated below is equal to the difference between:

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

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

The tables show the unit value in force as the guaranteed amount. This represents the amount that would be paid if the policyholder surrendered with a no-MVR guarantee. It is also a proxy for the amount payable under the regular withdrawal guarantee, as a policyholder could ultimately redeem all of their units through regular withdrawals.

Where a spread of duration is shown, duration refers to the next date at which the policyholder could fully surrender with a guarantee (either no-MVR or money-back).

Valuation report – IPRU (INS) Appendix 9.4

Name of insurer **CGNU Life Assurance Limited**

Global business

Financial year ended **31 December 2006**

(i) Product name	(ii) basic reserve (£)	(iii) spread of outstanding term	(iv) guarantee reserve (£)	(v) guaranteed amount (£)	vi) MVR-free conditions: 1) no-MVR guarantee on full surrender	2) money-back guarantee (full surrender)	3) inflation protection guarantee (full surrender)	4) regular withdrawal guarantee	(vii) in force regular premiums	(viii) increments allowed to policy?
Investment Bond	490,284,006	N/A; policy has no contractual exit date	0	490,425,069	None	None	None	No MVR on regular withdrawals up to 5% if taken from inception.	0	No (RW gtee)
Portfolio Bond (16/3/1993 to 30/9/1998)	631,018,573	N/A; policy has no contractual exit date	0	631,037,735	None	None	None	No MVR on regular withdrawals up to 7.5% if taken from inception.	0	No (RW gtee)
Portfolio Bond (1/10/1998 to 1/10/2000)	1,717,137,521	5% with duration 2 years; 40% with duration 3 years; 55% with duration 4 years	0	1,784,912,873	No MVR on surrender on 10th anniversary / any subsequent 5 yearly anniversaires	None	None	No MVR on regular withdrawals up to 7.5%. MVR applies to units cancelled from With Profit Income Fund if amount withdrawn is greater than the units allocated by way of bonus.	0	Switches-in allowed; treated as new premium
NU Portfolio Bond / NU Bond 2000 / NU Flexibond; all contracts issued 2/10/2000 to 24/6/2001 inclusive	1,789,952,206	35% with duration 4 years; 65% with duration 5 years	0	1,824,869,176	No MVR on surrender on 10th anniversary / any subsequent 5 yearly anniversaires	None	None	No MVR on regular withdrawals up to 7.5% of initial investment in With Profits Fund. MVR applies to units cancelled from With Profit Income Fund if amount withdrawn is greater than the units allocated by way of bonus.	0	Switches-in allowed; treated as new premium
NU Portfolio Bond / NU Bond 2000 / NU Flexibond; all contracts issued 25/6/2001 to 15/1/2002 inclusive	652,046,201	Duration 5 years	0	652,045,786	No MVR on surrender on 10th anniversary	None	None	No MVR on regular withdrawals up to 7.5% of initial investment in With Profits Fund. MVR applies to units cancelled from With Profit Income Fund if amount withdrawn is greater than the units allocated by way of bonus.	0	Switches-in allowed; treated as new premium

Returns under the Accounts and Statements Rules

Valuation report – IPRU (INS) Appendix 9.4

Name of insurer **CGNU Life Assurance Limited**

Global business

Financial year ended **31 December 2006**

(i) Product name	(ii) basic reserve (£)	(iii) spread of outstanding term	(iv) guarantee reserve (£)	(v) guaranteed amount (£)	vi) MVR-free conditions: 1) no-MVR guarantee on full surrender	vi) MVR-free conditions: 2) money-back guarantee (full surrender)	vi) MVR-free conditions: 3) inflation protection guarantee (full surrender)	vi) MVR-free conditions: 4) regular withdrawal guarantee	(vii) in force regular premiums
NU Portfolio Bond / NU Bond 2000 / NU Flexibond; all contracts issued 16/1/2002 to 6/7/2003 inclusive	1,267,768,554	90% with duration 6 years; 10% with duration 7 years	0	1,281,939,593	None	The amount paid on the 10th anniversary will be at least the amount used to buy the units cashed, less the amount of any regular withdrawals or charges for life cover.	None	No MVR on regular withdrawals up to 7.5% of initial investment in With Profits Fund. MVR applies to units cancelled from With Profit Income Fund if amount withdrawn is greater than the units allocated by way of bonus.	0
Portfolio Bond (contracts issued 7/7/2003 to 8/2/2004)	99,585,318	Duration 7 years	0	101,734,928	None	The amount paid on the 10th anniversary will be at least the amount used to buy the units cashed, less the amount of any regular withdrawals or charges for life cover.	None	No MVR on regular withdrawals up to 5% of initial investment in With Profits Fund. MVR applies to units cancelled from With Profit Income Fund if amount withdrawn is greater than the units allocated by way of bonus.	0
Portfolio Bond (contracts issued 9/2/2004 to 29/1/2006)	600,270,492	45% with duration 3 years; 45% with duration 4 years; 10% with duration 5 years	0	634,631,596	None	The amount paid on the 5th or 10th anniversary will be at least the amount used to buy the units cashed, less the amount of any regular withdrawals or charges for life cover.	None	No MVR on regular withdrawals up to 5% of initial investment in With Profits Fund. MVR applies to units cancelled from With Profit Income Fund if amount withdrawn is greater than the units allocated by way of bonus.	0
Portfolio Bond (contracts issued from 30/01/2006)	581,638,252	100% with duration 5 years	0	622,675,258	None	None	The amount paid after the 5th anniversry will be at least the amount used to buy units cashed, increased in line with the rise in the Retail Price Index (RPI). The amount will be reduced inproportion to number of units already encashed/switched.	No MVR on regular withdrawals up to 5% of initial investment in With Profits Fund. MVR applies to units cancelled from With Profit Income Fund if amount withdrawn is greater than the units allocated by way of bonus.	0

Figures for Irish bonds are as follows:

(i) Product name	(ii) basic reserve	(iii) spread of outstanding term	(iv) guarantee reserve (£m)	(v) guaranteed amount	vi) no-MVR guarantee on full surrender	(vii) in force regular premiums	(viii) increments allowed to policy?
Irish Bonds	93,458,533	20% with duration of 2 years; 50% with duration 3 years; 30% with duration 4 years.	0	93,622,607	No-MVR guarantee applies at 10th anniversary and every 5 years thereafter.	0	No (RW gtee)

100% Figures for NU International Bond are as follows.

(i) Product name	(ii) basic reserve (£)	(iii) spread of outstanding term	(iv) guarantee reserve (£)	(v) guaranteed amount (£)	vi) MVR-free conditions 1) no-MVR guarantee on full surrender	2) money-back guarantee (full surrender)	3) inflation protection guarantee (full surrender)	4) regular withdrawal guarantee	(vii) in force regular premiums	(viii) increments allowed to policy?
NUIL Bond (pre February 2004)	96,835,980	10 % with duration 6 years; 70 % with duration 7 years; 20 % with duration 8 years	0	102,705,539	None	The amount paid on the 10th anniversary will be at least the amount used to buy the units cashed, less the amount of any regular withdrawals or charges for life cover.	None	No MVR on regular withdrawals up to 5% of initial investment in With Profits Fund.	0	No
NUIL Bond (from February 2004 - 29/01/2006)	276,659,528	35% with duration 3 years; 60% with duration 4 years; 5% with duration 5 years	0	295,326,378	None	The amount paid on the 5th or 10th anniversary will be at least the amount used to buy the units cashed, less the amount of any regular withdrawals or charges for life cover.	None	No MVR on regular withdrawals up to 5% of initial investment in With Profits Fund.	0	No
NUIL Bond (from 30/01/2006)	167,496,690	Duration 5 years	0	179,593,488	None	None	The amount paid after the 5th anniversry will be at least the amount used to buy units cashed, increased in line with the rise in the Retail Price Index (RPI). The amount will be reduced inproportion to number of units already encashed/switched.	No MVR on regular withdrawals up to 5% of initial investment in With Profits Fund.	0	No

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

French UWP business does not have a guarantee on surrender.

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

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

Unit-linked:

Guaranteed Fund shortfall reserve:

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

(a) Methodology:

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

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

(b)

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

(ii) The base reserve for these products is £1,756m (although note that this is entirely reinsured out to the NUL&P NP fund)

(iii) Spread of outstanding durations:

Year	Proportion with Guarantee
2007	4.8%
2008	15.8%
2009	16.4%
2010	32.0%
2011	31.0%

(iv) Guarantee reserve £58.3m

(v) Guaranteed amount £1,541m

(vi) MVA free conditions: N/A

(vii) The business is single premium only so there are no in-force premiums expected.

(viii) Increments – the guarantee does not apply to switches into the fund.

(3) **Guaranteed Insurability Options**

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

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

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

(4) **Other guarantees and options**

(a) **Guaranteed Minimum Pension:**

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

A reserve has been calculated on an individual level for a subset of affected policies. For each policy, the value of the Guaranteed Minimum Pension at retirement (calculated using the end-2006 valuation basis) was compared with the projected value of the policy's benefits. The difference, if positive, was noted as a percentage of the policy's benefits. These percentages were weighted and applied to the total benefit in force to estimate the reserve required on the business as a whole. An additional 10% margin was added to cover the risk arising from data quality.

The amount of business invested in products that may incorporate a Guaranteed Minimum Pension guarantee is £159.9m. The reserve for the guarantee is £32.5m. Both figures are quoted before reinsurance.

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

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

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

6. Expense reserves

(1) The table below shows the aggregate amount of expense loadings for 2007 (£45,545,000) and implicit allowances that can be used to offset non-attributable expenses. This excludes expenses allowance for products 100% reinsured out to NUL&P.

Homogeneous risk group	Implicit allowances	Explicit allowances (investment)	Explicit allowances (other)	Non-attributable expenses	Total
	£'000	£'000	£'000	£'000	£'000
Unit-Linked business (not 100% reinsured out)	12,319	3,179	1,528	1,513	18,519
All expenses attributable	0	13,936	25,389	n/a	39,325
Total	12,319	17,115	26,917	1,513	57,864

(2) The implicit allowance has been calculated as the surplus expected to emerge in 2007on the valuation basis. This emerges due to the constraint that sterling reserves can not be negative.

