

Sun Life Assurance Society Plc

**Annual FSA Insurance Returns for the year ended
31st December 2009**



(Appendices 9.1, 9.3, 9.4, 9.6)

Sun Life Assurance Society Plc

Year ended 31st December 2009

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Sun Life Assurance Society Plc

Year ended 31st December 2009

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Statement of solvency - long-term insurance business**Form 2**Name of insurer **Sun Life Assurance Society Plc**

Global business

Financial year ended **31st December 2009**

Solo solvency calculation

	Company registration number	GL/ UK/ CM	day	month	year	units	
	R2	776273	GL	31	12	2009	£000
				As at end of this financial year		As at end of the previous year	
				1		2	

Capital resources

Capital resources arising within the long-term insurance fund	11	933646	715117
Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund	12	246156	224883
Capital resources available to cover long-term insurance business capital resources requirement (11+12)	13	1179802	940000

Guarantee fund

Guarantee fund requirement	21	110259	128432
Excess (deficiency) of available capital resources to cover guarantee fund requirement	22	1069543	811568

Minimum capital requirement (MCR)

Long-term insurance capital requirement	31	330777	385296
Resilience capital requirement	32		
Base capital resources requirement	33	3128	2518
Individual minimum capital requirement	34	330777	385296
Capital requirements of regulated related undertakings	35		
Minimum capital requirement (34+35)	36	330777	385296
Excess (deficiency) of available capital resources to cover 50% of MCR	37	1014413	747352
Excess (deficiency) of available capital resources to cover 75% of MCR	38	931719	651028

Enhanced capital requirement

With-profits insurance capital component	39	490433	149912
Enhanced capital requirement	40	821210	535208

Capital resources requirement (CRR)

Capital resources requirement (greater of 36 and 40)	41	821210	535208
Excess (deficiency) of available capital resources to cover long-term insurance business CRR (13-41)	42	358592	404792

Contingent liabilities

Quantifiable contingent liabilities in respect of long-term insurance business as shown in a supplementary note to Form 14	51		
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Covering sheet to Form 2

Form 2

Name of insurer **Sun Life Assurance Society Plc**

Global business

Financial year ended **31st December 2009**

..... **P. J. Evans** **Chief Executive**

..... **A. M. Parsons** **Director**

..... **A. J. Purvis** **Director**

London

Components of capital resources**Form 3
(Sheet 1)**Name of insurer **Sun Life Assurance Society Plc**

Global business

Financial year ended **31st December 2009**

	Company registration number	GL/ UK/ CM	day	month	year	units	
	R3	776273	GL	31	12	2009	£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		2973	2973	2973
Profit and loss account and other reserves	12		331381	331381	314598
Share premium account	13		4023	4023	4023
Positive valuation differences	14		1013297	1013297	315397
Fund for future appropriations	15		293871	293871	874003
Core tier one capital in related undertakings	16				
Core tier one capital (sum of 11 to 16)	19		1645545	1645545	1510994

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		1645545	1645545	1510994
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		1645545	1645545	1510994

Components of capital resources**Form 3
(Sheet 2)**Name of insurer **Sun Life Assurance Society Plc**

Global business

Financial year ended **31st December 2009**

	Company registration number	GL/ UK/ CM	day	month	year	units	
	R3	776273	GL	31	12	2009	£000
	General insurance business	Long-term insurance business	Total as at the end of this financial year	Total as at the end of the previous year			
	1	2	3	4			

Tier two capital

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

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

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

Components of capital resources**Form 3
(Sheet 3)**Name of insurer **Sun Life Assurance Society Plc**

Global business

Financial year ended **31st December 2009**

	Company registration number	GL/UK/CM	day	month	year	units	
	R3	776273	GL	31	12	2009	£000
	General insurance business	Long-term insurance business	Total as at the end of this financial year	Total as at the end of the previous year			
	1	2	3	4			

Total capital resources

Positive adjustments for regulated non-insurance related undertakings	71					
Total capital resources before deductions (39+69+71)	72		1645545	1645545	1510994	
Inadmissible assets other than intangibles and own shares	73		364882	364882	460343	
Assets in excess of market risk and counterparty limits	74		100854	100854	110626	
Deductions for related ancillary services undertakings	75		7	7	25	
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		1179802	1179802	940000	

Available capital resources for GENPRU/INSRU tests

Available capital resources for guarantee fund requirement	81		1179802	1179802	940000	
Available capital resources for 50% MCR requirement	82		1179802	1179802	940000	
Available capital resources for 75% MCR requirement	83		1179802	1179802	940000	

Financial engineering adjustments

Implicit items	91					
Financial reinsurance – ceded	92					
Financial reinsurance – accepted	93		78054	78054	94024	
Outstanding contingent loans	94					
Any other charges on future profits	95					
Sum of financial engineering adjustments (91+92-93+94+95)	96		(78054)	(78054)	(94024)	

Analysis of admissible assets**Form 13
(Sheet 1)**Name of insurer **Sun Life Assurance Society Plc**

Global business

Financial year ended **31st December 2009**Category of assets **Total other than Long-term insurance business assets**

	Company registration number	GL/ UK/ CM	day	month	year	units	Category of assets
R13	776273	GL	31	12	2009	£000	1
						As at end of this financial year	As at end of the previous year
						1	2
Land and buildings			11				

Investments in group undertakings and participating interests

UK insurance dependants	shares	21		
	debts and loans	22		
Other insurance dependants	shares	23		
	debts and loans	24		
Non-insurance dependants	shares	25	223	111
	debts and loans	26		
Other group undertakings	shares	27		
	debts and loans	28	186423	179163
Participating interests	shares	29		
	debts and loans	30		

Other financial investments

Equity shares	41	62	47
Other shares and other variable yield participations	42		
Holdings in collective investment schemes	43	5094	
Rights under derivative contracts	44		
Fixed interest securities	Approved	45	49397
	Other	46	
Variable interest securities	Approved	47	
	Other	48	
Participation in investment pools	49		
Loans secured by mortgages	50		
Loans to public or local authorities and nationalised industries or undertakings	51		
Loans secured by policies of insurance issued by the company	52		
Other loans	53		
Bank and approved credit & financial institution deposits	One month or less withdrawal	54	16543
	More than one month withdrawal	55	
Other financial investments	56		

Analysis of admissible assets**Form 13
(Sheet 2)**Name of insurer **Sun Life Assurance Society Plc**

Global business

Financial year ended **31st December 2009**Category of assets **Total other than Long-term insurance business assets**

	Company registration number	GL/ UK/ CM	day	month	year	units	Category of assets	
	R13	776273	GL	31	12	2009	£000	1
						As at end of this financial year	As at end of the previous year	
						1	2	
Deposits with ceding undertakings			57					
Assets held to match linked liabilities	Index linked		58					
	Property linked		59					

Reinsurers' share of technical provisions

Provision for unearned premiums	60			
Claims outstanding	61			
Provision for unexpired risks	62			
Other	63			

Debtors and salvage

Direct insurance business	Policyholders	71		
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74		
	Ceded	75		
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	4440	4909
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	3665	27778
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	520	
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86		

Deductions from the aggregate value of assets	87		
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Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	89	249824	228551
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Analysis of admissible assets**Form 13
(Sheet 3)**Name of insurer **Sun Life Assurance Society Plc**

Global business

Financial year ended **31st December 2009**Category of assets **Total other than Long-term insurance business assets**

	Company registration number	GL/ UK/ CM	day	month	year	units	Category of assets	
	R13	776273	GL	31	12	2009	£000	1
						As at end of this financial year	As at end of the previous year	
						1	2	

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

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	249824	228551
Admissible assets in excess of market and counterparty limits	92	92221	96712
Inadmissible assets directly held	93		
Capital resources requirement deduction of regulated related undertakings	94		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	95		
Inadmissible assets of regulated related undertakings	96		
Book value of related ancillary services undertakings	97		
Other differences in the valuation of assets (other than for assets not valued above)	98		
Deferred acquisition costs excluded from line 89	99		
Reinsurers' share of technical provisions excluded from line 89	100		
Other asset adjustments (may be negative)	101		
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 101)	102	342045	325263
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103	109001	

Analysis of admissible assets**Form 13
(Sheet 1)**Name of insurer **Sun Life Assurance Society Plc**

Global business

Financial year ended **31st December 2009**Category of assets **Total Long-term insurance business assets**

	Company registration number	GL/ UK/ CM	day	month	year	units	Category of assets	
	R13	776273	GL	31	12	2009	£000	10
						As at end of this financial year	As at end of the previous year	
						1	2	
Land and buildings				11		302670		324945

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			92186	92783
	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		1404573	1410499
Other shares and other variable yield participations	42		54566	51258
Holdings in collective investment schemes	43		430796	106592
Rights under derivative contracts	44		36445	99938
Fixed interest securities	Approved	45	2171437	2678069
	Other	46	2360101	3712035
Variable interest securities	Approved	47	123459	118566
	Other	48	19144	27345
Participation in investment pools	49			
Loans secured by mortgages	50		213268	230497
Loans to public or local authorities and nationalised industries or undertakings	51		781	734
Loans secured by policies of insurance issued by the company	52		1923	3383
Other loans	53			
Bank and approved credit & financial institution deposits	One month or less withdrawal	54	2717	106695
	More than one month withdrawal	55		
Other financial investments	56			

Analysis of admissible assets**Form 13
(Sheet 2)**Name of insurer **Sun Life Assurance Society Plc**

Global business

Financial year ended **31st December 2009**Category of assets **Total Long-term insurance business assets**

	Company registration number	GL/ UK/ CM	day	month	year	units	Category of assets	
	R13	776273	GL	31	12	2009	£000	10
						As at end of this financial year	As at end of the previous year	
						1	2	
Deposits with ceding undertakings			57					
Assets held to match linked liabilities	Index linked		58		528153		775210	
	Property linked		59		23791		19880	

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		8233		10903
	Intermediaries	72		3		
Salvage and subrogation recoveries	73					
Reinsurance	Accepted	74				
	Ceded	75		864		1568
Dependants	due in 12 months or less	76				
	due in more than 12 months	77				
Other	due in 12 months or less	78		63163		69417
	due in more than 12 months	79				

Other assets

Tangible assets	80					
Deposits not subject to time restriction on withdrawal with approved institutions	81			27954		32257
Cash in hand	82					
Other assets (particulars to be specified by way of supplementary note)	83					
Accrued interest and rent	84			93362		143008
Deferred acquisition costs (general business only)	85					
Other prepayments and accrued income	86			1850		678

Deductions from the aggregate value of assets	87					
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Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	89			7961439		10016260
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Analysis of admissible assets**Form 13
(Sheet 3)**Name of insurer **Sun Life Assurance Society Plc**

Global business

Financial year ended **31st December 2009**Category of assets **Total Long-term insurance business assets**

	Company registration number	GL/ UK/ CM	day	month	year	units	Category of assets	
	R13	776273	GL	31	12	2009	£000	10
						As at end of this financial year	As at end of the previous year	
						1	2	

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

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	7961439	10016260
Admissible assets in excess of market and counterparty limits	92	8633	13914
Inadmissible assets directly held	93	364882	460343
Capital resources requirement deduction of regulated related undertakings	94		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	95		
Inadmissible assets of regulated related undertakings	96		
Book value of related ancillary services undertakings	97	7	25
Other differences in the valuation of assets (other than for assets not valued above)	98	78054	94024
Deferred acquisition costs excluded from line 89	99		
Reinsurers' share of technical provisions excluded from line 89	100	9951913	7702958
Other asset adjustments (may be negative)	101		
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 101)	102	18364928	18287524
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103		

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

Name of insurer **Sun Life Assurance Society Plc**

Global business

Financial year ended **31st December 2009**

Fund **Total Long-term insurance business**

Units **£000**

		As at the end of this financial year	As at the end of the previous year	
		1	2	
Mathematical reserves, after distribution of surplus		11	6843805	9095635
Cash bonuses which had not been paid to policyholders prior to end of the financial year		12		
Balance of surplus / (valuation deficit)		13	12292	25000
Long term insurance business fund carried forward (11 to 13)		14	6856097	9120635
Claims outstanding	Gross	15	63653	78466
	Reinsurers' share	16		
	Net (15-16)	17	63653	78466
Provisions	Taxation	21	297	
	Other risks and charges	22	5930	3439
Deposits received from reinsurers		23		
Creditors	Direct insurance business	31	518	677
	Reinsurance accepted	32	1540	1682
	Reinsurance ceded	33	928	2017
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions		36		
Creditors	Taxation	37		9295
	Other	38	105969	104013
Accruals and deferred income		39	5153	5919
Provision for "reasonably foreseeable adverse variations"		41		
Total other insurance and non-insurance liabilities (17 to 41)		49	183988	205508
Excess of the value of net admissible assets		51	921354	690117
Total liabilities and margins		59	7961439	10016260
Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance		61	99817	99104
Amounts included in line 59 attributable to liabilities in respect of property linked benefits		62	23791	19880
Total liabilities (11+12+49)		71	7027793	9301143
Increase to liabilities – DAC related		72		
Reinsurers' share of technical provisions		73	9951913	7702958
Other adjustments to liabilities (may be negative)		74	1091351	409420
Capital and reserves and fund for future appropriations		75	293871	874003
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	18364928	18287524