(3) The figure for maintenance expenses in line 14 of Form 43 is £37,286,000. This number includes expenses and charges on reinsured acceptances from Provident Mutual, unit deductions and expenses on business 100% reinsured to NUL&P. A more appropriate number for comparison with expense loadings in the reserves is £30,780,000. The excess, £14,685,00 is primarily due to margins in the basis.

(4) No reserve is deemed necessary to cover the costs of transacting new business in the year following the valuation date.

(5) No explicit reserve for maintenance expense overrun has been made because existing provisions for expenses exceed their current levels.

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

(a) tax

(b) expenses in the last twelve months and expected future expenses

(c) impact of expense inflation

(d) cost of closure to new business 12 months after valuation date.

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

(a) All expenses provisions allow for taxation.

(b) Our expense provision exceeds expenses incurred over the last twelve months and expected future expenses levels.

(c) Expense inflation has been allowed for in the valuation at the rates dictated by the Management Services Agreement. The parameter used for RPI inflation (3.01%) was a best-estimate. By using a best-estimate assumption we are incorporating a margin for prudence into the valuation of expenses (since the gap between the valuation discount rate and expense inflation is far smaller than best-estimate).

(d) An assessment was made of the cost of closure of the Company to new business at the end of 2007 using the following method and basis of calculation:

- All sales, marketing and new business administration operations were assumed to cease immediately.
- Allowance was made for redundancy costs.
- An allowance was made for redundancies in departments servicing the new business areas.
- Allowance was made for costs arising from the delay in re-letting properties occupied by the new business areas.
- Allowance was made for other costs incurred on closure to new business such as write-offs on fixed assets.
- The aggregate costs were discounted to the valuation date.

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

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

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

(6) No reserve is necessary to meet the non-attributable expenses as the valuation surplus expected to emerge in 2007 exceeds this amount by £10,806,000.

7. Mismatching Reserves

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

Life and Annuity Fund				
	Mathematical Reserves (£000)			
Assets	**Sterling**	**Euros**	**US Dollars**	**Other**
Sterling	10,366,098	-	-	-
Euro	-	350,380	-	-
Dollar	-	-	87,715	-
Other	-	-	-	196

(2) The liabilities shown in 'Other' represent several different currencies. 89% of these liabilities are matched by assets in the same currency. This represents 0.002% of the liabilities that are not denominated in sterling.

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

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

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

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

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

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

No further reserve has arisen following consideration of this regulation.

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

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

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

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

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

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

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

An estimate of the Company's claims amounts for 2007 is £1,100m. Expected income, in 2007, from assets currently held in the fund is £540m and £450m is held in deposit-style assets. Premium income for 2006 was around £650m and there is no reason to expect it to fall significantly. Therefore we expect to be able to pay the company's claims from incoming premiums / cash without having to sell any of our other liquid assets. Accordingly there is no need to hold an additional reserve.

8. Other Special Reserves

(1) Mortgage Endowment Promise

The Company has announced its intention that payments on with profit mortgage endowment policies may, if necessary, be topped up at maturity (subject to certain conditions) where there is a shortfall between the claim value and the mortgage originally targeted. Top-up payments can be met from future investment earnings on the free reserves within the with-profit fund. If investment earnings on the free reserves are not sufficient to meet the top-up payments then the payments may be reduced or eliminated.

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

For the purposes of the regulatory valuation these top up payments are treated as discretionary benefits and generally no reserve needs to be held. There are two issues that have led to a provision being established:

(a) The company has advised policyholders that we will give them at least three years notice before altering payments under the promise. We have assumed a half-year time lag between the Board making this decision and being able to communicate it to policyholders. This gives a minimum liability of the present value of the payments required for the next three and a half years.

(b) The company intends that payments will be made while they can be provided for from earnings on the free reserves within the with-profits fund.

The reserve will be calculated by considering the full liability for payments advised to policyholders in Promise mailings or the current shortfall if lower.

As payment of this amount is contingent on earnings on the free reserves, we test whether this full amount can be paid from these earnings with reference to the stochastic model used for the Realistic peak valuation. If earnings are materially lower than the full reserve we will only reserve for the amount of the promise paid from these earnings. The reduction in reserves at 31 December 2006 for the affordability condition is zero.

The amount of provision is £317.4m.

(2) Mortgage Mis-selling Review

A reserve has been made to provide for future compensation and claims handling costs that are expected to arise from complaints about mortgage mis-selling.

The amount of the provision is £60.2m.

The reserve has been calculated by:

- Using an adjusted chain-ladder approach to construct reserves for claims that have been reported but not yet settled

- Using historic information and expected future experience to project the number of complaints into the future. An average cost per complaint figure has been derived and applied to the projected number of complaints to get a reserve for future compensation costs. Future expenses have been calculated assuming a fixed amount per complaint.

The key basis items are:

Average cost per claim: £2,858

Percentage of complaints leading to a claim: 81%

Claims processing expense: £250 per complaint

Policyholders will be unable to complain beyond 31 December 2008 due to time-barring.

(3) **Bond Mis-selling Review**

A reserve has been made to provide for future compensation and claims handling costs that are expected to arise from complaints about bond mis-selling.

The amount of the provision is £12m.

The reserve has been set assuming that:

- Complaints cease when MVRs have been removed
- MVRs will be removed on relevant products within the next 2 years.

The 2005 claim cost of £4m has therefore been doubled and a 50% margin applied because there is not much data to analyse.

(4) **Deferred Claims Reserve**

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

The amount of the provision is £13.5m.

(5) **Staff Pension Scheme Reserve**

The Company's with-profit fund has agreed to meet a share of the costs of funding the Aviva plc Staff Pensions Scheme deficit. A reserve has been established as the discounted value of the future payments into the scheme as per the current funding plan. Because the funds has agreed to meet a share of the total payments into the scheme, payments over the full funding term are allowed for rather than just 5 years (albeit that the difference here is not material because of the shape of the funding plan).

The total reserve held was £20m.

(6) **Other**

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

- Pensions Review reserve
- Reinsurance credit default reserve
- Non-endowment compensation reserve

9. Reinsurance

(1) No premiums were payable during the report period for business ceded on a facultative basis to reinsurers who are not permitted to carry on business in the United Kingdom.

(2) The section below responds for those treaties that satisfy 9.2(a), (b) or (c).

(a) This item covers a group of similar treaties.

- (d) NUL&P
- (e) The treaty provides cover for 100% of UK and Channel Islands unit linked benefits, together with all death or critical illness benefits, waiver of premium benefits, permanent health benefit, permanent total disability benefit and any risks under options for unitised contracts on an original terms basis. Cover is also provided on original terms for Group term assurances in respect of Credit Life business.
- (f) The premium payable by the Company during 2006 was £3,996,154,000.
- (g) There are no deposit-back arrangements.
- (h) The group of treaties is open to new business.
- (i) There are no significant undischarged obligations to the reinsurers as at 31 December 2006.
- (j) The mathematical reserves ceded under the treaties total £15,476,001,000.
- (k) The Company does not retain any liability for new policies being reinsured.
- (l) The reinsurer is authorised to carry on insurance business in the United Kingdom.
- (m) The Company is connected with the reinsurer.
- (n) The treaties are not subject to any material contingencies.
- (o) No provision was made for refund of reinsurance commission in the event of lapse or surrender of the contracts.
- (p) The treaties are not financing arrangements.

(b) This item covers a group of similar treaties.

- (d) Munich Reinsurance Company
- (e) The treaties provide cover for level term assurance, mortgage protection, decreasing term assurance attached to low cost whole life assurance and pensions term assurance for business issued on or before (and still in force as at) 30 September 2001 (on original terms). This applies only to the portion that is not otherwise reinsured. Cover is also provided for whole life and endowment assurances (where not covered by other specified treaties) on a risk premium basis and term assurances on original terms up to £3,500,000 (£5,000,000 for business written on or after 28 May 1999) above the Company's retention limit.
- (f) The premium payable by the Company during 2006 was £30,669,000.
- (g) There are no deposit-back arrangements.
- (h) The group of treaties is closed to new business.
- (i) There are no significant undischarged obligations to the reinsurers as at 31 December 2006.
- (j) The mathematical reserves ceded under the treaties total £81,657,000.
- (k) N/A, see (h).
- (l) The reinsurer is authorised to carry on insurance business in the United Kingdom.
- (m) The Company is not connected with the reinsurer.
- (n) The treaties are not subject to any material contingencies.
- (o) No provision was made for refund of reinsurance commission in the event of lapse or surrender of the contracts.
- (p) The treaties are not financing arrangements.

(c) This item covers a group of similar treaties.

- (d) Swiss Re Life & Health Limited
- (e) The treaty provides cover for term assurances on original terms for up to £1,500,000 above the Company's retention limit and for term assurances with accelerated critical illness benefit on a risk premium basis up to £3,000,000 in excess of the Company's retention limit. From 2 October 2000 the treaty provides cover for term assurances with accelerated critical illness benefit on a risk premium basis for 50% in excess of the Company's retention limit up to £1,700,000.
- (f) The premium payable by the Company during 2006 was £9,167,000.
- (g) There are no deposit-back arrangements.
- (h) The treaty is closed to new business.
- (i) There are no significant undischarged obligations to the reinsurers as at 31 December 2006.

(j) The mathematical reserves ceded under the treaty total £45,041,000.

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

(l) The reinsurer is authorised to carry on insurance business in the United Kingdom.

(m) The Company is not connected with the reinsurer.

(n) The treaty is not subject to any material contingencies.

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

(p) The treaty is not a financing arrangement.

(d) This item covers a group of similar treaties.

(d) CULAC

(e) The treaties provide cover for Unitised with-profit, Low Cost Endowment, Economy Low Cost Endowments and Endowment Assurances on a 50% quota share basis for business written between 1 October 1998 and 31 December 1999 and a 75% quota share basis for business written between 1 January 1999 and 1 October 2000. Cover is provided for Unitised with-profit benefits on a 60% quota share basis for business written between 2 October 2000 and 31 December 2001. Unitised With Profit benefits written on or after 1 January 2002 are reassured on a 45% quota share basis.

(f) The premium payable by the Company during 2006 was £318,998,000.

(g) There are no deposit-back arrangements.

(h) The group of treaties is open to new business.

(i) There are no significant undischarged obligations to the reinsurers as at 31 December 2006.

(j) The mathematical reserves ceded under the treaty total £4,650,363,000.

(k) The Company retains 55% of new policies being reinsured.

(l) The reinsurer is authorised to carry on insurance business in the United Kingdom.

(m) The Company is connected with the reinsurer.

(n) The treaties are not subject to any material contingencies.

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

(p) The treaties are not financing arrangements.

(e)

(d) CULAC and NUL&P.

(e) NUL&P provides cover for unit linked stakeholder personal pension benefits and the total expense and persistency risk for business written from 6 April 2001. Also covered are Unitised With Profit (UWP) stakeholder personal pension benefits on a 60% quota share basis to CULAC on original terms for business written between 6 April 2001 and 31 December 2001. UWP business written from 1 January 2002 is reassured on a 45% quota share basis to CULAC.

(f) The premium payable by the Company during 2006 was £1,332,918,000.

(g) There are no deposit-back arrangements.

(h) The group of treaties is open to new business.

(i) There are no significant undischarged obligations to the reinsurers as at 31 December 2006.

(j) The mathematical reserves ceded under the treaty total £4,581,907,000.

(k) The Company retains 55% of new Unitised with-profit policies being reinsured. The Company retains 0% of new Unit Linked policies being reinsured.

(l) The reinsurer is authorised to carry on insurance business in the United Kingdom.

(m) The Company is connected with the reinsurer.

(n) The treaty is not subject to any material contingencies.

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

(p) The treaty is not a financing arrangement.

10. Reversionary (annual, regular) bonus

(1)

Product	Amount of mathematical reserve (£m)	Regular bonus (2005)	Regular bonus (2006)	Guaranteed bonus (2006)
Conventional Life				
Series 6 (super-compound)	1,799.7	0.5% SA / 2% RB	0.5% SA / 2% RB	0.00%
Series 5 (simple)	63.4	3.5% simple	3.5% simple	0.00%
Series 3	5.3	3.35 simple (whole life) / 3.10 simple (other)	3.35 simple (whole life) / 3.10 simple (other)	0.00%
Series 4	5.9	2.70 compound (whole life) / 2.45 compound (other)	2.70 compound (whole life) / 2.45 compound (other)	0.00%
Conventional Pensions				
Retirement Annuities	442.8	0% SA / 0% RB	0% SA / 0% RB	0.00%
Group Pensions, Individual Pension Arrangements, Money Purchase Schemes (1974)	172.8	0% SA / 0% RB	0% SA / 0% RB	0.00%
With Profits Annuity	27.9	2.00%	2.00%	0.00%
Unitised Life - direct written (UK)				
Implicitly-charged business:				
Units bought pre 1/2/1994 **excluding** Loyalty Fund units	214.7	3.12%	3.25%	3.00%
Loyalty fund units	285.8	3.37%	3.75%	0.50%
Units bought post 31/1/1994 on policies written pre 1/10/1998	630.7	2.87%	3.25%	0.00%
Units bought on policies written post 1/10/1998	4,875.9	2.00%	2.63%	0.00%
Distribution Bonds	612.8	2.00%	2.00%	0.00%
Explicitly-charged business:				
All units (excluding distribution bonds)	1,191.2	4.25%	4.25%	0.00%
Distribution Bonds	90.3	4.00%	4.00%	0.00%
Unitised Life – reinsurance accepted by CGNU and CULAC				
NUL(RBS) products:				
Life excluding Distribution Bonds (Implicit charge)	576.2	3.25%	3.25%	0.00%
Life excluding Distribution Bonds (Explicit charge)	180.8	4.25%	4.25%	0.00%
Distribution Bonds (Implicit charge)	142.6	2.75%	2.75%	0.00%
Distribution Bonds (Explicit charge)	3.9	4.00%	4.00%	0.00%
NUIL products:				
Sterling Bond	194.9	5.00%	5.00%	0.00%
Dollar Bond	159.5	4.75%	4.75%	0.00%
Euro Bond	186.6	4.75%	4.75%	0.00%
Unitised Pensions - direct written (UK)				
Implicitly-charged business:				
Units bought prior to 22/1/1996 (13/5/1996 for regular premiums on existing business)	229.6	4.00%	4.00%	4.00%
Units bought on or after 22/1/1996 (13/5/1996) for policies sold before 1/10/1998	551.5	3.25%	3.50%	0.00%
Units bought on policies sold after 1/10/1998	854.0	3.00%	3.00%	0.00%
Explicitly-charged business (excl Stakeholder)				
All units purchased	320.7	4.00%	4.50%	0.00%
Stakeholder Pensions				
All units purchased	765.6	3.50%	4.00%	0.00%
Overseas business				
France Valeur Plus*	138.9	2.00%	2.00%	0.00%
Germany	4.4	2.00%	2.00%	0.00%
Ireland - Life policies	93.5	0.50%	0.50%	0.00%
Ireland - Pensions policies	8.5	2.50%	2.50%	0.00%
Swedish Personal Investment Plans	101.5	3.00%	3.00%	0.00%

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

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

The Company accepted reserves of £188.4m for Conventional Life from the NUL&P Provident Mutual (PM) fund in 2006. The bonus awarded for this business is shown in the Appendix 9.4 report of NUL&P for the PM sub-fund.

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

(2) The figures for bonus awarded on Unitised with-profit business show the percentage increase in unit price during the year.

(3) For super-compound business both rates are shown (the rate applying to the base benefit is shown as a percentage of SA, the rate applying to regular bonus awarded to date is shown as a percentage of RB).

(4) We have not used averaging in the table above.

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

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

Global business

Financial year ended **31 December 2006**

1. Introduction

(1) The **valuation date** is 31 December 2006.

(2) The date of the previous valuation was 31 December 2005.

(3) An interim valuation was completed under the Integrated Prudential Sourcebook (PRU) as at 30 June 2006.

2. Assets

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

Non-profit profits are valued using an earned rate equal to the risk free rate (weighted by guarantee term). Profits are discounted at risk free rate plus 0.5% to provide an adjustment to reflect risk and uncertainty, and to give a margin to allow for the cost of any non-financial guarantees.

The gross investment returns do not assume any investment risk premium from non risk free investments.

Tax on investment returns and tax relief on expenses is assumed to be 20% consistent with fixed-interest assets backing the non-profit liability.

The expense inflation assumption is the best-estimate assumption.

	31 December 2006	31 December 2005
Gross Earned Rate	4.75%	4.20%
Net Earned Rate	3.80%	3.36%
Discount Rate	5.25%	4.70%
Expense Inflation	3.90%	3.70%

The LTICR and any RCR in respect of non-profit business within the fund are valued at face value.

(2) Not applicable

(3) Not applicable

(4) Not applicable

(5) Not applicable

3. With-Profits Benefits Reserve Liabilities

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

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

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

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

- Conventional paid up policies (PUP).
- Conventional Whole Life policies over 25 years in duration where the asset share is not a reliable guide to future bonuses.

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

At 31 December 2006

Product class	**With-profit benefits reserve £m**	**Future policy related liabilities £m**	**Total £m**
Conventional Life		263	3,120
Asset Share (ind)	2,720		
BRV	135		
Regulatory Reserve	2		
Conventional Pensions		92	607
Asset Share (ind)	433		
BRV	55		
Regulatory Reserve	27		
UWP Life		169	5,642
Asset Share (ind)	5,472		
Regulatory Reserve	1		
UWP Pensions		29	1,526
Asset Share (ind)	1,493		
Regulatory Reserve	4		
UWP Stakeholder		4	478
Asset Share (ind)	458		
Regulatory Reserve	16		
UWP Overseas		13	376
Asset Share (ind)	211		
Regulatory Reserve	152		
Miscellaneous Other		78	78
Total	**11,179**	**647**	**11,826**

The BRV figure of £135m for conventional life relates mainly to the WPBR for the whole life policies, which are predominantly BRV. £6m of this figure relates to the BRV used for endowment PUP policies.

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

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

Conventional life endowment policies have guaranteed amounts at maturity equal to the basic sum assured plus any regular bonus accrued to date. Conventional whole life contracts provide a guaranteed payout on death of basic sum assured plus regular bonus accrued to date. Low cost whole life policies also provide a minimum death benefit over a pre-specified term. The whole-life with-profits benefit reserve is £477m. Conventional endowments were partially reassured on an original terms basis with CULAC from 1998 to 2002. Conventional endowment new business is not now actively sold, however there is a small amount of conventional whole life being sold. Reinsurance of endowment business from PM has increased the asset share of Conventional Life by £260m.

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

Conventional pensions also includes £32m of single premium with-profit annuity business which provides a level of income equal to a basic amount, plus accrued regular bonus, plus a discretionary top-up bonus. Customers can also select a future anticipated level of regular bonus. This increases the initial annuity amount payable, but the annuity amount reduces by the anticipated amount each year such that the total annuity payable would be level if the actual regular bonus rate equalled the anticipated rate. There is also a guaranteed minimum annuity amount attaching to this contract. With-profit annuity new business is now written by Norwich Union Life & Pensions Limited With-Profits fund (NUL&P WP).

UWP Life mainly consists of unitised bonds with £18m of unitised endowments. UWP units increase in value at the declared regular bonus rates and cannot reduce at the contractual maturity dates or at contract-specific no-MVR dates. Any final bonus due is added at policy exit. The value on exit can be subject to an MVR if exit is not at one of the contractual no-MVR dates. UWP units purchased prior to 1 February 1994 have a guaranteed minimum regular bonus rate of 3% p.a. Bond and unitised mortgage endowment new business has been reassured in various proportions with CULAC since 1998.