Liabilities (other than long-term insurance business)**Form 15**Name of insurer **Sun Life Assurance Society Plc**

Global business

Financial year ended **31st December 2009**

	Company registration number	GL/ UK/ CM	day	month	year	units	
	R15	776273	GL	31	12	2009	£000
						As at the end of this financial year	As at the end of the previous year
						1	2

Technical provisions (gross amount)

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

Provisions and creditors

Provisions	Taxation	21			
	Other risks and charges	22		133	133
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			
	Foreseeable dividend	48			
	Other	49		3535	3535
Accruals and deferred income		51			
Total (19 to 51)		59		3668	3668
Provision for "reasonably foreseeable adverse variations"		61			
Cumulative preference share capital		62			
Subordinated loan capital		63			
Total (59 to 63)		69		3668	3668

Amounts included in line 69 attributable to liabilities to related insurers, other than those under contracts of insurance or reinsurance	71				
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Amounts deducted from technical provisions for discounting	82				
Other adjustments (may be negative)	83				
Capital and reserves	84			338377	321595
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (69-82+83+84)	85			342045	325263

Profit and loss account (non-technical account)**Form 16**Name of insurer **Sun Life Assurance Society Plc**

Global business

Financial year ended **31st December 2009**

		Company registration number	GL/ UK/ CM	day	month	year	units	
		R16	776273	GL	31	12	2009	£000
				This financial year		Previous year		
				1		2		
Transfer (to) / from the general insurance business technical account	From Form 20		11					
	Equalisation provisions		12					
Transfer from the long term insurance business revenue account			13		12708		22784	
Investment income	Income		14		4311		18862	
	Value re-adjustments on investments		15				62	
	Gains on the realisation of investments		16		149		284	
Investment charges	Investment management charges, including interest		17		30		9	
	Value re-adjustments on investments		18		247			
	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		16891		41983	
Tax on profit or loss on ordinary activities			31		108		3219	
Profit or loss on ordinary activities after tax (29-31)			39		16783		38764	
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		16783		38764	
Dividends (paid or foreseeable)			51					
Profit or loss retained for the financial year (49-51)			59		16783		38764	

Analysis of derivative contracts

Form 17

Name of insurer **Sun Life Assurance Society Plc**

Global business

Financial year ended **31st December 2009**Category of assets **Total Long-term insurance business assets**

		Company registration number	GL/ UK/ CM	day	month	year	units	Category of assets		
		R17	776273	GL	31	12	2009	£000	10	
Derivative contracts		Value as at the end of this financial year			Notional amount as at the end of this financial year					
		Assets	Liabilities	Bought / Long		Sold / Short				
		1	2	3		4				
Futures and contracts for differences	Fixed-interest securities	11	124	732		28782	17662			
	Interest rates	12	25859			534490	187405			
	Inflation	13								
	Credit index / basket	14								
	Credit single name	15		7		5000	5000			
	Equity index	16	139			1535	249849			
	Equity stock	17								
	Land	18								
	Currencies	19	856	917				79093		
	Mortality	20								
	Other	21								
In the money options	Swaptions	31	4723			54846				
	Equity index calls	32								
	Equity stock calls	33								
	Equity index puts	34								
	Equity stock puts	35								
	Other	36								
Out of the money options	Swaptions	41	1525			17400				
	Equity index calls	42								
	Equity stock calls	43								
	Equity index puts	44	3482			210561				
	Equity stock puts	45								
	Other	46								
Total (11 to 46)		51	36708	1656		852614	539009			
Adjustment for variation margin		52	(263)	(732)						
Total (51 + 52)		53	36445	924						

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

With-profits insurance capital component for the fund**Form 18**Name of insurer **Sun Life Assurance Society Plc**

Global business

Financial year ended **31st December 2009**With-profits fund **Ordinary Long Term 1**Units **£000**

	As at end of this financial year	As at end of the previous year
	1	2

Regulatory excess capital

Regulatory value of assets	Long-term admissible assets of the fund	11	7961439	10016261
	Implicit items allocated to the fund	12		
	Mathematical reserves in respect of the fund's non-profit insurance contracts	13	3639713	5579870
	Long-term admissible assets of the fund covering the LTICR of the fund's non-profit insurance contracts	14	205513	244618
	Long-term admissible assets of the fund covering the RCR of the fund's non-profit insurance contracts	15		
	Total (11+12-(13+14+15))	19	4116213	4191773
Regulatory value of liabilities	Mathematical reserves (after distribution of surplus) in respect of the fund's with-profit insurance contracts	21	3204092	3515765
	Regulatory current liabilities of the fund	22	183988	205508
	Total (21+22)	29	3388080	3721273
Long-term insurance capital requirement in respect of the fund's with-profits insurance contracts		31	125264	140678
Resilience capital requirement in respect of the fund's with-profits insurance contracts		32		
Sum of regulatory value of liabilities, LTICR and RCR (29+31+32)		39	3513344	3861951
Regulatory excess capital (19-39)		49	602869	329822

Realistic excess capital

Realistic excess capital	51		102789
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Excess assets allocated to with-profits insurance business

Excess (deficiency) of assets allocated to with-profits insurance business in fund (49-51)	61	602869	227033
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	112436	77121
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	490433	149912

Realistic balance sheet**Form 19
(Sheet 1)**Name of insurer **Sun Life Assurance Society Plc**

Global business

Financial year ended **31st December 2009**With-profits fund **Ordinary Long Term 1**Units **£000**

	As at end of this financial year	As at end of the previous year
	1	2

Realistic value of assets available to the fund

Regulatory value of assets	11	4116213	4191773
Implicit items allocated to the fund	12		
Value of shares in subsidiaries held in the fund (regulatory)	13		
Excess admissible assets	21	8633	13914
Present value of future profits (or losses) on non-profit insurance contracts written in the fund	22	563689	679539
Value of derivatives and quasi-derivatives not already reflected in lines 11 to 22	23	901	1332
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	4689436	4886558
Support arrangement assets	27		
Assets available to the fund (26+27)	29	4689436	4886558

Realistic value of liabilities of fund

With-profits benefits reserve	31	3362908	3398630	
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	745201	77099
	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	318604	454708
	Future costs of non-contractual commitments	42		
	Future costs of financial options	43	112864	159769
	Future costs of smoothing (possibly negative)	44	(1694)	23724
	Financing costs	45	(78054)	(94024)
	Any other liabilities related to regulatory duty to treat customers fairly	46		
	Other long-term insurance liabilities	47	11330	10692
Total (32+34+41+42+43+44+45+46+47-(33+35+36))	49	1108251	631968	
Realistic current liabilities of the fund	51	218277	234440	
Realistic value of liabilities of the fund (31+49+51)	59	4689436	4265038	

Realistic balance sheet**Form 19
(Sheet 2)**Name of insurer **Sun Life Assurance Society Plc**

Global business

Financial year ended **31st December 2009**With-profits fund **Ordinary Long Term 1**Units **£000**

	As at end of this financial year	As at end of the previous year
	1	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	4689436	4783769
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	4689436	4783769
Risk capital margin for fund (62-59)	65		518731
Realistic excess capital for fund (26-(59+65))	66		102789
Realistic excess available capital for fund (29-(59+65))	67		102789
Working capital for for fund (29-59)	68		621520
Working capital ratio for fund (68/29)	69		12.72

**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**Form 40**

Name of insurer **Sun Life Assurance Society Plc**

Name and number of fund/Summary **Total Long-term insurance business**

Financial year ended **31st December 2009**

Units **£000**

	Financial year	Previous year
	1	2

Income

Earned premiums	11	(1879905)	112640
Investment income receivable before deduction of tax	12	451003	556023
Increase (decrease) in the value of non-linked assets brought into account	13	(21844)	(215389)
Increase (decrease) in the value of linked assets	14	4047	(38098)
Other income	15	858	415
Total income	19	(1445841)	415591

Expenditure

Claims incurred	21	755533	1087575
Expenses payable	22	38081	47059
Interest payable before deduction of tax	23	2748	8325
Taxation	24	9627	(29502)
Other expenditure	25		
Transfer to (from) non technical account	26	12708	22784
Total expenditure	29	818697	1136241

Business transfers-in	31		
Business transfers-out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	(2264538)	(720650)
Fund brought forward	49	9120635	9841285
Fund carried forward (39+49)	59	6856097	9120635

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

Name of insurer **Sun Life Assurance Society Plc**

Total business / subfund **Total Long-term insurance business**

Financial year ended **31st December 2009**

Units **£000**

		UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
		1	2	3	4	5
Gross						
Regular premiums	11	108719	140452	3582	252753	293229
Single premiums	12	12574	135883	146	148603	210575
Reinsurance - external						
Regular premiums	13	2972	202		3174	2958
Single premiums	14					
Reinsurance - intra-group						
Regular premiums	15	17279	100734		118013	140000
Single premiums	16	8675	2151399		2160074	248206
Net of reinsurance						
Regular premiums	17	88468	39516	3582	131566	150271
Single premiums	18	3899	(2015516)	146	(2011471)	(37631)
Total						
Gross	19	121293	276335	3728	401356	503804
Reinsurance	20	28926	2252335		2281261	391164
Net	21	92367	(1976000)	3728	(1879905)	112640

Long-term insurance business: Analysis of claims

Form 42

Name of insurer **Sun Life Assurance Society Plc**

Total business / subfund **Total Long-term insurance business**

Financial year ended **31st December 2009**

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	128675	15159	32	143866	159977
Disability periodic payments	12	1574			1574	1754
Surrender or partial surrender	13	347542	596303	7671	951516	1354494
Annuity payments	14	9487	332958		342445	345425
Lump sums on maturity	15	102502	94283		196785	258837
Total	16	589780	1038703	7703	1636186	2120487

Reinsurance - external

Death or disability lump sums	21	2246			2246	1004
Disability periodic payments	22	154			154	148
Surrender or partial surrender	23					
Annuity payments	24					
Lump sums on maturity	25					
Total	26	2400			2400	1152

Reinsurance - intra-group

Death or disability lump sums	31	62224	8689		70913	77924
Disability periodic payments	32					
Surrender or partial surrender	33	259371	385555		644926	868319
Annuity payments	34	9895	86695		96590	
Lump sums on maturity	35		65824		65824	85517
Total	36	331490	546763		878253	1031760

Net of reinsurance

Death or disability lump sums	41	64205	6470	32	70707	81049
Disability periodic payments	42	1420			1420	1606
Surrender or partial surrender	43	88171	210748	7671	306590	486175
Annuity payments	44	(408)	246263		245855	345425
Lump sums on maturity	45	102502	28459		130961	173320
Total	46	255890	491940	7703	755533	1087575

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

Name of insurer **Sun Life Assurance Society Plc**

Total business / subfund **Total Long-term insurance business**

Financial year ended **31st December 2009**

Units **£000**

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

Gross

Commission - acquisition	11	353	2573	341	3267	5171
Commission - other	12	7563	3785	19	11367	12997
Management - acquisition	13	851	5839	9	6699	10515
Management - maintenance	14	19888	47740	268	67896	70399
Management - other	15					
Total	16	28655	59937	637	89229	99082

Reinsurance - external

Commission - acquisition	21					
Commission - other	22	3	9		12	13
Management - acquisition	23					
Management - maintenance	24					
Management - other	25					
Total	26	3	9		12	13

Reinsurance - intra-group

Commission - acquisition	31	771	1632		2403	3853
Commission - other	32	5359	3042		8401	9898
Management - acquisition	33	560	5177		5737	8716
Management - maintenance	34	10126	24332	137	34595	29543
Management - other	35					
Total	36	16816	34183	137	51136	52010

Net of reinsurance

Commission - acquisition	41	(418)	941	341	864	1318
Commission - other	42	2201	734	19	2954	3086
Management - acquisition	43	291	662	9	962	1799
Management - maintenance	44	9762	23408	131	33301	40856
Management - other	45					
Total	46	11836	25745	500	38081	47059

Long-term insurance business: Linked funds balance sheet**Form 44**Name of insurer **Sun Life Assurance Society Plc**

Total business

Financial year ended **31st December 2009**Units **£000**

	Financial year 1	Previous year 2
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Internal linked funds (excluding cross investment)

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

Directly held linked assets

Value of directly held linked assets	21	23848	20030
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Total

Value of directly held linked assets and units held (18+21)	31	23848	20030
Surplus units	32	57	150
Deficit units	33		
Net unit liability (31-32+33)	34	23791	19880