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

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

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

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

UWP Pensions consists mainly of individual and Group personal pensions and pension single premium bonds. As for UWP Life, UWP units increase in value at the declared regular bonus rates and cannot reduce on death, at the selected retirement date and at age 75. Any final bonus due is added at policy exit. The value on exit can be subject to an MVR if not at the selected retirement date. UWP units purchased prior to 22 January 1996 have a guaranteed minimum regular bonus rate of 4% (with an asset share at 31 December 2006 of £403m). UWP Pensions new business has been reassured in various proportions to CULAC since 1998.

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

UWP Overseas business consists of single premium bonds and regular and single premium pensions business sold in Ireland, Sweden, Germany and France.

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

'Miscellaneous other' consists of reserves held to cover other liabilities of the fund that cannot be assigned to certain product types such as Pension transfer review reserves and reserves for future development and audit fees.

(2) Not applicable

4. With-profits benefits reserve – Retrospective method

(1) Table of methods

Method	**With-profit benefits reserve (%)**
Asset Share (individual)	96
Asset Share (grouped)	0
BRV	2
Regulatory Reserve	2
Miscellaneous Other	0
Total	**100**

All asset shares have been calculated on an individual basis.

(2) Changes in valuation method

(a) The only significant change to valuation methodology during 2006 relates to the change in method from Regulatory Reserves to Asset Shares for NUIL Bonds.

(b) Not applicable.

(3) Allocation of expenses

(a) See (b)

(b) NULS income and expenses are calculated on a monthly basis and a profit or loss determined on an annual basis.

(c) The text below sets out the treatment of charges made to asset shares with respect to expenses and commission. Broadly, some policies are charged sales and administration expenses incurred by the fund, some follow this approach but have the overall charge capped, and a third group has defined charges.

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

				2006
	Charged to WPBR	**Not-Charged to WPBR**	**Non-Profit expenses**	**Total**
	£m	**£m**	**£m**	**£m**
Estimated initial expenses and commission	-10	74	19	83
Renewal expenses and commission	69	37	10	116
Shareholder Transfers	10	24	0	34

The above tables approximately splits out the expenses incurred over 2006.

Non-profit expenses are expenses relating to non-profit business within the fund. For Unitised asset shares calculated on a charge basis, the expenses charged to asset shares are the relevant charges on policies. This will include additional allocation percentages as applicable, so that, for example, any excess allocation percentage above 100% of premium will give rise to negative expenses charged to the asset share in the table above.

Expenses charged to the with-profit funds

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

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

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

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

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

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

Expenses charged to the with-profits benefit reserves

The total expenses charged to with-profits benefit reserves over 2006 are approximately £59m with an additional £10m of shareholder transfers charged. The majority of this relates to renewal expenses, most new business is UWP business sold on a charges basis with the majority of the charges being the annual management charge which is charged to asset shares over the life time of the policy.

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

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

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

Actual expenses apply to the following product groups:

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

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

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

Policy charges are applied to the following product groups:

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

The asset share is deducted the actual charges on the policy, e.g. a 1% annual management charge applies for stakeholder pensions, and also e.g. the initial charge at the end of the first five policy years for CGNU Life bonds. Also note that any surrender penalty would apply to the asset share on exit.

Expenses not charged to the with-profits benefits reserve

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

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

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

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

(4) **Guarantee Charges**

No explicit deduction is made from the with-profits benefit reserves in respect of guarantees.

(5) **Non-Insurance Risk Charges**

No explicit deduction is made from the with-profits benefit reserves in respect of non-insurance risks.

(6) **Claims ratios**

Fund	Product Type	2004	2005	2006
CGNU Life	Conventional Life	99%	95%	98%
	UWP Life	108%	102%	100%
	UWP Pensions	105%	100%	96%
	UWP Stakeholder	98%	95%	94%

The figures above for 2005 and 2006 are estimates based on actual maturity and surrender payouts. The figures for 2004 are estimates based on actual maturity and surrender payouts for the period April to December.

There are no figures currently available for direct written UWP Pensions.

All entries for Form 19 lines 32 and 33 in respect of reserves for past miscellaneous surplus and any past miscellaneous deficit are zero.

(7) **Gross investment return allocated to WPBR**

Gross returns allocated to asset shares over 2006

CGNU Life written business 11.99%

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

A return of 11.99% was also used in respect of business reinsured from the PM fund of NUL&P into CGNU Life.

5. With-profits benefits reserve – Prospective method

(1) **Prospective assumptions**

Bonus reserve valuation (BRV) is used for 2% of the with-profit benefits reserve. This covers conventional whole life policies over 25 years duration. The prospective assumptions are as follows:

(a) Economic Assumptions

Future earned rate:	Whole Life	5.80%
Discount rate:	Whole Life	5.80%
Expense Inflation:	Whole Life	3.90%

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

(b) Investment returns and risk adjustments

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

UK Equities	7.6%
Overseas Equities	7.6%
Properties	6.6%
Gilts	4.8%
Other Fixed Interest	5.5%
Cash	4.1%

A risk adjustment of 0.15% was deducted from the assumed return on other fixed interest.

(c) Expense inflation

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

(d) Future Assumed Regular Bonus Rates

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

(e) Future Expense Assumptions

Product Class	**Renewal Expenses 2006 £m**
Conventional Whole Life	£14.36

(f) Future Assumed Lapse Rates

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

(g) Future mortality assumptions

Conventional whole life:

Percentages of standard tables %TM92 Sel 5/TF92 Sel 5 based on internal experience.

(2) **Regulatory Reserves**

Regulatory Reserves cover 2% of the with-profit benefits reserve. The classes of business covered by this are UWP French, German and Irish Pensions business, and some UWP business administered on ex-Norwich Union systems.

The methodology for the calculation of these reserves is described in Appendix 9.4.

6. Costs of guarantees, options and smoothing

(1) Not applicable

(2)

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

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

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

(b) **Grouping Basis**

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

For conventional business:

- Product class (e.g. life endowment, conventional pensions)
- Entry Year
- Maturity Year

For unitised with-profit business:

- Product class (e.g. life bonds, individual pensions)
- Year of unit purchase
- Guarantee date (date at which a person is expected to take their guarantee, e.g. NRD for pensions, no-MVR date for bonds)

Guarantee costs are not calculated by projecting individual or grouped model points. Instead, the aggregate asset shares and guaranteed amounts are projected for each of the cohorts above.

Validations

The total guaranteed amounts are reconciled back to the Regulatory valuation results. The aggregate asset shares are reconciled to the totals in Form 19.

(c) The ratio of the guaranteed costs to asset share for the Company's Self-Employed Deferred Annuity (SEDA) contract is assumed to apply to the other deferred cash and deferred annuity business in the Company. The SEDA contract represents about 75% of the conventional pensions business in the Company by mathematical reserve.

(3) The principal changes to the valuation method for valuing the costs of guarantees, options or smoothing since the previous valuation have included

- The fund is now assumed to have a minimum Equity Backing Ratio of 40% in all scenarios.
- The take-up rate for guaranteed annuity options is now assumed to increase by 1% every year from its initial level until an ultimate level of 95% is reached.
- There is now a guarantee applying to Portfolio Bonds sold after 30 January 2006 which guarantees the return of original premium increased in line with RPI at any point after the 5th policy anniversary and the value of this guarantee has been calculated.
- To the extent that the asset mix in the fund is different from the benchmark asset mix for the fund, it is assumed that the asset mix is reset to the benchmark immediately following the valuation date.

(4) **Description of guarantees, options or smoothing being valued**

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

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

Product Class	Planned Enhancements to WPBR	Planned Deductions to WPBR for other costs	Contractual Guarantee costs	Non-Contractual Commitments	Smoothing costs
Conventional Life direct written	0	0	41	202	-18
Conventional Pensions	0	0	63	0	-7
UWP Life	21	0	128	0	-5
UWP Overseas	0	0	9	0	0
UWP Pensions	0	0	24	0	-5
UWP Stakeholder	0	0	6	0	-2
Reinsured - Conventional life	0	0	1	0	0

The only reinsurance into the CGNU Life fund relates to reinsurance of endowments from the Provident Mutual Fund of Norwich Union Life & Pensions.

Planned Enhancements to WPBR

UWP Life

This represents the cost of the additional 0.5% p.a. regular bonus on Loyalty Fund units and of Loyalty Units awarded to Bond 2000 products at certain policy anniversaries. Other enhancements are covered by the remaining items described in the analysis.

Planned Deductions to WPBR for other costs

None

Contractual Guarantee Costs

In order to reconcile to Form 19, £14m of contractual Guarantee Costs need to be added. This relates to Section 32 Guaranteed Minimum Pension costs, which are valued using a non-stochastic method (see 6(4) (b))

Conventional Life

This represents the cost of the basic sum assured plus any accrued bonuses to date exceeding 100% asset share under the stochastic projection.

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

Stochastic Reserve	=	£41m
Best-estimate	=	£0m
Option value	=	100%

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

Conventional Pensions

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

Stochastic Reserve	=	£63m
Best-estimate	=	£36m
Option value	=	43%

Conventional pension guarantees are reasonably in the money.

UWP life

This represents the cost of payouts in excess of 100% of Asset Share due to no-MVR, money back and RPI guarantees under the stochastic projection. It also allows for the effect of any guaranteed bonus rates.

The no-MVR guarantee is only currently in the money, by a margin of less than 10% in respect of units purchased during 1999 and 2000. The total BVU of business sold during those years (including that reinsured to CULAC) is £2,394m.

The no-MVR guarantee is out of the money in respect of all other years of unit purchase. The margin is less than 10% in respect of units purchased during 1998, 2001 and 2006, and in excess of 10% in respect of all other years of unit purchase.

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

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

UWP pensions

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

The no-MVR guarantee is only currently in the money, by a margin of less than 10% in respect of units purchased during 1999 and 2000. The total BVU of business sold during those years (including that reinsured to CULAC) is £306m.

The no-MVR guarantee is out of the money in respect of all other years of unit purchase. The margin is less than 10% in respect of units purchased during 1998 and 2006, and in excess of 10% in respect of all other years of unit purchase.