Long-term insurance business: Summary of new business**Form 46**Name of insurer **Sun Life Assurance Society Plc**

Total business

Financial year ended **31st December 2009**Units **£000**

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

Regular premium business	11	454	1073		1527	2699
Single premium business	12	1	1232		1233	2224
Total	13	455	2305		2760	4923

Amount of new regular premiums

Direct insurance business	21	640	6381		7021	13131
External reinsurance	22	2			2	5
Intra-group reinsurance	23					
Total	24	642	6381		7023	13136

Amount of new single premiums

Direct insurance business	25	12230	135217		147447	209765
External reinsurance	26		666		666	584
Intra-group reinsurance	27	344		146	490	227
Total	28	12574	135883	146	148603	210576

Long-term insurance business: Analysis of new business**Form 47
(Sheet 1)**Name of insurer **Sun Life Assurance Society Plc**

Total business

Financial year ended **31st December 2009**Units **£000**

UK Life / Direct insurance business

Product code number 1	Product description 2	Regular premium business		Single premium business	
		Number of policyholders / scheme members 3	Amount of premiums 4	Number of policyholders / scheme members 5	Amount of premiums 6
395	Annuity non-profit (PLA)			1	34
410	Group Life	2	2		
420	Group income protection	2			
500	Life UWP single premium				1401
505	Life UWP whole life regular premium	87	131		
515	Life UWP endowment regular premium – target cash	89	90		1589
700	Life property linked single premium				9121
710	Life property linked whole life regular premium	273	416		30
715	Life property linked endowment regular premium - savings	1	1		55

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

Total business

Financial year ended **31st December 2009**Units **£000**

UK Life / Reinsurance accepted external

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
505	Life UWP whole life regular premium		1		
710	Life property linked whole life regular premium		1		

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

Total business

Financial year ended **31st December 2009**Units **£000**

UK Life / Reinsurance accepted intra-group

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
500	Life UWP single premium				344

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

Total business

Financial year ended **31st December 2009**Units **£000**

UK Pension / Direct insurance business

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
400	Annuity non-profit (CPA)			1157	2517
410	Group Life	116	8		
411	Group death in service dependants' annuities	5	1		
525	Individual pensions UWP	2	2	2	173
530	Individual pensions UWP - increments		52		6092
535	Group money purchase pensions UWP	113	193		
540	Group money purchase pensions UWP - increments		263		1916
565	DWP National Insurance rebates UWP				18556
570	Income drawdown UWP				4
571	Trustee investment plan UWP		1		208
575	Miscellaneous UWP		18		213
725	Individual pensions property linked	1	4	60	2072
730	Individual pensions property linked - increments		914		26230
735	Group money purchase pensions property linked	836	1997	12	268
740	Group money purchase pensions property linked - increments		2824		14737
745	DWP National Insurance rebates property linked				59177
750	Income drawdown property linked			1	96
755	Trustee investment plan				21
760	Small self administered schemes		104		2937

Long-term insurance business: Analysis of new business**Form 47
(Sheet 5)**Name of insurer **Sun Life Assurance Society Plc**

Total business

Financial year ended **31st December 2009**Units **£000**

UK Pension / Reinsurance accepted external

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
530	Individual pensions UWP - increments				40
565	DWP National Insurance rebates UWP				137
730	Individual pensions property linked - increments				19
745	DWP National Insurance rebates property linked				470

Long-term insurance business: Analysis of new business**Form 47
(Sheet 6)**Name of insurer **Sun Life Assurance Society Plc**

Total business

Financial year ended **31st December 2009**Units **£000**

Overseas / Reinsurance accepted intra-group

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
500	Life UWP single premium				146

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

Name of insurer **Sun Life Assurance Society Plc**

Financial year ended **31st December 2009**

Category of assets **Total Long-term insurance business assets**

Units **£000**

	Unadjusted assets	Economic exposure	Expected income from assets in column 2	Yield before adjustment	Return on assets in financial year
	1	2	3	4	5

Assets backing non-profit liabilities and non-profit capital requirements

Land and buildings	11					
Approved fixed interest securities	12	1147475	1147475	60808	3.66	
Other fixed interest securities	13	1673201	1891005	133491	7.45	
Variable interest securities	14	49301	49301	915	0.98	
UK listed equity shares	15					
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18	423318	205514	18211	0.32	
Total	19	3293295	3293295	213425	5.59	

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

Land and buildings	21	302670	317623	22991	7.24	2.17
Approved fixed interest securities	22	1055431	1055431	46422	2.90	0.37
Other fixed interest securities	23	744028	787679	45528	4.78	24.58
Variable interest securities	24	94312	94312	1891	0.52	17.23
UK listed equity shares	25	1214049	959485	35211	5.03	17.40
Non-UK listed equity shares	26	189801	191765	4285	3.12	6.35
Unlisted equity shares	27	92909	175460			15.25
Other assets	28	423000	534445	2631	0.49	0.87
Total	29	4116200	4116200	158959	3.61	10.48

Overall return on with-profits assets

Post investment costs but pre-tax	31					10.82
Return allocated to non taxable 'asset shares'	32					10.82
Return allocated to taxable 'asset shares'	33					9.21

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

Name of insurer **Sun Life Assurance Society Plc**
 Financial year ended **31st December 2009**
 Category of assets **Total Long-term insurance business assets**
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK government approved fixed interest securities	11	1608384	7.76	3.21	3.21
Other approved fixed interest securities	21	594522	6.39	3.53	3.27
Other fixed interest securities					
AAA/Aaa	31	184854	12.02	5.11	4.96
AA/Aa	32	614467	8.80	5.32	4.77
A/A	33	938788	10.47	5.80	4.94
BBB/Baa	34	667095	11.97	7.39	5.84
BB/Ba	35	135250	13.86	9.48	5.22
B/B	36	44986	9.84	20.32	8.23
CCC/Caa	37	9169	16.88	9.42	4.44
Other (including unrated)	38	84075	26.99	11.64	3.77
Total other fixed interest securities	39	2678684	11.27	6.66	5.16
Approved variable interest securities	41	124424	8.93	0.56	0.59
Other variable interest securities	51	19189	21.28	1.47	1.01
Total (11+21+39+41+51)	61	5025203	9.55	5.01	4.18

Long-term insurance business: Summary of mathematical reserves

Form 50

Name of insurer **Sun Life Assurance Society Plc**

Total business / subfund **Total Long-term insurance business**

Financial year ended **31st December 2009**

Units **£000**

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

Form 51 - with-profits	11	364241	456740		820981	971660
Form 51 - non-profit	12	289110	4542137	708	4831955	4817179
Form 52	13	544876	1745929	29693	2320498	2461310
Form 53 - linked	14	3581210	4201903	23791	7806904	7554180
Form 53 - non-linked	15	14009	4757	11896	30662	37453
Form 54 - linked	16	102452	812924		915376	868586
Form 54 - non-linked	17	163	6489		6652	5355
Total	18	4896061	11770879	66088	16733028	16715723

Reinsurance - external

Form 51 - with-profits	21	96			96	94
Form 51 - non-profit	22	1794	3125		4919	5636
Form 52	23					
Form 53 - linked	24					
Form 53 - non-linked	25					
Form 54 - linked	26	39064	462		39526	37796
Form 54 - non-linked	27					(1280)
Total	28	40954	3587		44541	42246

Reinsurance - intra-group

Form 51 - with-profits	31					
Form 51 - non-profit	32	47418	1724400		1771818	57649
Form 52	33					
Form 53 - linked	34	3581210	4201903		7783113	7534300
Form 53 - non-linked	35	838	3750		4588	13013
Form 54 - linked	36	59264	288433		347697	55580
Form 54 - non-linked	37	155			155	169
Total	38	3688885	6218486		9907371	7660711

Net of reinsurance

Form 51 - with-profits	41	364145	456740		820885	971566
Form 51 - non-profit	42	239898	2814612	708	3055218	4753894
Form 52	43	544876	1745929	29693	2320498	2461310
Form 53 - linked	44			23791	23791	19880
Form 53 - non-linked	45	13171	1007	11896	26074	24440
Form 54 - linked	46	4124	524029		528153	775210
Form 54 - non-linked	47	8	6489		6497	6466
Total	48	1166222	5548806	66088	6781116	9012766

Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profit contracts)**Form 51**
(Sheet 1)Name of insurer **Sun Life Assurance Society Plc**Total business / subfund **Total Long-term insurance business**Financial year ended **31st December 2009**Units **£000****UK Life / Gross**

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
100	Conventional whole life with-profits OB	19029	103577	2474	n/a	n/a	n/a	60694
120	Conventional endowment with-profits OB savings	40970	252969	13185	n/a	n/a	n/a	204354
125	Conventional endowment with-profits OB target cash	4153	72581	1716	n/a	n/a	n/a	64265
155	Conventional pensions endowment with-profits	3	947		n/a	n/a	n/a	2252
205	Miscellaneous conventional with-profits	44347	37952	4342	n/a	n/a	n/a	32243
210	Additional reserves with-profits OB				n/a	n/a	n/a	433
300	Regular premium non-profit WL/EA OB	264991	456512	24812	n/a	n/a	n/a	192154
390	Deferred annuity non-profit	1455	1128		n/a	n/a	n/a	8201
395	Annuity non-profit (PLA)	4091	6552		n/a	n/a	n/a	51241
410	Group Life	33	847095	5245	n/a	n/a	n/a	10479
435	Miscellaneous non-profit	12557	256269	1830	n/a	n/a	n/a	20570
440	Additional reserves non-profit OB				n/a	n/a	n/a	6465

Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profit contracts)**Form 51
(Sheet 2)**Name of insurer **Sun Life Assurance Society Plc**Total business / subfund **Total Long-term insurance business**Financial year ended **31st December 2009**Units **£000****UK Life / Reinsurance ceded external**

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
100	Conventional whole life with-profits OB		122		n/a	n/a	n/a	96
300	Regular premium non-profit WL/EA OB		3		n/a	n/a	n/a	1
336	Mortality risk premium reinsurance		1493	112	n/a	n/a	n/a	308
395	Annuity non-profit (PLA)		13		n/a	n/a	n/a	614
435	Miscellaneous non-profit		14655	108	n/a	n/a	n/a	871

Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profit contracts)**Form 51
(Sheet 3)**Name of insurer **Sun Life Assurance Society Plc**Total business / subfund **Total Long-term insurance business**Financial year ended **31st December 2009**Units **£000****UK Life / Reinsurance ceded intra-group**

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
390	Deferred annuity non-profit		5		n/a	n/a	n/a	7
395	Annuity non-profit (PLA)		6504		n/a	n/a	n/a	50456
440	Additional reserves non-profit OB				n/a	n/a	n/a	(3045)

Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profit contracts)**Form 51**
(Sheet 4)Name of insurer **Sun Life Assurance Society Plc**Total business / subfund **Total Long-term insurance business**Financial year ended **31st December 2009**Units **£000****UK Pension / Gross**

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
155	Conventional pensions endowment with-profits	8156	290974	1133	n/a	n/a	n/a	375872
200	Annuity with-profits (CPA)	635	5207		n/a	n/a	n/a	68990
205	Miscellaneous conventional with-profits	338	2833	19	n/a	n/a	n/a	4915
210	Additional reserves with-profits OB				n/a	n/a	n/a	6963
300	Regular premium non-profit WL/EA OB	7	141	1	n/a	n/a	n/a	54
390	Deferred annuity non-profit	27898	44376	26	n/a	n/a	n/a	591646
400	Annuity non-profit (CPA)	102678	279871		n/a	n/a	n/a	3804136
405	Annuity non-profit (CPA impaired life)	1424	8256		n/a	n/a	n/a	97396
410	Group Life	2217	580403	932	n/a	n/a	n/a	1259
435	Miscellaneous non-profit	6450	116902	678	n/a	n/a	n/a	47375
440	Additional reserves non-profit OB				n/a	n/a	n/a	271

Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profit contracts)**Form 51**
(Sheet 5)Name of insurer **Sun Life Assurance Society Plc**Total business / subfund **Total Long-term insurance business**Financial year ended **31st December 2009**Units **£000****UK Pension / Reinsurance ceded external**

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
336	Mortality risk premium reinsurance		625	5	n/a	n/a	n/a	15
405	Annuity non-profit (CPA impaired life)		292		n/a	n/a	n/a	3052
410	Group Life		10021	48	n/a	n/a	n/a	12
435	Miscellaneous non-profit		1408	5	n/a	n/a	n/a	46

Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profit contracts)**Form 51
(Sheet 6)**Name of insurer **Sun Life Assurance Society Plc**Total business / subfund **Total Long-term insurance business**Financial year ended **31st December 2009**Units **£000****UK Pension / Reinsurance ceded intra-group**

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
400	Annuity non-profit (CPA)		130790		n/a	n/a	n/a	1724400

Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profit contracts)**Form 51
(Sheet 7)**Name of insurer **Sun Life Assurance Society Plc**Total business / subfund **Total Long-term insurance business**Financial year ended **31st December 2009**Units **£000****Overseas / Gross**

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
410	Group Life		16449	132	n/a	n/a	n/a	708

Long-term insurance business: Valuation summary of accumulating with-profits contracts**Form 52
(Sheet 1)**

Name of insurer **Sun Life Assurance Society Plc**

Total business / subfund **Total Long-term insurance business**

Financial year ended **31st December 2009**

Units **£000**

UK Life / Gross

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
500	Life UWP single premium	15928	385859		374599	371752	1663	373414
505	Life UWP whole life regular premium	4679	571061	5539	37391	36042	675	36717
510	Life UWP endowment regular premium - savings	2563	65561	2235	37046	36347	2465	38811
515	Life UWP endowment regular premium - target cash	3721	100613	2885	40588	39095	43	39138
555	Group deposit administration with-profits	26	1420	55	1420	1420		1420
574	UWP investment only reinsurance		55376		55376	55376		55376

Long-term insurance business: Valuation summary of accumulating with-profits contracts**Form 52
(Sheet 2)**

Name of insurer **Sun Life Assurance Society Plc**

Total business / subfund **Total Long-term insurance business**

Financial year ended **31st December 2009**

Units **£000**

UK Pension / Gross

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
525	Individual pensions UWP	31936	1003244	10425	933881	905629	160627	1066256
535	Group money purchase pensions UWP	18019	380830	10474	323607	309744	610	310354
555	Group deposit administration with-profits	4385	316991	12032	316991	316991	1836	318827
570	Income drawdown UWP	40	8660		8660	8660	10	8669
571	Trustee investment plan UWP	76	11978	47	11978	11868	632	12499
575	Miscellaneous UWP	237	37615	676	30838	29168	129	29298
610	Additional reserves UWP						26	26

Long-term insurance business: Valuation summary of accumulating with-profits contracts**Form 52
(Sheet 3)**Name of insurer **Sun Life Assurance Society Plc**Total business / subfund **Total Long-term insurance business**Financial year ended **31st December 2009**Units **£000****Overseas / Gross**

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
574	UWP investment only reinsurance		29693		29693	29693		29693

Long-term insurance business: Valuation summary of property linked contractsName of insurer **Sun Life Assurance Society Plc**Total business / subfund **Total Long-term insurance business**Financial year ended **31st December 2009**Units **£000****UK Life / Gross**

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
700	Life property linked single premium	116657	3266257		3199565	3199563	3346	3202909
710	Life property linked whole life regular premium	31016	2274611	20257	154477	154477	4926	159403
715	Life property linked endowment regular premium - savings	15151	272025	8677	152680	152680	2076	154756
720	Life property linked endowment regular premium - target cash	6659	236018	4890	73748	73748	1203	74951
795	Miscellaneous property linked	70	742		742	742	65	807
800	Additional reserves property linked						2393	2393

Long-term insurance business: Valuation summary of property linked contractsName of insurer **Sun Life Assurance Society Plc**Total business / subfund **Total Long-term insurance business**Financial year ended **31st December 2009**Units **£000****UK Life / Reinsurance ceded external**

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
700	Life property linked single premium		1938	51				
710	Life property linked whole life regular premium		512604	2631				
715	Life property linked endowment regular premium - savings		16657	89				

Long-term insurance business: Valuation summary of property linked contracts**Form 53
(Sheet 3)**Name of insurer **Sun Life Assurance Society Plc**Total business / subfund **Total Long-term insurance business**Financial year ended **31st December 2009**Units **£000****UK Life / Reinsurance ceded intra-group**

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
700	Life property linked single premium		3229329		3199565	3199563	2565	3202128
710	Life property linked whole life regular premium		177031	20257	154477	154477	(4078)	150399
715	Life property linked endowment regular premium - savings		158504	8677	152680	152680	1862	154542
720	Life property linked endowment regular premium - target cash		79274	4879	73748	73748	489	74237
795	Miscellaneous property linked		742		742	742		742

Long-term insurance business: Valuation summary of property linked contracts**Form 53
(Sheet 4)**

Name of insurer **Sun Life Assurance Society Plc**

Total business / subfund **Total Long-term insurance business**

Financial year ended **31st December 2009**

Units **£000**

UK Pension / Gross

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
725	Individual pensions property linked	170758	3453258	43860	3317655	3226807	1577	3228384
735	Group money purchase pensions property linked	47960	895375	55644	776688	762510	3221	765731
750	Income drawdown property linked	317	49267		49267	49267	81	49348
755	Trustee investment plan	246	17461	122	17284	16970	(7)	16963
760	Small self administered schemes	2440	176255	4259	153433	146349	(147)	146202
800	Additional reserves property linked						32	32

Long-term insurance business: Valuation summary of property linked contractsName of insurer **Sun Life Assurance Society Plc**Total business / subfund **Total Long-term insurance business**Financial year ended **31st December 2009**Units **£000****UK Pension / Reinsurance ceded external**

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
725	Individual pensions property linked		1496	7				

Long-term insurance business: Valuation summary of property linked contracts**Form 53
(Sheet 6)**Name of insurer **Sun Life Assurance Society Plc**Total business / subfund **Total Long-term insurance business**Financial year ended **31st December 2009**Units **£000****UK Pension / Reinsurance ceded intra-group**

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
725	Individual pensions property linked		3287038	43725	3317655	3226807	754	3227561
735	Group money purchase pensions property linked		776688	55644	776688	762510	3098	765608
750	Income drawdown property linked		49267		49267	49267	81	49348
755	Trustee investment plan		16673	122	17284	16970	(8)	16962
760	Small self administered schemes		151785	4259	153433	146349	(175)	146174

Long-term insurance business: Valuation summary of property linked contractsName of insurer **Sun Life Assurance Society Plc**Total business / subfund **Total Long-term insurance business**Financial year ended **31st December 2009**Units **£000****Overseas / Gross**

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
715	Life property linked endowment regular premium - savings	4211	66538	3582	23791	23791	11896	35687

Long-term insurance business: Valuation summary of index linked contractsName of insurer **Sun Life Assurance Society Plc**Total business / subfund **Total Long-term insurance business**Financial year ended **31st December 2009**Units **£000****UK Life / Gross**

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
905	Index linked annuity	237	4781		113849	101155	156	101311
910	Miscellaneous index linked	2	103		1375	1297	7	1304

Long-term insurance business: Valuation summary of index linked contractsName of insurer **Sun Life Assurance Society Plc**Total business / subfund **Total Long-term insurance business**Financial year ended **31st December 2009**Units **£000****UK Life / Reinsurance ceded external**

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
905	Index linked annuity		1713		45760	40524		40524
915	Additional reserves index linked				(1460)	(1460)		(1460)

Long-term insurance business: Valuation summary of index linked contractsName of insurer **Sun Life Assurance Society Plc**Total business / subfund **Total Long-term insurance business**Financial year ended **31st December 2009**Units **£000****UK Life / Reinsurance ceded intra-group**

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
905	Index linked annuity		2752		66641	59264	155	59419

Long-term insurance business: Valuation summary of index linked contractsName of insurer **Sun Life Assurance Society Plc**Total business / subfund **Total Long-term insurance business**Financial year ended **31st December 2009**Units **£000****UK Pension / Gross**

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
905	Index linked annuity	4166	46280		743178	710370	3712	714082
910	Miscellaneous index linked	281	5002		118843	102554	2777	105331

Long-term insurance business: Valuation summary of index linked contractsName of insurer **Sun Life Assurance Society Plc**Total business / subfund **Total Long-term insurance business**Financial year ended **31st December 2009**Units **£000****UK Pension / Reinsurance ceded external**

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
905	Index linked annuity		53		482	462		462

Long-term insurance business: Valuation summary of index linked contractsName of insurer **Sun Life Assurance Society Plc**Total business / subfund **Total Long-term insurance business**Financial year ended **31st December 2009**Units **£000****UK Pension / Reinsurance ceded intra-group**

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
905	Index linked annuity		19472		301500	288433		288433

Long-term insurance business: index linked business**Form 56**Name of insurer **Sun Life Assurance Society Plc**

Total business

Financial year ended **31st December 2009**Units **£000**

		Value of assets	Mean term
		1	2
Analysis of assets			
Approved variable interest securities	11	447728	14.13
Other variable interest securities	12	80413	20.08
Approved fixed interest securities	13		
Other fixed interest securities	14		
Cash and deposits	15		
Equity index derivatives	16		
Inflation swaps	17		
Other assets	18	12	
Variation margin	19		
Total (11 to 19)	20	528153	
Credit rating of other fixed interest and other variable interest securities			
AAA/Aaa	31		
AA/Aa	32		
A/A	33		
BBB/Baa	34		
BB/Ba	35		
B/B	36		
CCC/Caa	37		
Other (including unrated)	38		
Total other fixed interest and other variable interest securities	39		

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

Name of insurer **Sun Life Assurance Society Plc**

Total business / subfund **Total Long-term insurance business**

Financial year ended **31st December 2009**

Units **£000**

Product Group 1	Net mathematical reserves 2	Net valuation interest rate 3	Gross valuation interest rate 4	Risk adjusted yield on matching assets 5
UK L&GA NP Form 51	206563	3.35		4.62
UK Pens NP Form 51	2814608		4.35	4.82
UK L&GA WP Form 51	367984	3.00		4.52
UK Pens WP Form 51	456741		4.00	4.52
UK L&GA WP Form 52	497027	3.00		4.37
UK Pens WP Form 52	1791915		3.00	3.50
Misc	157023			3.87
TOTAL	6291861	n/a	n/a	n/a

Long-term insurance business: distribution of surplus**Form 58**

Name of insurer **Sun Life Assurance Society Plc**

Total business / subfund **Total Long-term insurance business**

Financial year ended **31st December 2009**

Units **£000**

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

Valuation result

Fund carried forward	11	6856097	9120635
Bonus payments in anticipation of a surplus	12	51686	122186
Transfer to non-technical account	13	12708	22784
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	6920491	9265605
Mathematical reserves	21	6781116	9012766
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	139375	252839

Composition of surplus

Balance brought forward	31	25000	
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	114375	252839
Total	39	139375	252839

Distribution of surplus

Bonus paid in anticipation of a surplus	41	51686	122186
Cash bonuses	42		
Reversionary bonuses	43	62689	82869
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	114375	205055
Net transfer out of fund / part of fund	47	12708	22784
Total distributed surplus (46+47)	48	127083	227839
Surplus carried forward	49	12292	25000
Total (48+49)	59	139375	252839

Percentage of distributed surplus allocated to policyholders

Current year	61	90.00	90.00
Current year - 1	62	90.00	90.00
Current year - 2	63	90.00	90.00
Current year - 3	64	90.00	90.00

Long-term insurance business: With-profits payouts on maturity (normal retirement)**Form 59A**Name of insurer **Sun Life Assurance Society Plc**Original insurer **Sun Life Assurance Society plc**

Date of maturity value/open market option

Category of with-profits policy	Original term (years)	Maturity value / open market option	Terminal bonus	MVA	CWP / UWP	MVA permitted?	Death benefit
1	2	3	4	5	6	7	8
Endowment assurance	10	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	15	11321			CWP	N	11321
Endowment assurance	20	20048	1542		CWP	N	20048
Endowment assurance	25	33671	4688		CWP	N	33671
Regular premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Regular premium pension	10	n/a	n/a	n/a	n/a	n/a	n/a
Regular premium pension	15	48438	3418		UWP	N	48438
Regular premium pension	20	87901	11746		UWP	N	87901
Single premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	10	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	15	24952	5449		UWP	N	24952
Single premium pension	20	38245	5730		UWP	N	38245

Long-term insurance business: With-profits payouts on surrender**Form 59B**Name of insurer **Sun Life Assurance Society Plc**Original insurer **Sun Life Assurance Society plc**

Date of surrender value

Category of with-profits policy	Duration at surrender (years)	Surrender value	Terminal bonus	MVA	CWP/UWP	MVA permitted?	Death benefit
1	2	3	4	5	6	7	8
Endowment assurance	5	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	10	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	15	9954	748		UWP	N	11250
Endowment assurance	20	16385	377		CWP	N	13246
With-profits bond	2	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	3	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	5	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	10	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	2	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	3	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	10	n/a	n/a	n/a	n/a	n/a	n/a

Long-term insurance capital requirement

Form 60

Name of insurer **Sun Life Assurance Society Plc**

Global business

Financial year ended **31st December 2009**Units **£000**

	LTICR factor	Gross reserves / capital at risk	Net reserves / capital at risk	Reinsurance factor	LTICR Financial year	LTICR Previous year
	1	2	3	4	5	6

Insurance death risk capital component

Life protection reinsurance	11	0.0%				
Classes I (other), II and IX	12	0.1%	1432220	1423820	0.99	1422
Classes I (other), II and IX	13	0.15%				
Classes I (other), II and IX	14	0.3%	2010070	1994701		5989
Classes III, VII and VIII	15	0.3%	3245424	3056994	0.94	9171
Total	16		6687714	6475515		16582

Insurance health risk and life protection reinsurance capital component

Class IV, supplementary classes 1 and 2 and life protection reinsurance	21					382
						382

Insurance expense risk capital component

Life protection and permanent health reinsurance	31	0%				
Classes I (other), II and IX	32	1%	7310603	5534443	0.85	62140
Classes III, VII and VIII (investment risk)	33	1%	1831932	1212797	0.85	15571
Classes III, VII and VIII (expenses fixed 5 yrs +)	34	1%				
Classes III, VII and VIII (other)	35	25%				57
Class IV (other)	36	1%	11151	10477	0.94	105
Class V	37	1%				
Class VI	38	1%	62297	62297	1.00	623
Total	39					78496

Insurance market risk capital component

Life protection and permanent health reinsurance	41	0%				
Classes I (other), II and IX	42	3%	7310603	5534443	0.85	186420
Classes III, VII and VIII (investment risk)	43	3%	1831932	1212797	0.85	46714
Classes III, VII and VIII (expenses fixed 5 yrs +)	44	0%				
Classes III, VII and VIII (other)	45	0%	7579736	23791		
Class IV (other)	46	3%	11151	10477	0.94	314
Class V	47	0%				
Class VI	48	3%	62297	62297	1.00	1869
Total	49		16795719	6843805		235317

Long term insurance capital requirement	51					330777
						385296

Name of Insurer **Sun Life Assurance Society Plc**

Financial year ended **31 December 2009**

NOTES TO THE RETURN

0201 - Directions modifying the Accounts and Statements Rules

The FSA, on the application of the firm, made a direction under section 148 of the Financial Services and Markets Act 2000 in November 2009. The effect of the direction is to modify the provisions of INSPRU 3.1.35R and IPRU(INS) Appendix 9.3 so that a more appropriate rate of interest is used for assets taken in combination, see note 5702.

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

	2009	2008
	£000	£000
Grand total of admissible assets after deduction of market risk and counterparty limits – other than long term business	249,824	228,552
Grand total of admissible assets after deductions of market risk and counterparty limits – long term business	7,961,439	10,016,260
Mathematical reserves, after distribution of surplus	(6,843,805)	(9,095,635)
Total other insurance and non-insurance liabilities	(183,988)	(205,508)
Total liabilities – other than long term business	(3,668)	(3,669)
Total capital resources after deductions	1,179,802	940,000

0307 - Reinsurance arrangement contributing to Form 3 Line 93

The Society historically provided new business financing for Sun Life Pensions Management Ltd. This business was transferred to AXA Sun Life Plc, which reinsures the Society's unit linked pensions business. Although the financing was in connection with reinsurance ceded, with the agreement of the FSA the relevant amount, reflecting the financing element of this arrangement, has been shown under line 93 (Financial Reinsurance – accepted) for clarity.

As at the valuation date:

- No allowance was made for this arrangement in determining the mathematical reserves, as repayments are contingent on future profits of AXA Sun Life Plc. Thus the reinsurance liability (i.e. the amount of the difference between the mathematical reserves at the valuation date allowing for the arrangement and the amount of the mathematical reserves were this arrangement to be ignored) was zero.
- The amount of the contingent asset for payment from AXA Sun Life Plc under this arrangement at the valuation date was £78.1m.
- There is no formal provision to terminate this agreement for existing business, so there is no commutation value.

Name of Insurer **Sun Life Assurance Society Plc**

Financial year ended **31 December 2009**

NOTES TO THE RETURN

0310 – Valuation Differences

	2009 £000	2008 £000
Difference between Long-term Business Provision calculated on a realistic basis and mathematical reserves	1,091,351	409,421
Amount outstanding under reinsurance contract with AXA Sun Life Plc (see note 0307)	(78,054)	(94,024)
	<u>1,013,297</u>	<u>315,397</u>

0313 - Reconciliation of profit and loss account and other reserves to profit or loss retained

	2009 £000	2008 £000
Profit and loss account and other reserves brought forward	314,598	275,834
Profit/(loss) retained for the year	16,783	38,764
Profit and loss account and other reserves carried forward	<u>331,381</u>	<u>314,598</u>

1304

&

1310 – Amounts set off

Certain amounts shown in Form 13 have been set off to the extent permitted by generally accepted accounting principles.

1305

&

1319 - Maximum counterparty limits

Under the Insurer's Investment Guidelines, the maximum exposure of individual portfolios to a single counterparty for fixed income securities depends on the rating of the counterparty. The maximum exposure is calculated by multiplying the relevant rating limit expressed as a percentage by the portfolio base.

The relevant rating limits expressed as a percentage are as follows:

AXA RATING	Corporate	Supra National and Government Related	Non Domestic Sovereign	Domestic Sovereign
AAA	4.0%	No Limit	No Limit	No Limit
AA+	3.3%			
AA	3.0%			
AA-	2.5%			
A+	2.0%	2.0%	2.0%	
A	1.6%	1.6%	1.6%	
A-	1.2%	1.2%	1.2%	
BBB+	1.0%	1.0%	1.0%	
BBB	0.7%	0.7%	0.7%	
BBB-	0.4%	0.4%	0.4%	

Name of Insurer **Sun Life Assurance Society Plc**

Financial year ended **31 December 2009**

NOTES TO THE RETURN

The portfolio base is the total fixed income (excluding private loans) portfolio for sovereign issuers and the greater of the corporate bonds portfolio (excluding mortgage backed securities) or 50% of the total fixed income portfolio for corporate and supranational issuers.

The investment manager is authorised to select trading counterparties to be used on behalf of the Company subject to the following requirements:

- All counterparties have been formally approved by the investment manager's principal credit forum prior to a business relationship starting.
- No counterparty with a credit rating below A- (or equivalent) will be approved.

Limits set out in the Financial Services Authority Handbook must also be applied.

A 4.5% FTSE All Share capped benchmark ('benchmark') is adopted for equities. Within a single portfolio the UK equity concentration limit for the largest 250 FTSE stocks is set at 1.5% above benchmark (2% for investments managed by AXA Rosenberg) and is subject to an absolute maximum of 6%. The limit for other FTSE All Share stocks is set at 1% above benchmark (2% for investments managed by AXA Rosenberg) and is subject to an absolute maximum of 5.5%. For overseas equities the equity concentration limit is set at 1.5% above benchmark.

Limits are also imposed at a group level. The maximum permitted aggregate holding across all relevant portfolios of UK equity must not exceed 10% of the free float market capitalisation ('free float') and for overseas equity must not exceed 4% of total market capitalisation. The maximum permitted exposure in respect of UK equities for the With Profits portfolios is 7% of the free float.

For portfolios managed by the investment manager, Alliance Capital, the equity concentration limit has been set so that the absolute holding must not be more than 5% above benchmark. For portfolios managed by the investment manager, AXA Rosenberg, the maximum aggregate holding across the portfolio must not exceed more than 1.5% of the free float.

Management of cash has been delegated to the investment manager via a mutual investment umbrella fund organised under the laws of Luxembourg. The concentration and counterparty exposure limits of this fund are set along two dimensions: (1) country limits and (2) individual name limits. Exposure to a particular country is limited depending on whether the issuer is a government related issuer of a particular country (10%) or a financial institution domiciled in a particular country (ranging from 25% in the UK to 2.5% in a number of European Countries). No maximum exposure limits apply to government and government related issuers in the UK. With regards to the individual name limits, investments in financial institutions are permitted into issuers deemed national champions (i.e. likely to be supported by their respective governments in a crisis) subject to a certain percentage. Investment in corporate institutions are permitted subject to a minimum credit rating of A1/P1/ AA-, a maximum exposure to individual corporate institutions of 2% and a maximum overall exposure to corporate institutions of nil.

The maximum risk adjusted exposure to a single counterparty arising from either of derivative and securities lending activity is limited to 1% of the market value of each of the individual portfolios within the Society but subject to an overall limit of 0.5% of the market value of the sum of all the individual portfolios within the Society.

During 2009 the maximum permitted aggregate holding across all the relevant portfolios of UK equity exceeded the limit of 10% of the free float in respect of three counterparties.

Name of Insurer **Sun Life Assurance Society Plc**

Financial year ended **31 December 2009**

NOTES TO THE RETURN

Funds within this Society held investments with two of these counterparties when the limits were breached. Approximately 23% of the aggregate holding with one of these counterparties, across all relevant portfolios of UK equity, was held by the Society. The maximum aggregate holding with this counterparty was 0.09% of the total equity portfolio. The fund manager has been instructed to sell the relevant investments when feasible in order to resolve the breach.

The other counterparty is in liquidation and the Society held approximately 61% of the aggregate holding across all relevant portfolios of UK equity.

Breaches in respect of fixed income are monitored at a total UK group level. During the year the maximum exposure limits to a single counterparty for fixed income were breached in respect of eighteen counterparties for portfolios within the Society. There are breaches outstanding as at 31 December 2009 in respect of thirteen of these counterparties. Where possible the Society has tried to reduce its exposure in respect of counterparties in the financial sector but this has not always been possible due to limited liquidity and the need to avoid significant losses on realisation. The breaches in respect of seven counterparties as at 31 December 2009 relate to holdings in the financial sector. Discussions are currently being held with three of the counterparties in breach at the year-end regarding the possibility of early repayment. Exposure to the remaining three counterparties is being closely monitored. No action is currently planned as the Society is comfortable with the level of exposure to these counterparties.

1306

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***1312* - Exposure at year end to large counterparties**

At the year end there were no exposures, of types subject to market risk and counterparty exposure limits, which exceed 5% of the sum of the Society's base capital resources requirement and long term insurance liabilities, excluding property linked liabilities and net of reinsurance ceded.

1307

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***1313* – Aggregate value of certain fully secured rights**

The aggregate value of fully secured rights on 31 December 2009 was £47.2m (2008: £154.9m).

***1308* – Aggregate value of assets**

	2009	2008
	£000	£000
The aggregate value of:		
Unlisted investments	91,741	287,905
Listed investments which are not readily realisable	22,097	19,751
Units in collective investment schemes that are not schemes falling within the UCITS Directive	42,936	47,721

***1309* - Aggregate value of hybrid securities**

The aggregate value of hybrid securities included at line 46 and line 48 is £543.6m (2008: £950.0m).

Name of Insurer **Sun Life Assurance Society Plc**

Financial year ended **31 December 2009**

NOTES TO THE RETURN

1401

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

The Society identified and reviewed all assets which are valued by marking to model, which are subject to restrictions or agreements relating to transactions or which could potentially be subject to less liquid positions. It was determined, following consultation with the investment managers, that none of these assets required an adjustment pursuant to GENPRU 1.3.30R to GENPRU 1.3.33R.

The Society reviewed its investments to identify whether any provisions were required pursuant to INSPRU 3.2.17R and INSPRU 3.2.18R. It was determined that in each case, sufficient cover is held and no such provisions were required.

1402

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***1502* - Long term and other than long term insurance business assets / liabilities**

a) Charges on assets

No charge has been made on the assets of the Society to secure the liabilities of any other person.

b) Provision for capital gains tax

A capital gains tax liability of £10.7m (2008: £0.8m) would arise if the Society were to dispose of all of its assets.

c) Contingent liabilities

The Society had no contingent liabilities.

d) Guarantees, indemnities or other contractual commitments

The Society has provided indemnity to a fellow subsidiary, AXA Sun Life Services Plc (ASLS), which acts as a distributor and third party administrator for the Society's products and services. This indemnity is provided in the event of ASLS becoming insolvent, to meet and deal with any civil liability which ASLS has incurred to investors (i.e. policyholders) in the course of its marketing of investments which the Society is party to. Any liability arising from the indemnity would be met with other than long term fund assets.

e) Other uncertainties

Levies are made under the Financial Services Compensation Scheme (FSCS) to compensate consumers in the event of the failure of any firm authorised under the Financial Services and Markets Act 2000. At the end of the financial year, no amounts had been provided for such levies.

Provision has been made for the best estimate of the potential redress to policyholders in respect of endowment mortgage product flaws.

Name of Insurer **Sun Life Assurance Society Plc**

Financial year ended **31 December 2009**

NOTES TO THE RETURN

1405 - Other liability adjustments

The amount included at line 74 of Form 14 is as follows:

	2009	2008
	£000	£000
Valuation difference (see note 0310)		
- Difference between Long-term Business Provision calculated on a realistic basis and mathematical reserves	1,091,351	409,420

1406 - Increase or decrease in the value of non-linked assets

The value of non-linked assets decreased during the year by £21.9m (2008: £215.4m).