UWP Stakeholder pensions

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

The no-MVR guarantee is out of the money in respect of all years of unit purchase. The margin is less than 10% in respect of units purchased during 2006, and in excess of 10% in respect of all other years of unit purchase.

UWP Overseas

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

The cost is not material for CGNU.

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

Non-Contractual Commitments

Conventional Life

This represents the cost of the mortgage endowment promise from conventional endowments (plus a small cost from unitised endowments). The amount provided for under the promise is the difference between the mortgage amount and policy payout if returns on the fund after tax are 6%

or more, from the end of 1999 to the maturity date of the policy, or the amount as communicated to policyholders in other circumstances.

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

Payment of the mortgage promise is conditional on the investment earnings achieved on the estate. These must be sufficient to pay the shortfall amounts falling due each year.

For the purposes of the valuation, we have assumed that the full promise amount would be paid at all times, with no reduction in those scenarios where the cost of the promise exceeds the investment earnings on the estate.

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

Smoothing Costs

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

This is offset by the ‘smoothing retention’, relative to 100% of asset share. This is designed to give broadly neutral smoothing costs allowing for the costs incurred to the valuation date, consistent with statements in the PPFM for CGNU.

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

The distribution was calculated using the following assumptions:

Risk-free rate:

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

Outstanding term	Risk free annualised spot rate (%) – 2006
1	5.41%
2	5.32%
3	5.26%
4	5.20%
5	5.14%
6	5.07%
7	5.00%
8	4.94%
9	4.89%
10	4.84%
12	4.75%
15	4.64%
20	4.44%
25	4.26%
30	4.11%

- The discount rate was set equal to the risk-free rate as above EXCEPT for the calculation of future profits on non-profit business. For this calculation the discount rate is increase by 0.5%. This is an adjustment to reflect risk and uncertainty on the non-profit business, and to give a margin to allow for the cost of any non-financial guarantees.

- All assets were expected to grow at the risk-free rate (ie risk neutral pricing was used).

Derivation of risk-free rate curve:

The risk free rate was based on governments bonds, increased for the element of the swap – gilt spread that could be ascribed to the “repo ability” of the gilts.

The swap – gilt spread varies between 33bp at 25 years, to 41bp for three year term, the average and the spread for the 10-15year period is around 37bp.

Our decomposition of this spread is

Description	**Bp - 2006**
LIBOR – LIBMID (to get mid market)	6
LIBMID – repo at 3 months (credit spread)	8
Implied Repo ability	23
Total spread	37

This implies a risk free rate of gilt + 23 bp could be justified based on 31 December 2006 market conditions

However, we have used a gilt + 10bp approach to provide a margin for risk and uncertainty and for consistency with the approach used at 31 December 2005.

Use of the curve:

A risk-free rate curve was used for most option-pricing purposes. However, some systems are unable to implement the curve structure and so an appropriate fixed rate was used for these deterministic projections.

The fixed rate chosen reflected the term of the liabilities being valued, plus a margin to allow for the approximations inherent in this approach.

Main liabilities modelled with flat risk-free rate:

- Future profits on non-profit business
- Guaranteed annuity options
- Tax on shareholder transfers

Risk free rate used: 4.75%

Annuity interest rate used: 4.00% (equal to the 8 into 15-year forward rate based on the full curve).

Form of probability distribution:

The lognormal model was assumed for the prices of all assets.

Derivation of Equity/Property volatility:

UK Equity

Market implied volatility (that is the Black-Scholes solution to observed option pricing given risk free rates that maintain "put call parity" – essentially swap rates) has been derived from information provided by an investment bank.

We have used the volatility in respect of at-the-money options, since the time value of the guarantees that will be affected by these volatility rates is at its greatest when the guarantees are at the money.

Term	**Volatility**
1	14.25%
2	15.15%
3	15.79%
4	16.10%
5	16.38%

The table below set out the resultant extrapolated volatility.

Term	**Volatility**
7	16.63%
10	16.76%
15	16.80%

The model used can only utilise a level volatility across all terms. We have used a volatility assumption of 17.00% (20.00% at 31 December 2005) because the rate is consistent with the output for a term of approximately 10 years, which is consistent with the term of the majority of the guarantees, and gives a margin for shorter term guarantees.

Overseas Equity

The difference between UK and overseas volatility for significant territories was applied to the UK assumption calculated above.

Property volatility

There are no meaningful option prices so a best estimate approach is used. The best estimate is 15.0%.

Derivation of bond volatility:

Gilts

The table below shows swaption implied volatility for an option term of 20 years, swap maturity as shown (source values derived from data supplied by an investment bank)

Swap maturity	Implied volatility (%)
1	11.6
5	12.0
10	12.4
15	12.7
20	12.7
25	12.7

For the purposes of our model, we have used an implied volatility of 12.5% at all durations.

Our model requires a price volatility assumption. The price volatility is calculated using the yield volatility combined with the discounted mean term of the assets, to give price volatilities as follows.

DMT	Price volatility
1	0.57%
2	1.14%
3	2.72%
5	2.88%
7	4.06%
10	5.85%

The discounted mean term of the fixed interest assets at 31st December 2006 is 8.7 years

We would reduce the outstanding term of the fixed interest investments as the in-force business ran off. From the above it can be seen that this would result in reducing price volatility over time. However, the model cannot utilise time dependant volatility, so we adjust the fixed volatility level to reflect the decline.

We have then calculated the average volatility for all guarantee terms, to give a volatility assumption of 4.50%. The volatility used includes a small margin to allow for inevitable approximations involved in the above approach.

Corporate Bond and Overseas Bond volatility

Separate asset classes are set up for corporate and overseas bonds. These have different correlations with the returns on UK gilts.

There are spreads between swaps, corporate bonds, gilts and overseas bonds. These spreads move over time so one class of asset may be more or less volatile than the others.

We have therefore set the price volatility assumption for Corporate and Overseas bonds to be 2% in excess of that of UK gilts.

In summary the price volatility assumptions are

	CGNU
Gilts	4.50%
Other Fixed Interest	6.50%

Correlation between different asset classes:

- Correlation between asset classes was taken from internal historic data. The table below shows the figures used at 31 December 2006.

	UK Equities	Property	European Equities	US Equities	Japanese Equities	Pacific Basin Equities	Emerging Market Equities	UK government bonds	Corporate Bonds	Global Bonds	Cash
UK Equities	1.00	0.25	0.79	0.83	0.55	0.58	0.65	0.31	0.29	0.52	0.10
Property	0.25	1.00	0.22	0.05	0.55	0.11	0.15	0.07	0.03	-0.20	-0.33
European Equities	0.79	0.22	1.00	0.91	0.48	0.55	0.58	0.37	0.28	0.69	-0.10
US Equities	0.83	0.05	0.91	1.00	0.43	0.47	0.56	0.37	0.30	0.74	0.00
Japanese Equities	0.55	0.55	0.48	0.43	1.00	0.62	0.65	0.01	0.00	0.20	-0.17
Pacific Basin Equities	0.58	0.11	0.55	0.47	0.62	1.00	0.87	0.25	0.37	0.53	0.00
Emerging Market Equities	0.65	0.15	0.58	0.56	0.65	0.87	1.00	0.08	0.16	0.47	0.18
UK government bonds	0.31	0.07	0.37	0.37	0.01	0.25	0.08	1.00	0.97	0.50	0.11
Corporate Bonds	0.29	0.03	0.28	0.30	0.00	0.37	0.16	0.97	1.00	0.51	0.12
Global Bonds	0.52	-0.20	0.69	0.74	0.20	0.53	0.47	0.50	0.51	1.00	0.13
Cash	0.10	-0.33	-0.10	0.00	-0.17	0.00	0.18	0.11	0.12	0.13	1.00

Inflation:

Future inflation is assumed to be that implied by the difference between nominal and real government bond yields as at 31 December 2006.

Asset mix/EBR management:

The initial asset mix was equal to the benchmark mix for the asset share investments in With-Profits funds as at 31 December 2006. The resulting asset mix is shown below, together with the volatility parameters for each class:

Class	**% of asset share**	**Volatility parameter**
UK Equities	40%	17.0%
Property	18%	15.0%
European Equities	4%	17.2%
US Equities	2%	19.4%
Japanese Equities	1%	19.2%
Pacific Basin Equities	3%	20.0%
Emerging Market Equities	2%	23.6%
UK government bonds	8%	4.5%
Corporate bonds	14%	6.5%
Global bonds	4%	6.5%
Cash	5%	0.0%
	100%	

Management of the EBR within the stochastic return projector is discussed in 6(5)(a).