1601

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4005 - Basis of foreign currency conversion

Income and expenditure in foreign currencies are translated to Sterling at the rate of exchange current at the transaction date.

1700 - Submission of blank form

The Society held no derivative contracts as other than long term insurance business assets at any time during the year and so no Form 17 relating to other than long term insurance business assets is required.

1701 – Variation margin

No excess variation margin has been received. No variation margin is included in respect of the long term business fund or the other than long term business fund.

1702 – Use of quasi derivatives

a) The aggregate value of rights in respect of assets which have the effect of derivative contracts at the end of the financial year was £1,218.7m (2008: £1,753.4m). The amounts contributed to each line in Form 13 in respect of quasi derivatives is as follows:

	2009	2008
	£000	£000
Line 45	42,641	135,146
Line 46	1,159,583	844,268
Line 47	-	7,735
Line 48	16,520	766,211
	<u>1,218,744</u>	<u>1,753,360</u>

b) The aggregate amount of liabilities under contracts which have the effect of derivative contracts did not exceed 2.5% per cent of the aggregate amounts shown in Form 14 lines 15 to 39 or Form 15 lines 31 to 51.

Name of Insurer **Sun Life Assurance Society Plc**

Financial year ended **31 December 2009**

NOTES TO THE RETURN

1901 - Financing costs

The entry at line 45 of Form 19 includes the impact of the arrangements with AXA Sun Life Plc as described in note 0307.

4002 - Particulars of other income and other expenditure

	2009	2008
	£000	£000
Interest received on late premiums	105	79
Other	753	336
	<u>858</u>	<u>415</u>

4008 - Management services

During the financial year ended 31 December 2009, investment management services have been provided to the Society by subsidiaries of AXA Investment Managers UK Limited. Various other management services have been provided by AXA Sun Life Services Plc, a fellow subsidiary company.

4009 - Material connected party transactions

During the financial year ended 31 December 2009 the Society carried out the following transactions with other companies in the group, which exceed 5% of the Society's liabilities arising from its long-term insurance business, excluding property linked liabilities and net of reinsurance ceded.

Transacting Party	Relationship	Type of Transaction	Amount
			£000
AXA Sun Life Plc	Group Undertaking	Reassurance premiums ceded	2,278,691
AXA Sun Life Plc	Group Undertaking	Reassurance claims received	879,069

4010 - Investment income relating to linked assets

The amount of investment income relating to linked assets in Line 12 of Form 40 is £34.5m (2008: £49.3m).

4201 - Analysis of claims

The intra-group reinsurance claims reported in Form 42 are reclaimed under reinsurance arrangements with AXA Sun Life Plc which is another insurance company. The analysis of claims shown reflects the nature of the claim from the perspective of the initial insurer.

4401 - Basis for valuation of assets

Invested assets are included at market value in accordance with the policy terms.

4803 - Yields not determined by reference to the final redemption date

In the case of a fixed interest security that may be redeemed at different dates at the option of the issuer, the yield is determined with reference to both the final redemption date and the first call date. The yield is taken to be the lower of the two. The total value included in Form 49 line 61 in respect of securities that may be redeemed at different dates at the option of the issuer is £857m.

Name of Insurer **Sun Life Assurance Society Plc**

Financial year ended **31 December 2009**

NOTES TO THE RETURN

***4804* - Yields of 'other assets'**

The assets included in lines 18 and 28 of Form 48 break down as follows:

	Market Value £m	Yield %
Cash	373	0.49%
Derivative exposure (assumed to receive the cash return)	255	0.49%
Policy loans	2	10.03%
Miscellaneous assets bearing little or no income	110	0.00%

***4806* - Assets used to determine investment returns in column 5**

The assets included in the calculation of investment returns shown in column 5 are the assets underlying the calculation of asset shares. The asset categories used for asset share return calculations are not in all cases the same as the categories in lines 21-29 of column 2, and have been defined as follows:

Line	Assets included
21	Properties including investments in property through collective investment schemes and limited partnerships.
22 & 23	Non-index-linked gilts and corporate bonds. An approximate basis has been used to split the return between the two lines.
24	Index-linked gilts and bonds and floating rate bonds.
25-27	Equities, equity futures and collective investment schemes investing in equities. An approximate method has been used to split the return on all equities (used in asset share calculations) between these three lines.
28	All assets included in the calculation of asset shares but not included in lines 21-27, consequentially this is mostly cash.

The weighted average in line 29 of column 5 is that applicable to asset shares of policies denominated in sterling. Other policies have a different asset mix.

*** 4807* - Reconciliation with Form 50**

The amount of assets in line 19 of Form 48 cannot be reconciled with the sum of lines 42, 45 and 47 of Form 50 and the non-profit part of the LTICR, because Form 50 line 47 (Form 54 – non-linked) includes a small amount of linked with profits business, with non-linked mathematical reserves of £7k.

***4901* - Source of credit ratings**

Credit ratings from Standard & Poor's, Moody's and Fitch are used. If more than one is available the lowest rating is used. If all three ratings are available, discretion is applied if one rating appears out of line with the other two. In the absence of all three a prudent internal rating is used.

Name of Insurer **Sun Life Assurance Society Plc**

Financial year ended **31 December 2009**

NOTES TO THE RETURN

***5103* - Products classified as miscellaneous**

The following product with reserves in excess of £10m has been classified under miscellaneous product code 205:

- Moneyback (level term assurance with a small with profits maturity benefit)

The following product with reserves in excess of £10m has been classified under miscellaneous product code 435:

- Postponed retirements and other deferred maturities where the benefit is expressed in cash form

***5104* - Approximations in apportionments between product codes**

Conventional with profits endowment assurances have been allocated to product code 125 (target cash) if the policy record includes features generally indicative of mortgage repayment policies and to product type 120 (savings) otherwise.

With the exception of one clearly identified group scheme, with profits Pension Builders have been allocated to product code 155. It is possible that some of these policies form part of small group schemes, which should be allocated to product code 185, but it is not possible to identify such policies reliably.

***5203* - Details of policies included in the miscellaneous product code.**

The following product with gross mathematical reserves in excess of £10m has been classified under miscellaneous product code 575:

- Unitised with profits partly-insured Flexible Suntrust Plans (pensions policies issued in conjunction with small self-administered schemes)

***5204* - Approximations used to apportion between product codes.**

Unitised with profits endowment assurances have been allocated to product code 515 (target cash) if the policy record includes features generally indicative of mortgage repayment policies and to product code type 510 (savings) otherwise.

***5304* - Approximations used to apportion between product codes.**

Unit-linked endowment assurances have been allocated to product code 720 (target cash) if the policy record includes features generally indicative of mortgage repayment policies and to product code type 715 (savings) otherwise.

***5403* - Products classified as miscellaneous**

The following product with reserves in excess of £10m has been classified under miscellaneous product code 910:

- Index-linked deferred annuity

Name of Insurer **Sun Life Assurance Society Plc**

Financial year ended **31 December 2009**

NOTES TO THE RETURN

***5702* Risk adjusted yield calculation**

On the 19 November 2009, the Company was granted a waiver to allow the risk adjusted yield in column 5 of form 57 to be calculated based on the overall basket of assets backing product groups. The following lines within form 57 have been calculated using this modified methodology:

Product Group	Original Risk Adjusted Yield	Modified Risk Adjusted Yield
UK Pens NP Form 51	4.62%	4.82%

***6001* - Insurance health risk and life protection reinsurance capital component**

The entry in line 21 of Form 60 is at least as large as the amount that would be obtained if Forms 11 and 12 were to be completed. The method used to estimate the entry in line 21 has followed the requirements for Form 11 and Form 12, with use of prudent estimates where data items are not available.

The gross annual premiums in force at 31 December 2009 in respect of Class IV business, life protection reinsurance business and supplementary accident and sickness insurance amount to £0.6m.

Name of Insurer: **Sun Life Assurance Society Plc**

IPRU(INS) Rule 9.31(a) and Appendix 9.4

VALUATION REPORT

Throughout this report the following notation is used:

the Society denotes Sun Life Assurance Society Plc
 ASL denotes AXA Sun Life Plc

Internal reinsurance arrangements as at 31 December 2009

During 2009, a reinsurance arrangement was put in place to cede 50% of most of the Non Profit Pensions Annuities in Payment from SLAS to ASL. The expense risk on the business is retained within SLAS.

The reinsurance of 100% of the Non Profit Life Annuities in Payment to ASL (from 31 December 2008) remains in force.

The reinsurance of unit linked business to ASL (from 1 January 2007) remains in force. This reinsurance includes the unit liabilities and most policy charges, but excludes most mortality risk and all morbidity risk. Expenses in respect of reinsured policies are charged to ASL.

1. Valuation date

- (1) The actuarial investigation relates to a valuation date of 31 December 2009.
- (2) The valuation date of the previous investigation was 31 December 2008.
- (3) There have been no interim valuations (for the purpose of IPRU(INS) rule 9.4) since the previous valuation date.

2. Changes to product range in 2009

There were no significant changes to products during 2009.

Statement relating to with profits business

The Society was open to new with profits business at the start of the year but was then closed to new business except by increment with effect from 31 July 2009.

3. Discretionary charges and benefits

(1) Application of Market Value Reduction

During 2009, a Market Value Reduction (MVR) was applied on discontinuance (where permitted, and subject to relevant minima) in respect of the following unitised with profits products effected in the policy years set out below.

Product Description	Period That MVR Applied		Policy Dates of Entry
	From	To	
Onshore Bonds	01/01/2009	27/09/2009	1998 - 2001
	28/09/2009	06/12/2009	1998 - 2000
	07/12/2009	31/12/2009	1999 - 2000

(2) Changes to premiums on reviewable non-linked protection policies

No reviewable non-linked protection policies were eligible for a premium review during 2009.

(3) Non-profit deposit administration benefits

The Society does not have any policies with non-profit deposit administration benefits.

(4) Service charges on linked policies

Service charges for unit-linked policies changed as follows during 2009 or with effect from 1 January 2010:

No change:

Unit-linked pensions (except where described below)

No increase (because movement in Retail Prices Index was negative):

Flexible Cover Plan
Flexible Mortgage Plan
Flexible Pensions (except paid-up pensions)

Increase of approximately 0.9% (in line with National Average Earnings Index to July 2009):

Private pension funds

(5) Benefit charges on linked policies

Capital Bond (with life cover), Comprehensive Life Plan, Comprehensive Savings Plan, Flexible Bond (with life cover), Flexible Cover Plan, Flexible Mortgage Plan, Maximum Cover Plan and Select Investment Plan

During 2009, the mortality and morbidity charges on these policies were reviewed. The total reserves net of reinsurance for these products at the valuation date are £10.7m.

Overall, the impact of the review resulted in a decrease in mortality charges of approximately 10% and an increase in morbidity charges of 10%. For individual policies, the range of changes to the charges were from -30% to +90%.

No other changes to mortality or morbidity charges for unit-linked policies took place during 2009.

(6) Fund management charges

During 2009, the net annual management charge (the fund charge after rebate) was changed for the following funds:

Fund	Net Annual Management Charge		Fund size at 31/12/2009 £000
	Old	New	
Architas Liquidity	0.19%	0.15%	2,374
Bailie Gifford Managed Pension	0.25%	0.26%	26,557
Framlington Managed Balanced Pension	0.26%	0.25%	97,045
L&G (Barclays) Cautious Portfolio	0.75%	0.65%	23
L&G (Barclays) Income Portfolio	0.50%	0.30%	45
Newton Managed Pension	0.16%	0.18%	47,546

There are no notional charges to accumulating with profits policies.

(7) Unit pricing methods

The Society does not operate internal linked funds. As indicated in the note at the start of this report, all investments in such funds are reinsured to ASL.

Gross unit linked business in SLAS adopts the unit pricing methodology as in ASL.

(8) Tax deductions from unit-linked funds

See 3.(7).

(9) Tax provisions for unit-linked funds

See 3.(7).

(10) Discounts on purchases of units

See 3.(7).

4. Valuation basis (other than for special reserves)

The valuation bases set out in section 4 relate to groups of products where the gross mathematical reserves or the gross annual premiums exceed £10m. The grouping of products is that relevant to the particular method or assumption.

(1) Valuation methods***General principles and methods used in the valuation***

The valuation bases have been determined with regard to the nature and the term of the assets available to meet the liabilities valued.

The reserves were determined on a prudent basis in accordance with actuarial principles, taking account of the underlying nature of the contracts.

Full allowance has been made in the valuation for the effects of the ceding of premiums and risk under the various reinsurance arrangements in place at the valuation date.

Any negative reserves arising on any policy have been eliminated.

A provision has been made to cover the possibility of default by the internal and external reinsurers.

Conventional Business

A gross premium method of valuation has been used. No allowance for future bonuses has been made for with profits business.

For products where the reserves otherwise calculated are less than the discontinuance value for a material proportion of policies, the reserve for each policy has been increased where necessary to ensure that it is not less than the amount payable on discontinuance. Furthermore, the reserve is not less than the amount required so that, on the valuation assumptions, this condition will be satisfied at all times in the future.

It is assumed that discontinuance values are payable only in circumstances where the policyholder might reasonably expect a discontinuance value to be paid. The assumed amount of discontinuance value is determined using bases currently in force, excluding amounts arising from future bonus distributions.

For the main classes of life with profits business, an allowance for future voluntary discontinuance has been made; discontinuance values are determined in the same way as described above. No allowance has been made for voluntary discontinuance of with profits pensions business (where almost all policies have attaching Guaranteed Annuity Rates).

For immediate annuity business, the valuation interest rate has been derived using a portfolio internal rate of return on the assets backing the liabilities. The company has a waiver under section 148 of the Financial Services and Markets Act 2000 to perform this calculation.

Provision for investment expenses is made by way of a margin between the yield on the assets and the valuation rate of interest.

For conventional pensions policies in postponed retirement where the benefit at normal retirement date is expressed in the form of a cash sum, the reserves are equal to the value of benefit that would be payable on immediate retirement. This is equal to the cash sum payable at normal retirement date plus interest added in respect of the period of postponement.

Unit-linked Business

For each unit-linked policy the gross reserve is the sum of:

- (i) the value of units allocated at the valuation date, discounted, in the case of capital units and certain accumulation units subject to a discontinuance charge, at a rate not exceeding the rate of future annual management charge or other periodic charges; and
- (ii) a non-unit reserve.

For most unit-linked business, unit liabilities are reassured to ASL, and the net unit reserve is zero.

For each individual policy the non-unit reserve is determined by discounting the expected future net cash flow determined on a set of assumptions relating to mortality, interest, expenses and future unit prices. Unit prices are assumed to grow from the prices calculated on the valuation date. Regard is had in the calculations to present and future discontinuance values under each policy so that the total reserve for each policy is adequate for the discontinuance value to be met at any time.

For classes where it is prudent to do so (mainly group pensions business), the payment of future premiums is ignored in determining the non-unit reserve.

Unitised With Profits and Deposit Administration Business

The reserve for each plan is calculated using a gross premium valuation method, with no allowance for future bonuses except where guaranteed. Allowance is made for guaranteed minimum annual rates of return for deposit administration business.

The reserve is subject to a minimum to ensure that it is not less than the amount payable on discontinuance. Furthermore, the reserve is not less than the amount required so that, on the valuation assumptions, this condition will be satisfied at all times in the future. In determining the assumed current and future discontinuance values, allowance is made for Market Value Reductions (MVR) where they were actively being applied at the valuation date (Section 3(1)).

For most classes, the calculation of the reserves makes an allowance for future voluntary discontinuance. The assumed amount payable on discontinuance is the same as is used to determine the minimum reserves, as described above.

Provision for investment expenses is made by way of a margin between the yield on the assets and the valuation rate of interest.

(2) Valuation interest rates

The FSA, on the application of the firm, made a direction under section 148 of the Financial Services and Markets Act 2000 in November 2009. The effect of the direction is to modify the provisions of *INSPRU* 3.1.35R and *IPRU(INS)* Appendix 9.3 so that a more appropriate rate of interest is used for assets taken in combination.

In line with the above direction, the valuation interest rate for non-profit pension and other annuity business has been derived using a Portfolio Internal Rate of Return calculation.

	31 December 2009	31 December 2008
	%	%
Unitised with profits and deposit administration	3.00	3.00
Conventional with profits life	3.00	3.00
Conventional with profits pensions and with profits annuities	4.00	4.00
Non-profit life	3.35	3.75
Non-profit pensions and other annuities (in-payment and deferred)	4.35	4.70
Life Annuity business reinsured to ASL	3.55	2.95
RPI-linked benefits	0.55	1.50
Unit-linked life	3.35	3.75
Unit-linked pensions	4.20	4.70
Annuity guarantees in payment (except where valued using stochastic methods)	3.70	3.20

(3) Risk adjustments to yields

In determining risk adjusted yields reported in Form 57, the following adjustments have been made, in addition to the 2.5% reduction required by INSPRU 3.1.28R.

Fixed interest

The following deductions have been made from gross redemption yields:

Rating	Term to redemption (years)		
	<10 % p.a.	10-20 % p.a.	>20 % p.a.
AAA	0.14	0.15	0.17
AA	0.57	0.46	0.45
A	0.96	0.70	0.66
BBB	1.92	1.32	1.17
BB	6.03	3.68	3.07
B	13.26	7.38	5.87
CCC	24.87	12.95	9.87

For assets within the Non-Profit portfolio, an additional 25% margin is applied.

For subordinated debt, the above deductions are increased by a factor of 1.25.

The credit risk adjustments are subject to a maximum of the size of the spread on any individual asset.

For fixed interest stocks with a lower rating than CCC, individual deductions are calculated to reduce the gross redemption yield to the yield on a gilt of equivalent term.

For fixed interest stocks with a rating of D, the gross redemption yield is set to zero.

The risk adjusted yields on individual bonds are subject to a cap of 30%.

Equities

Yields have been reduced by 0.1% and have been constrained not to exceed 7.50% p.a.

Property

A deduction of 2.5% of the yield applies.

(4) Mortality

Product group	31 December 2009		31 December 2008	
	Males	Females	Males	Females
With profits endowment assurance (Moneysaver)	90% AM80 sel	90% AF80 sel	90% AM80 sel	90% AF80 sel
With profits endowment assurance (Top Flight)	160% AMC00	155% AFC00	85% AM80 ult	85% AF80 ult
Other with profits endowment assurance	57.5% AM92 ult	75% AF92 ult	57.5% AM92 ult	75% AF92 ult
With profits whole life	85% AM92 ult	100% AF92 ult	85% AM92 ult	100% AF92 ult
Non-profit endowment assurance	65% AM92 ult	65% AF92 ult	65% AM92 ult	65% AF92 ult
Guaranteed Over 50 Plan	modified ELT14M	modified ELT14F	100% ELT14M	115% ELT14F
Other non-profit whole life	105% AM92 ult	135% AM92 ult	110% AM92 ult	135% AM92 ult
Conventional pensions in deferment	75% AM92 ult	75% AF92 ult	75% AM92 ult	75% AF92 ult
Pensions annuities in payment	82.5% PCMA00 100% medium cohort with 1.7% floor	82.5% PCFA00 75% medium cohort with 1.5% floor	80% PCMA00 100% medium cohort with 1.7% floor	80% PCFA00 75% medium cohort with 1.5% floor
Non-pensions annuities in payment	75% IM80 C=2010	75% IF80 C=2010	75% IM80 C=2010	75% IF80 C=2010
Deferred pensions annuities and annuity guarantees (after deferment)	80% PCMA00 100% medium cohort with 1.7% floor	80% PCFA00 75% medium cohort with 1.5% floor	77.5% PCMA00 100% medium cohort with 1.7% floor	77.5% PCFA00 75% medium cohort with 1.5% floor
Bonds	93% AM80 ult	93% AF80 ult	93% AM80 ult	93% AF80 ult
Other unit-linked and unitised with profits life	modified AM80 sel	modified AF80 sel	modified AM80 sel	modified AF80 sel
Flexible pensions (group personal pensions)	modified AM80 ult	modified AF80 ult	modified AM80 ult	modified AF80 ult
Flexible pensions (other)	modified AM80 sel	modified AF80 sel	modified AM80 sel	modified AF80 sel
Other unit-linked pensions	modified A67/70 ult	modified AF80 ult	modified A67/70 ult	modified AF80 ult

Where the mortality table is described above as modified, the following are specimen mortality rates used at 31 December 2009:

Age	Males			Females		
	Non-smoker	Smoker	Aggregate	Non-smoker	Smoker	Aggregate
<u>Guaranteed Over 50 Plan</u>						
25	n/a	n/a	0.00089	n/a	n/a	0.00043
35	n/a	n/a	0.00124	n/a	n/a	0.00086
45	n/a	n/a	0.00365	n/a	n/a	0.00241
55	n/a	n/a	0.01546	n/a	n/a	0.00940
<u>Other unit-linked and unitised with profits life</u>						
25	0.00049	0.00072	n/a	0.00024	0.00034	n/a
35	0.00056	0.00082	n/a	0.00046	0.00066	n/a
45	0.00169	0.00246	n/a	0.00118	0.00171	n/a
55	0.00549	0.00802	n/a	0.00325	0.00470	n/a
<u>Flexible pensions (group personal pensions)</u>						
25	n/a	n/a	0.00050	n/a	n/a	0.00023
35	n/a	n/a	0.00057	n/a	n/a	0.00045
45	n/a	n/a	0.00171	n/a	n/a	0.00116
55	n/a	n/a	0.00556	n/a	n/a	0.00318

Age	Males			Females		
	Non-smoker	Smoker	Aggregate	Non-smoker	Smoker	Aggregate
<u>Flexible pensions (other)</u>						
25	0.00048	0.00071	0.00053	0.00023	0.00034	0.00026
35	0.00055	0.00080	0.00060	0.00045	0.00064	0.00049
45	0.00165	0.00241	0.00181	0.00116	0.00167	0.00127
55	0.00537	0.00784	0.00591	0.00318	0.00459	0.00350
<u>Other unit-linked pensions</u>						
25	0.00057	0.00087	0.00066	0.00023	0.00032	0.00026
35	0.00058	0.00103	0.00072	0.00040	0.00059	0.00045
45	0.00170	0.00308	0.00212	0.00099	0.00157	0.00116
55	0.00550	0.00996	0.00687	0.00278	0.00418	0.00319

For annuities in payment and deferred annuities, expectations of life are as follows:

Product group	Current age	Age at which expectation is determined	31 December 2009		31 December 2008	
			Males years	Females Years	Males years	Females years
Pensions annuities in payment		65	25.2	27.0	25.3	27.1
		75	15.8	17.3	15.9	17.4
Non-pensions annuities in payment		65*	20.0	23.1	20.0	23.1
		75	12.9	14.9	12.9	14.9
Deferred pensions annuities	45	65	29.2	30.3	29.4	30.5
	55	65	27.3	28.8	27.5	28.9
Annuity guarantees	45	65	26.0	28.0	26.0	28.0
	55	65	26.0	28.0	26.0	28.0

* There is little non-pensions annuity business at this age; the average age of annuitants exceeds 80.

Additional reserves totalling £4.2m have been included on account of the increased risk associated with HIV/AIDS. They have been determined having regard to the assumptions corresponding to one third of Projection R6A of the Institute of Actuaries AIDS Working Party.

No additional reserves are held in respect of the possible detrimental impact of other changes in the incidence of disease or developments in medical science.

(5) Morbidity

SLAS does not contain morbidity liabilities which exceed £10m.

(6) Expenses

Gross annual per policy expense levels assumed for specified products are set out below. These are based on the actual fees payable to AXA Sun Life Services plc under the Management Services Agreement, and have been uplifted in respect of expenses not covered by the Agreement. A further uplift has been included to make prudent allowance for the outcome of a fee review under the terms of the Agreement, which is due to be implemented during 2010, but which has not yet been completed.

Product	Product codes	31 December 2009 £ p.a.	31 December 2008 £ p.a.
<i>Conventional With Profits</i>			
Endowment (savings)	120	15.03	15.00
Endowment (target cash)	125	15.03	15.00
Pensions	155, 165	200.42	200.01
<i>Non-profit</i>			
Annuity	400	25.05	25.00

Product	Product codes	31 December 2009 £ p.a.	31 December 2008 £ p.a.
<i>Unitised with profits</i>			
Bonds	500	50.10	50.00
Endowment (savings)	510	50.10	50.00
Endowment (target cash)	515	50.10	50.00
Individual pensions (regular premium)	525	100.21	100.01
Individual pensions (single premium)	525	25.05	25.00
Group pensions (regular premium)	535	100.21	100.01
Group pensions (single premium)	535	25.05	25.00
<i>Unit-linked</i>			
Bonds	700	50.10	50.00
Endowment (savings)	715	50.10	50.00
Endowment (target cash)	720	50.10	50.00
Individual pensions (regular premium)	725	100.21	100.01
Individual pensions (single premium)	725	25.05	25.00
Group pensions (regular premium)	735	100.21	100.01
Group pensions (single premium)	735	25.05	25.00

Where different expense assumptions apply to groups of policies within the above product types, the assumption shown is that relating to the largest group by number of policies at 31 December 2009. In the case of individual and group pensions, paid-up policies have been treated as single premium, as the expense assumptions are the same for these groups.

For with profits and non-profit business, provision for gross investment expenses is made by way of a margin between the yield on the assets and the valuation rate of interest. The margins are:

With profits business 0.18% p.a.
Non-profit business 0.11% p.a.