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

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

Global business

Financial year ended **31 December 2006**

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

			K= 0.75				K= 1				K= 1.5			
		n	5	15	25	35	5	15	25	35	5	15	25	35
ROW	Asset type	r	5.14%	4.64%	4.26%	3.99%	5.14%	4.64%	4.26%	3.99%	5.14%	4.64%	4.26%	3.99%
		p:												
1	Risk-free zero coupon bond		778,478	506,654	352,216	254,585	x	x	x	x	x	x	x	x
2	FTSE AllShare	1	43,280	120,900	178,107	226,132	151,344	256,771	327,564	387,693	531,867	626,995	702,784	768,165
3	FTSE AllShare	0.8	33,971	82,205	110,221	129,129	125,200	183,573	211,773	234,058	468,634	476,710	484,907	488,953
4	Property	1	33,650	95,529	146,550	190,862	133,832	225,472	289,866	344,568	524,268	596,915	661,044	718,776
5	Property	0.8	25,759	60,962	84,453	101,865	108,295	154,504	177,877	198,195	458,972	445,167	444,215	442,329
6	15 yr risk free ZCB	1	5,958	34,202	63,331	86,426	80,635	138,528	181,612	215,362	504,142	526,462	561,034	587,873
7	15 yr risk free ZCB	0.8	3,407	15,950	24,743	29,235	56,947	76,722	84,501	91,406	433,913	362,349	333,774	305,410
8	15 yr corporate	1	13,161	53,943	91,005	121,263	99,277	168,900	219,107	260,088	509,461	548,948	594,670	629,966
9	15 yr corporate	0.8	8,685	29,229	42,850	51,041	74,729	103,293	116,422	127,231	440,684	389,843	371,905	352,878
10	65% FTSE AllShare, 35% Property	1	24,900	78,841	124,803	163,194	120,022	201,740	259,905	311,071	514,041	574,277	629,078	682,114
11	65% FTSE AllShare, 35% Property	0.8	18,317	48,059	68,401	81,364	94,768	133,609	153,572	170,006	448,003	420,630	411,792	406,791
12	65% FTSE AllShare, 35% ZCB	1	20,172	72,877	120,085	159,247	113,350	196,745	258,194	310,027	512,008	573,796	634,002	687,365
13	65% FTSE AllShare, 35% ZCB	0.8	14,224	42,787	63,846	76,442	88,250	127,912	148,899	166,171	445,513	418,333	413,461	407,773
14	40% Eq, 15% prop, 22.5% ZCB, 22.5% corp	1	9,427	45,626	81,759	112,560	90,272	156,111	205,652	250,070	503,360	538,811	580,453	623,814
15	40% Eq, 15% prop, 22.5% ZCB, 22.5% corp	0.8	5,777	22,944	36,504	44,979	66,106	92,506	105,772	118,333	434,301	378,785	357,591	342,932
			L = 15				L = 20				L = 25			
16	Receiver swaptions		6.92%	8.97%	8.78%	8.70%	9.21%	11.54%	11.21%	11.11%	11.56%	13.90%	13.41%	13.29%

Notes on the table above:

Row 1 should be completed showing the value of cash payments of £1,000,000 due n years after the valuation date.

Rows 2 to 15 inclusive should be completed for the appropriate asset classes showing the value of a put option on a portfolio worth £1,000,000 on the valuation date exercisable n years after the valuation date with strike price of K*£1,000,000*(1+r*p)^n.

All references to 15-year bonds mean rolling bonds traded to maintain the 15 year duration at all future dates. The corporate bonds should be assumed to be rolling AA rated zero coupon bonds.

Row 16 should be completed showing the value of sterling receiver swaptions with a strike of 5% exercisable n years after the valuation date with swap durations on exercise of L years. The values should be expressed as a percentage of nominal.

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

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

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

Tax should be ignored in all calculations.

All options should be assumed to be European-style.

Commentary on the results:

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

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

For GAOs our model is calibrated to the discounted mean term of the GAO liability and the strike price of the GAOs (around 9%). The results produced by the model at 5% strike are not relevant to our valuation of GAO.

For the gilt portfolio pricing we are asked to base these results on a 15-year rebalancing portfolio. Our philosophy is to hold fixed-interest assets with duration matching to the discounted mean term of the liability (i.e. the portfolio shortens over time). Similar to the comments above, results produced incorporating a 15-year rebalancing rule have little practical relevance to the cost of our guarantees.

(iv) **Initial Equity and Property Rental Yields**

The model assumes risk-neutral approach with drift of the total expected return equal to the risk free rate. A best estimate split of return between income and capital gains is assumed when calculating the assumed tax rate (see section 11).

(v) UK risk free rates are applied throughout.

(vi) **Duration of significant guarantees**

The following tables show the durations of significant guarantees and promises for the with-profits funds. Duration is calculated as weighted average of projected maturity years with weights equal to the cost of guarantees.

Duration of guarantees

CGNU

	Duration (yrs)	%																		
		2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024+	
Conventional Life																				
Base guarantee	9.6	-	0	1	1	3	4	13	15	15	11	7	8	5	4	7	5	2	1	100
Mortgage promise	11.1	0	0	0	1	2	3	5	7	9	11	13	13	11	6	6	6	5	3	100
Conventional Pensions																				
Base guarantee	10.9	4	3	3	4	6	6	6	5	6	5	6	5	5	5	5	5	4	18	100
GAR option	6.2	20	10	9	8	6	7	5	3	5	3	4	3	3	2	2	1	1	7	100
Conventional Life: Reinsured																				
Base guarantee	4.8	18	-	0	8	36	21	8	1	3	1	0	0	0	0	0	2	-	2	100
Unitised Life: Retained																				
Base guarantee	6.1	1	3	11	31	17	3	4	4	8	6	1	1	1	1	1	1	1	5	100
Unitised Pensions excl Stk: Retained																				
Base guarantee	12.1	3	7	6	6	4	5	4	4	3	3	4	3	4	4	4	3	3	31	100
Stakeholder: Retained																				
Base guarantee	17.6	-	-	-	-	0	1	2	2	3	3	3	4	4	4	5	6	6	56	100

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

(vii) **Nature of validations of asset model**

The model projects total return credited to asset share, not income and gains on assets. Therefore no explicit comparison of the NPV of the projection of income / gains has been made. Instead, the table below shows the discounted value of £1 invested on the valuation date and projected forward t years (t=5, 10, 15, 20). For a risk-neutral model, the result would be 1. The table shows how the results depend on the number of simulations used.

t (years from valuation date)	5	10	15	20
100 Sims result	0.989	0.996	0.966	1.005
1000 Sims result	1.010	1.017	1.011	1.020
5000 Sims result	1.009	1.010	1.006	1.006
10000 Sims result	1.003	1.005	1.001	0.998
Distribution result	1.002	1.005	1.002	1.001

The final line shows the results based on using the actual distribution required by our matrix approach to the calculation of the costs of guarantees. This table implies that the number of simulations (as used by the model) is sufficient for convergence

Further validation involves comparing the results of the model with Black-Scholes prices.

The output of the matrix approach has been compared to that of the Black-Scholes pricing formula (given appropriate portfolio volatility levels). The output of the matrix approach will only do this when management action is not incorporated. A selection of the results is shown below:

			K= 0.75				K= 1				K= 1.5			
			5	15	25	35	5	15	25	35	5	15	25	35
ROW	r (**Continuous)**		5.01%	4.53%	4.17%	3.91%	5.01%	4.53%	4.17%	3.91%	5.01%	4.53%	4.17%	3.91%
		p												
2	FTSE AllShare: matrix approach	1	43,280	120,900	178,107	226,132	151,344	256,771	327,564	387,693	531,867	626,995	702,784	768,165
2	FTSE AllShare: Black-Scholes valuation	1	42,232	121,031	178,267	224,288	150,742	257,998	329,163	384,942	533,714	628,718	703,972	766,020
	Difference / MV(0)		0.1%	0.0%	0.0%	0.2%	0.1%	-0.1%	-0.2%	0.3%	-0.2%	-0.2%	-0.1%	0.2%
4	Property: matrix approach	1	33,650	95,529	146,550	190,862	133,832	225,472	289,866	344,568	524,268	596,915	661,044	718,776
4	Property: Black-Scholes valuation	1	31,238	98,141	148,381	189,401	133,185	228,546	292,339	342,745	522,417	599,620	664,328	718,888
	Difference / MV(0)		0.2%	-0.3%	-0.2%	0.1%	0.1%	-0.3%	-0.2%	0.2%	0.2%	-0.3%	-0.3%	0.0%
10	65% FTSE AllShare, 35% Property: matrix approach	1	24,900	78,841	124,803	163,194	120,022	201,740	259,905	311,071	514,041	574,277	629,078	682,114
10	65% FTSE AllShare, 35% Property: B-S valuation	1	22,952	79,715	123,872	160,447	118,729	204,131	261,602	307,279	514,611	576,870	632,380	680,256
	Difference / MV(0)		0.2%	-0.1%	0.1%	0.3%	0.1%	-0.2%	-0.2%	0.4%	-0.1%	-0.3%	-0.3%	0.2%

The table above shows that the model is capable of producing Black-Scholes prices. The table also implies that the number of simulations used and the width of the banding within the matrix approach do not distort the results.

	Put Option Price
Market Price	9.32
NU Asset Model Price	9.40

The table above shows the actual market price and the price generated using our asset model (for a 5-year at the money put option). As demonstrated above, the model produces a higher price for this specimen contract because:

- We make a credit risk adjustment relative to the risk free rate that maintains put/call parity
- We calibrate volatility to around 10 years rather than 5.

(viii) 10,000 projections of asset share returns have been made to construct the probability distribution used to value the guarantees.

(b) **Market costs of hedging - Description of guarantees, options or smoothing**

The approach used to value Guaranteed Annuity Options on conventional pensions increases the deterministic (intrinsic cost) of the option to allow for the limited option value. The increase is based on the implied option value of swaptions with similar characteristics to the liabilities.

This implied option value is small, as most of the Guaranteed Annuity Options are in the money at interest rates up to about 9%.

An uplift factor of 5% has been used at all durations, which includes an allowance for the variability of investment return prior to retirement.

In addition, a small reserve for GMP guarantees on Section 32 Transfer policies arises. This reserve has been calculated as the statutory provision, with an adjustment to allow for future bonuses together with a 15% uplift. These costs have been included in the figures quoted in 6(4)(a)(i).

Costs of Financial Options

This represents the cost of the guaranteed annuity option (GAO) attaching to conventional deferred cash pensions. Contracts provide for a basic cash amount plus accrued regular bonus and a final bonus. The policyholder then has the option to take this cash amount or to convert this into income at guaranteed rates written into the policy conditions. There is also a small cost from guaranteed cash options on deferred annuity contracts.

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

Cost of annuity rate guarantees	£m
Base GAO cost	18
Uplift (5%)	1
Expense reserve	1
Total	**20**
Base cost of GMP gtee on S32	12
Uplift (15%)	2
Total	**14**

The duration of all guarantees is shown in the table given in 6.4(a)(vi) (where significant).

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

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

(5) **Management Actions**

(a) There are various allowances and limitations for management actions in the stochastic model. Details of the key decisions are set out below.

Projected Equity Backing Ratio

Management is assumed to intervene and carry out switches (in addition to any impact from market movements) of investments supporting asset shares when investment returns are particularly strong or weak.

The logic for this is that the main aim of investment policy is to provide the highest long-term returns given acceptable levels of solvency risk.

If equity/property performance is poor, then solvency would deteriorate, hence management action would be to reduce the equity/property content of the fund. However, it is assumed that the EBR will not fall below 40% in any scenario.

The converse is also true; however, increasing the EBR is constrained to the extent of the investment philosophy where a large proportion of our existing holding of bonds will be held to provide a duration match of the liabilities.

The results produced by the application of this model are shown in 6(5)(b)(i).

Maximum Cuts in payout

The model assumes bonus is reviewed annually (in practice reviewed at least semi-annually). Final bonus is set to deliver target payout ratio subject to change of no more than 15% in payout compared to equivalent policy maturing 1 year earlier.

Target level of payout

Prospective individual payout targets at maturity are set so that the long-term payout target as a percentage of asset share would be such that the smoothing cost was neutral allowing for costs incurred to the valuation date.

Regular Bonus Assumptions

Annual bonus is pre-determined at outset. The assumption is that the current level of annual bonus will be maintained indefinitely, as there is currently a reasonable margin for final bonus in these rates

Guarantee Charges on asset shares

The model uses no charge in respect of guarantees for the Company's written business.

Allocation of non-profit profits to asset share

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

Shareholder Transfers and tax

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

It is assumed that only the tax on Shareholder transfers will be charged to the estate. The shareholder transfers themselves will be charged to asset share. For shareholder transfer payments arising from Mortgage Endowment Promise, both shareholder transfer and tax will be charged to the estate.

Mortality costs

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

Surrender costs

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

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

- The projection allows for future EBR management action as discussed earlier in this document. The results reflect an average of the simulated positions.
- Regular bonus rates quoted are those that have been assumed in the production of the central set of results for Form 19.

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

UWP Bonus Rates

Product	31 December 2006	31 December 2011	31 December 2016
UWP Life (Implicitly charged): Units purchased on policies written pre 1/10/1998	3.25%	3.25%	3.25%
UWP Life (Implicitly charged): Units purchased on policies written post 30/09/1998	3.25%	3.25%	3.25%
UWP Life (Explicitly charged):	4.25%	4.25%	4.25%
UWP Pensions (Implicitly charged): Units purchased on policies written pre 1/10/1998	3.50%	3.50%	3.50%
UWP Pensions (Implicitly charged): Units purchased on policies written post 30/09/1998	3.00%	3.00%	3.00%
UWP Pensions (Explicitly charged):	4.50%	4.50%	4.50%
UWP Pensions (Stakeholder):	4.00%	4.00%	4.00%

Further notes on bonus rates:

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

Assets Backing With-Profit Benefits Reserve

To the extent that the asset mix in the fund is different from the benchmark asset mix for the fund, it is assumed that the asset mix is reset to the benchmark immediately following the valuation date.

Consequently, the projections below are based on the benchmark asset share mix as at 31 December 2006:

Asset class	31 Dec 2006	31 Dec 2011	31 Dec 2016
UK equities	39.9%	37.5%	35.4%
Overseas equities	11.8%	11.0%	10.4%
Land and buildings	18.0%	17.1%	16.7%
Approved fixed interest securities	7.9%	8.9%	9.8%
Other fixed interest securities	17.2%	19.6%	21.3%
All other assets	5.2%	5.9%	6.4%
Total assets	**100.0%**	**100.0%**	**100.0%**
EBR	69.7%	65.6%	62.5%

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

The same bonus rates are anticipated as in the previous projection

Assets Backing With-Profit Benefits Reserve

Asset class	31 Dec 2006	31 Dec 2011	31 Dec 2016
UK equities	39.9%	38.3%	36.8%
Overseas equities	11.8%	11.3%	10.8%
Land and buildings	18.0%	17.5%	17.3%
Approved fixed interest securities	7.9%	8.6%	9.1%
Other fixed interest securities	17.2%	18.7%	20.0%
All other assets	5.2%	5.6%	6.0%
Total assets	**100.0%**	**100.0%**	**100.0%**
EBR	69.7%	67.1%	64.9%

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

The same bonus rates are anticipated as in the previous projection

Assets Backing With-Profit Benefits Reserve

Asset class	31 Dec 2006	31 Dec 2011	31 Dec 2016
UK equities	39.9%	36.6%	34.0%
Overseas equities	11.8%	10.8%	10.0%
Land and buildings	18.0%	16.7%	15.9%
Approved fixed interest securities	7.9%	9.3%	10.4%
Other fixed interest securities	17.2%	20.5%	22.8%
All other assets	5.2%	6.1%	6.9%
Total assets	**100.0%**	**100.0%**	**100.0%**
EBR	69.7%	64.0%	59.9%

(6) **Persistency and Mortality Assumptions**

The lapse rates assumed in the projection of the asset shares and guaranteed benefits are based on own experience adjusted for anticipated trends.

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

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

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

At no-MVR date:

Assume 75% exits at the first no-MVR date. Assume all remaining policyholders leave on the second no-MVR date.

Assume all exits between the first and second no-MVR dates are covered by the no-MVR roll-forward guarantee.

Automatic partial withdrawals on bonds have no MVRs applied (subject to certain limits). The assumed Automatic Partial Withdrawal rates are 2.0% pa. A higher rate of 4% is assumed for the Life Income funds.

Mortality Assumptions

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

Annuitant Mortality

For all immediate annuities and deferred annuities in payment we use assumptions based on the proposed CMI tables based on data from 1999 to 2002. The tables have been substantially altered to reflect our experience with a considerable reduction to table mortality.

The initial rates used are the same as assumed in the regulatory valuation. However, for the realistic valuation, minimum improvement factors of 1.5% pa for males and 1.0% pa for females have been assumed.

Guaranteed Annuity Option take-up rate

An initial take-up rate of 80% has been assumed in respect of Guaranteed Annuity options attaching to pensions. The take-up rates increase by 1% every year from 2008 onwards, until an ultimate level of 95% is reached. This is a change in assumption from 31st December 2005 where a level assumption of 80% was used.

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

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

(7) **Policyholder Actions**

Policyholder actions are primarily covered by the static persistency and GAO take-up rates in the previous section. There is no dynamic linking of these decisions relative to the value of the options under each particular scenario.

7. Financing Costs

There are no financing costs.

8. Other long-term insurance liabilities

Product Class	Any other liabilities related to treating customers fairly	Any other long-term insurance liabilities
Conventional Life	0	38
Conventional Pensions	0	2
UWP Life	0	25
UWP Pensions	0	9
UWP Stakeholder	0	0
UWP Overseas	0	4
Miscellaneous	0	78
Total	0	**156**

Any other liabilities related to treating customers fairly

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

Any other long-term insurance liabilities

The product split gives a breakdown of the £79m held in respect of the future tax due on shareholder transfers and future shareholder transfers in respect of payments under the Mortgage Endowment Promise that are charged to the estate.

The following liabilities are held under the miscellaneous category.

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

£20m is held in respect of the funding for the Aviva staff pension scheme deficit.

£52m is included for the cost of investigation and redress of mortgage endowment mis-selling complaints.

£20m is held to cover compensation costs other than those identified above.

£29m is held to cover the cost of future expenses not charged to asset shares

A credit of £70m is held in respect of the difference between the present value of charges to be deducted from UWP asset shares on a charges basis compared to the future renewal expenses and cost of future shareholders transfers charged to the fund. This credit implicitly includes an allowance for recovery of initial expenses already incurred on this business.

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

9. Realistic current liabilities

The realistic current liabilities include the following:

- Provisions for deferred taxation
- Provisions for inter company transfers from internal reassurance
- Outstanding Claims
- Other creditors
- Accruals and deferred income

The realistic current liabilities at 31 December 2006 are £964m.

The realistic current liabilities include a reduction of £37m in respect of discounting of the Unrealised Capital Gains Tax provisions, which is not allowed for in the regulatory current liabilities. The figures are otherwise the same.

10. Risk Capital Margin

Fund	RCM (£m)
CGNU	505

(1)

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

Asset Class	Fall in market values
UK Equities	20.0%
OS Equities	21.9%
Property	12.5%

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

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

(b)

Asset Class	**Rise in FI yields**	**Fall in FI yields**
Nominal change in yields	+81bps	-81bps
long-term yield – level post-stress	5.43%	3.81%
long-term yield - % movement post-stress	+17.5%	-17.5%

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

(c)

Fund	**Average Increase in credit spread**	**Change in FI asset value**
CGNU	0.24%	-2.13%

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

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

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

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

% increase in realistic liabilities = 0.94%

(e) Not applicable

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

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

<u>Cuts in payouts</u>

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

In addition, the level of the 'smoothing retention' would be reviewed, to ensure that the smoothing cost was broadly neutral allowing for costs incurred to the valuation date.

<u>Regular Bonuses</u>

Following the asset value falls under the stress test, two 0.5% reductions in UWP annual bonus are assumed to be implemented, to better maintain final bonus margins. These reductions would take place one year and two years after the valuation date.

All future conventional regular bonus rates, other than the with-profit immediate annuities, are assumed reduce by 1% pa, starting one year after the valuation date, until they reach zero.

The with-profit immediate annuity bonus rates are assumed to reduce such that the bonus reserve valuation for the business is unchanged under the stress test.

<u>Guaranteed Annuity Options</u>

The initial take-up rate for guaranteed annuity options is assumed to increase from 80% to 85% as a result of the fall in fixed interest yields. The take-up rate then increases by 1% every year from 2008 onwards, until an ultimate level of 95% is reached.

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

	Effect of action (£m)
Cuts in payouts	18
Regular bonuses	125
GAO take-up	-1
Total	142

(c) The same investment management rules governing any change in asset mix of the fund have been used for the projection of assets in the stress tests as in the central scenario.

(d) There is no Charge for Guarantees in the Stress Test so this section is not applicable.

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

Assets backing RCM	£m	%
UK equities	0	0%
Overseas equities	0	0%
Land and buildings	165	33%
Approved fixed interest securities	185	37%
Other fixed interest securities	156	31%
All other assets	0	0%
Total	505	100%

All assets backing the RCM are within the WP funds.

(f) Not applicable

11. Tax

(1) **Tax treatment in the with-profits benefit reserves**

Asset shares are credited with net of tax investment returns allowing for actual tax rates.

	2006 %
Income tax	20
Franked income tax	-
Withholding tax	15

(2) **Tax treatment in future policy related liabilities**

Current tax rates are assumed to continue in the future for all projections.

Corporation Tax 30%

Income Tax 20%

Franked Income Tax 0%

Withholding Tax 15%

Turnover Rates (for CGT calculation)

UK Equity 20%

Overseas Equity 40%

Property 12.5%

CGT indexation 1.93% (2/3rds of the RPI assumption)

Average BLAGAB tax rate applying to asset shares:

CGNU Life written 12.23%

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

(3) **Tax treatment in the realistic current liabilities**

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

12. Derivatives

Security	**Value at 31 December 2006 £m**
Equity futures	293
Bond futures	-352

The exposure to futures is part of the company's portfolio management strategy, and all the futures expire no later than March 2007.

13. Analysis of working capital

	£m
Working capital at 31/12/2005	2,082
Investment return on opening working capital	184
Profits on assets backing liabilities	356
Economic assumption changes	48
Non-economic assumption changes	-48
Policyholder action assumption changes	49
Other experience variances	0
Impact of new business	-56
Changes in reinsurance and regulation	-10
Modelling changes and opening adjustments	-56
Working capital at 31/12/2006	2,549

Notes:

1. The profits on assets backing liabilities includes the reduction in guarantee costs arising from returns in excess of the projected rates as at 31 December 2005, as well as the impact of the change in Risk Free Rate during 2006.
2. Non-economic assumption changes include annuitant mortality and bonus rates, as well as the introduction of the EBR floor and changes in miscellaneous reserves, where they could not be analysed separately.
3. Policyholder action assumption changes relate to persistency and GAO take-up assumptions
4. Experience variances include impact of premiums, claims and expenses
5. The impact of new business mainly relates to the potential cost of guarantees on the RPI-linked bond
6. Note that the change in other liabilities from line 47 is included in the analysis above
7. The change in working capital arising purely from the change in line 51 cannot be quantified.

14. Optional Disclosure

The split and determination of what is classified as contractual and non-contractual obligations are covered in section 6.

Statement on derivatives required by IPRU (INS) 9.29

Name of insurer **CGNU Life Assurance Limited**

Global business

Financial year ended **31st December 2006**

The following summarises investment policy for the use of derivatives:

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

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

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

The amounts recorded in Form 13 would not have significantly changed if contracts held had been exercised at the end of the financial year or at any point during the financial year.

The maximum loss in the event of failure by any one counterparty to fulfil its obligations at the end of the financial year would have been £23.6m. This would not have been materially greater at any one time during the year or under other foreseeable market conditions.

No derivative contracts were held at any time during the financial year that required a significant provision under INSPRU 3.2.17R, and where appropriate, all contracts held fell within the definition of a permitted derivative contract.

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

Statement on controllers required by IPRU (INS) 9.30

Name of insurer **CGNU Life Assurance Limited**

Global business

Financial year ended **31st December 2006**

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

100% of the issued share capital of Norwich Union Life Holdings Limited is held by Aviva Group Holdings Limited.

100% of the issued share capital of Aviva Group Holdings Limited is held by the Ultimate Parent Undertaking, Aviva plc.

On 1 September 2006, Norwich Union Holdings Limited changed its name to Aviva Group Holdings Limited. There have been no other changes to the above position during the year.

All shares are voting shares.

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

Name of insurer	**CGNU Life Assurance Limited**
Global business	
Financial year ended	**31st December 2006**

In accordance with rule 9.36 of the Interim Prudential Sourcebook for Insurers A R Walton was requested to furnish and has provided the following information:

(a) (1) An interest in 345 ordinary shares at 31 December 2006 in Aviva plc *(2005: nil)*.

(2) 8,536 ordinary shares were held in the Aviva Long Term Incentive Plan at 31 December 2006 *(2005: nil)* and 1,707 ordinary shares were held in the Aviva Annual Bonus Plan (which has replaced the Aviva Deferred Bonus Plan) at 31 December 2006 *(2005: nil)*.

(b) The actuary held general insurance policies with subsidiaries of Aviva plc for which total premiums of £1,007 were paid in the year to 31 December 2006 *(period from 22 July 2005 to 31 December 2005: £745.00)*.

(c) The aggregate amount of remuneration, bonuses and the value of other benefits (excluding pension rights) under the actuary's contract of employment with Aviva Employment Services Limited for the year to 31 December 2006 was £272,465. Under the contract he was:

With-profits actuary of:-
Commercial Union Life Assurance Company Limited
CGNU Life Assurance Limited
Norwich Union Life (RBS) Limited
Norwich Union Life & Pensions Limited

(d) Pensions and life assurance benefits as provided to all employees under the terms and conditions of the Aviva Companies' UK Pensions Schemes. Sickness and accident benefits as provided to all employees under the terms and conditions of these schemes.

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

Name of insurer **CGNU Life Assurance Limited**

Global business

Financial year ended **31st December 2006**

We certify that**:**

1 **(a)** the return has been properly prepared in accordance with the requirements in IPRU(INS), GENPRU and INSPRU; and

(b) the directors are satisfied that:

(i) throughout the financial year in question, the insurer has complied in all material respects with the requirements in SYSC and PRIN as well as the provisions of IPRU(INS), GENPRU and INSPRU; and

(ii) it is reasonable to believe that the insurer has continued so to comply subsequently, and will continue so to comply in future.

2 **(a)** in the directors' opinion, premiums for contracts entered into during the financial year and the resulting income earned are sufficient, under reasonable actuarial methods and assumptions, and taking into account the other financial resources of the insurer that are available for the purpose, to enable the insurer to meet its obligations in respect of those contracts and, in particular, to establish adequate mathematical reserves;

(b) the sum of the mathematical reserves and the deposits received from reinsurers as shown in Form 14, constitute proper provision at the end of the financial year in question for the long-term insurance liabilities (including all liabilities arising from deposit back arrangements, but excluding other liabilities which had fallen due before the end of the financial year) including any increase in those liabilities arising from a distribution of surplus as a result of an actuarial investigation as at that date into the financial condition of the long-term insurance business;

(c) the with-profits fund has been managed in accordance with the Principles and Practices of Financial Management, as established, maintained and recorded under COB 6.10; and

(d) the directors have, in preparing the return, taken and paid due regard to:

(i) advice from every actuary appointed by the insurer to perform the actuarial function in accordance with SUP 4.3.13R; and

(ii) advice from every actuary appointed by the insurer to perform the with-profits actuary function in accordance with SUP 4.3.16AR.

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

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

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

30 March 2007

Independent auditor's report to the directors pursuant to rule 9.35 of the Accounts and Statements Rules

Name of insurer **CGNU Life Assurance Limited**

Global Business

Financial year ended **31st December 2006**

We have examined the following documents prepared by the insurer pursuant to the Accounts and Statements Rules set out in Chapter 9 to the Interim Prudential Sourcebook for Insurers, the General Prudential Sourcebook and the Prudential Sourcebook for Insurers ("the Rules") made by the Financial Services Authority under section 138 of the Financial Services and Markets Act 2000 ("the Act").

- Forms 2, 3, 11 to 19, 40 to 45, 48, 49, 58 and 60 (including the supplementary notes) ("the Forms");
- the statement required by rule 9.29 ("the statement"); and
- the reports required by rule 9.31 ("the valuation reports").

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

a) Forms 46, 47, 50 to 53, 57, 59A and 59B (including the supplementary notes);

b) the statements required by rules 9.30 and 9.36; and

c) the certificate signed in accordance with rule 9.34(1).

This report is made solely to the insurer's directors, in accordance with rule 9.35 of the Accounts and Statements Rules. Our examination has been undertaken so that we might state to the insurer's directors those matters we are required by the Rules to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the insurer for our examination, for this report, or for the opinions we have formed.

Respective responsibilities of the insurer and its auditors

The insurer is responsible for the preparation of an annual return (including the Forms, the statement and the valuation reports) under the provisions of the Rules. Under rule 9.11 the Forms, the statement and the valuation reports are required to be prepared in the manner specified by the Rules and to state fairly the information provided on the basis required by the Rules. The methods and assumptions determined by the insurer and used to perform the actuarial investigation as set out in the valuation reports prepared in accordance with rule 9.31 are required to reflect appropriately the requirements of INSPRU 1.2 and 1.3.

It is our responsibility to form an independent opinion as to whether the Forms, the statement and the valuation reports meet these requirements, and to report our opinion to you. We also report to you if, in our opinion, the insurer has not kept proper accounting records or if we have not received all the information we require for our examination.

Basis of opinion

We conducted our work in accordance with Practice Note 20 "The audit of insurers in the United Kingdom (revised)" issued by the Auditing Practices Board. Our work included examination, on a test basis, of evidence relevant to the amounts and disclosures in the Forms, the statement and the valuation reports. The evidence included that previously obtained by us relating to the audit of the financial statements of the insurer for the financial year on which we reported on 29 March 2007. It also included an assessment of the significant estimates and judgements made by the insurer in the preparation of the Forms, the statement and the valuation reports.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Forms, the statement and the valuation reports are free from material misstatement, whether caused by fraud or other irregularity or error, and comply with rule 9.11.

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

Independent auditor's report to the directors pursuant to rule 9.35 of the Accounts and Statements Rules

Name of insurer **CGNU Life Assurance Limited**

Global Business

Financial year ended **31st December 2006**

Opinion

In our opinion:

(a) the Forms, the statement and the valuation reports fairly state the information provided on the basis required by the Rules and have been properly prepared in accordance with the provisions of those rules; and

(b) the methods and assumptions determined by the insurer and used to perform the actuarial investigation as set out in the valuation reports prepared in accordance with rule 9.31 appropriately reflect the requirements of INSPRU 1.2 and 1.3.

Ernst & Young LLP
Registered Auditor
London
30 March 2007