For unit-linked business, the assumed gross investment expenses are the following percentages of fund size:

Life business 0.16% p.a.
Pensions business 0.16% p.a.

For life business, tax relief on the above expense assumptions is assumed at the rate of 20%.

(7) Inflation rate and unit growth rates

The future inflation rate assumed in the valuation is 3.75% per annum for annuity business and 3.25% per annum for non-annuity business.

Expense inflation is assumed to be 4.75% per annum for annuity business and 4.25% per annum for non-annuity business.

The unit growth rates assumed in the calculation of non-unit reserves for unit-linked business are:

Life business 4.89% p.a. (net of tax)
Pensions business 5.75% p.a.

(8) Future bonus rates

No future bonus rates have been assumed in the gross premium valuation of conventional with profits business or in the valuation of unitised with profits business except where guaranteed.

(9) Lapse, surrender and conversion to paid-up

The following average annual rates of lapse, surrender and conversion to paid-up have been assumed:

Product		Average lapse / surrender / paid-up rate for the policy years			
		1-5 % p.a.	6-10 % p.a.	11-15 % p.a.	16-20 % p.a.
CWP savings endowment	surrender	n/a	5.4	2.9	1.7
CWP target cash endowment	surrender	n/a	n/a	1.9	1.7
UWP savings endowment	surrender	3.3	3.9	8.7	6.7
UWP target cash endowment	surrender	3.3	3.9	8.7	6.7
UL savings endowment	surrender	3.3	3.9	8.7	6.7
UL target cash endowment	surrender	3.3	3.9	8.7	6.7
UWP Bond – with surrender penalty	surrender	0.9	8.0	8.0	8.0
UWP Bond – without surrender penalty	surrender	8.0	8.0	8.0	8.0
UWP Bond	automatic withdrawals	100% of current	100% of current	100% of current	100% of current
UL Bond	surrender	8.0	8.0	8.0	8.0
UL Bond	automatic withdrawals	100% of current	100% of current	100% of current	100% of current
CWP pension regular premium	PUP	0	0	0	0
CWP pension regular premium	surrender	0	0	0	0
CWP pension single premium	surrender	0	0	0	0
UWP individual pension regular premium	PUP	0	0	0	0
UWP individual pension regular premium	surrender	See note 1.			
UWP individual pension single premium	surrender	See note 1.			
UL individual pension regular premium	PUP	0	0	0	0
UL individual pension regular premium	surrender	See note 1.			
UL group. pension regular premium	PUP	0	0	0	0
UL group pension regular premium	surrender	See note 1.			
UL individual pension single premium	surrender	See note 1.			

1. The surrender rates used for UL pension products vary between term gone and term-to-go. It is not representative to combine the rates for these different products in the format required.

Where different persistency assumptions apply to groups of policies within the above product types, the assumptions shown relate to a group which represents more than 50% of the total reserves for the product type.

For classes where it is prudent to do so (mainly group pensions business), the payment of future premiums is ignored in determining the non-unit reserve. Other than this, no allowance is made for conversion to paid-up.

(10) Other material assumptions

There are no assumptions not stated elsewhere that are considered to be material to the results of the valuation.

(11) Derivative contracts

The Company uses derivatives to hedge the Guaranteed Annuity Options on its WP deferred annuity business. Since the time value of the derivatives is significantly higher than that reflected in the valuation of the liabilities, an additional liability equal to the time value of the derivatives is held in the Long Term Fund (£7.0m).

The Company holds equity futures within the Long Term Fund. For the purposes of calculating valuation rates of interest, a cash yield has been assumed for the proportion of equities covered by the future contracts.

(12) Impact of changes in valuation rules effective from 31 December 2006

No further changes have been made since the previous valuation.

5. Options and guarantees

The valuation bases set out in section 5 relate to options and guarantees in respect of groups of products where the basic reserves exceed £10m. The grouping of products is that relevant to the particular option or guarantee.

(1) Guaranteed Annuity Rate options

- (a) For most pensions contracts with a Guaranteed Annuity Rate option at retirement, a stochastic model has been used to value the option. The model used is the same as that used in the realistic valuation and described in the report on that valuation, and the economic scenario generation assumptions were calibrated to 97.5% of risk-free yields, in line with requirements for yields used in regulatory valuations. The assumed take-up rate for the option, when in the money, is 95% at all durations in all scenarios. The assumed mortality basis in payment is based on 80.0% of PCMA00 with 100% medium cohort improvements subject to a 1.7% floor for males, and 80.0% of PCFA00 with 75% medium cohort improvements subject to a 1.5% floor for females. For practical reasons an equivalent one-dimensional table is used.

For a few minor classes the stochastic model is not used, and the liabilities are taken as the result of a deterministic valuation using corresponding assumptions, but assuming 100% take-up.

(b)

Product	Basic reserve £m	Outstanding durations (years)			Guarantee reserve £m	Guaranteed annuity rate (annuity p.a. per £100 cash sum)	Open to increments
		Minimum	Median	Maximum			
Pension Builder	138	0	6	29	116	11.11	In certain circumstances
Retirement Annuity (1976 series)	51	0	9	26	645	11.11	In certain circumstances
Deposit Administration	3	n/a	n/a	n/a	2	10.00	No

The specimen guaranteed annuity rates shown above are for a male aged 65. The annuity is a non-increasing single life annuity, payable monthly in advance for a minimum period of five years. Most guarantees are in this form, though some policies have guaranteed annuities with a fixed increase rate or on a joint lives basis, or payable annually in arrear. In normal circumstances, an alternative form of annuity would be available on equivalent terms.

Guaranteed annuity rates are applicable only on retirement at the normal retirement date or selected retirement date specified in the policy, or, in the case of Retirement Annuity (1976 series) at the alternative retirement date specified in the policy.

(2) Guaranteed surrender and unit-linked maturity values

- (a) Unitised with profits Bonds effected since 1996 include a provision that no market value reduction (MVR) will be applied on discontinuance on the tenth policy anniversary. The method used to determine the basic reserves, described in (4).(1), explicitly makes allowance for this provision, and no separate additional reserve is required.

Unitised with profits pensions policies invested in the Group With Profits Fund include a provision that no MVR will apply on discontinuance in certain specified circumstances, for example on early retirement or following leaving service. In consequence, the basic reserves for policies invested in this fund make no allowance for the application of MVR at any time, and no separate additional reserve is required in respect of the provision.

Certain Flexible Mortgage Plans (including some plans marketed as Comprehensive Savings Plans) include a provision whereby a guaranteed amount may be payable on the Guarantee Date stated in the policy. The guarantee may be selected five years before the Guarantee Date, and is subject to conditions: in particular the premium must be increased where necessary to a level advised by the Society. All plans are switched to unitised with profits five years before the Guarantee Date. For plans with this guarantee currently in force (i.e. plans within five years of the Guarantee Date where the premium is at the level advised by the Society), an additional reserve is held equal to the difference between the discounted value of the guaranteed benefits (determined using normal assumptions applicable to unitised with profits policies) and the basic reserve. This calculation makes no allowance for any terminal bonuses which are expected to offset the cost of the guarantee. In the case of plans that are more than five years from the Guarantee Date, including plans currently invested in unit-linked funds, the terms on which the increase in premium is determined if the guarantee is selected is kept under review in order to ensure that no additional reserve will be necessary at the time the guarantee comes into force. It is therefore considered necessary to hold only a small additional reserve in respect of the prospective guarantee for such plans. Further information is set out in (b) below.

(b)

Product	Basic reserve £m	Outstanding durations (years)			Guarantee reserve £m	Guaranteed amount £m	Annual premiums £m
		Minimum	Median	Maximum			
Flexible Mortgage Plan – guarantee in force	7.8	0	1	2	0.9	9.2	0.5
Flexible Mortgage Plan – potential future guarantee	86.7	5	9	28	0.7	274.3	6.3

For plans with a potential future guarantee, the basic reserve stated above includes the value of investments currently in unit-linked funds.

The above policies are free of MVR on death, critical illness claim (where appropriate) and on the Guarantee Date.

Increments to the above policies may be made prior to the guarantee coming into force.

As described in (a), all other guaranteed surrender values affecting groups of policies where the basic reserve exceeds £10m have been explicitly valued within the calculation of the basic reserve.

(3) Guaranteed insurability options

- (a) The main guaranteed insurability options permit the increase or replacement of cover under unit-linked and unitised with profits policies, subject to specific conditions, for example when the maturity value of an endowment assurance is increased in respect of a mortgage advance, or on the birth of a child to the policyholder. No additional reserve is deemed necessary for such options for the following reasons:
- the conditions for the exercise of each option are limited to specified circumstances, which might normally imply good health
 - mortality charges include a prudent margin which would cover a worsening of experience
 - policy conditions permit future amendments to mortality charges based on experience
- (b) There are no conversion or renewal options where the total sum assured exceeds £1bn.

(4) Other guarantees and options

Certain with profits Flexible T-Plans and Pension Builders include a provision that the annuity secured on retirement at State Pensionable Age will not be less than the amount of Guaranteed Minimum Pension accrued in respect of contracting out of the State Earnings Related Pension Scheme.

These guarantees are generally significantly in the money, and additional reserves are determined for each policy equal to the excess of the value of the annuity over the basic reserve. The assumed mortality basis in payment is based on 80% of PCMA00 with improvement factors of 100% medium cohort and a 1.7% floor for males, and 80% of PCFA00 with improvement factors of 75% medium cohort and a 1.5% floor for females. For practical reasons, an equivalent one-dimensional table is used. Interest in payment is 3.70% p.a. The assumed take-up rate for the guarantee is 100%. The basis during deferment is the normal basis for the relevant type of policy.

Basic with profits reserve for policies with the guarantee:
£126m

Additional reserve in respect of the guarantee:
£166m

6. Expense reserves

(1) Expense loadings

The aggregate amount (gross of tax) arising during the year following the valuation date from implicit and explicit reserves made in the valuation to meet expenses in fulfilling contracts in force at the valuation date is £25.8m, after allowing for expenses recovered through the internal reinsurance arrangements. This amount arises from the following sources:

- (i) explicit expense assumptions in the valuation amounting to £16.0m; and
- (ii) the amount implicitly provided for investment expenses by deductions from yields when establishing the valuation interest rates, amounting to £9.8m.

Renewal commission is not included in this amount.

(2) Implicit expense allowances

The implicit allowance in respect of investment expenses was determined by multiplying the relevant amounts of reserves by the rates of deduction from yields.

(3) Comparison with Form 43

The introduction of Financial Reporting Standard 26 in 2006 requires initial transaction costs on assets to be shown as investment expenses in the statutory accounts and, these expenses, amounting to £4.9m, have been included in line 44 of Form 43. The valuation implicitly assumes that there will be no future asset turnover, so no allowance is made for expenses of this nature.

After allowing for initial transaction costs on assets, the amount of maintenance expenses is slightly lower than that shown at line 44 of Form 43. The main reasons for the difference are:

- the investment expenses incurred in respect of assets in excess of the total reserves
- the continuing reduction in the number of policies in force
- there are £1.7m of project costs recharges included in F43 that are not in our reserves

The difference from line 14 is due to the reinsurance arrangements with ASL, which transfer expenses from the Society to ASL.

(4) New business expense overrun

Current product terms are sufficient to recover expenses in respect of new business, and no new business expense overrun reserve is required in respect of the expenses of continuing to transact new business during the 12 months following the valuation date.

(5) Maintenance expense overrun

No maintenance expense overrun reserve is deemed necessary. The reserves include explicit allowance for meeting the expenses likely to be incurred in future in fulfilling existing contracts, on the basis that servicing expenses will continue to be in line with fees charged by AXA Sun Life Services plc (ASLS), increased in line with the assumed inflation rate. It is assumed that the same level of per policy expenses apply following closure to new business. No redundancy costs have been allowed for, as these would be met by ASLS. The costs of terminating the management services agreement with ASLS have not been allowed for as it is assumed that the agreement will continue in force.

(6) Non-attributable expenses

All expenses have been treated as attributable.

7. Mismatching reserves**(1) Analysis of reserves by currency**

The mathematical reserves in respect of liabilities denominated in sterling (other than liabilities for property linked benefits) amount to £6,798m. An analysis by currency of the matching assets is set out in the following table.

Currency of asset	Value of assets £m
Sterling	6,213
U.S. Dollar	212
Euro	139
Japanese Yen	77
Other	157
Total	6,798

(2) Other currency exposures

The mathematical reserves in respect of liabilities denominated in currencies other than sterling amount to £11m. In view of the small amounts, non-sterling liabilities are not considered separately for asset backing purposes, and the assets regarded as backing these liabilities do not include a specific allocation of assets in the currency of the liabilities. However, for each currency in which these liabilities are denominated, the long-term fund includes assets denominated in that currency in excess of the amount of reserves.

(3) Currency mismatching reserve

The reserves for non-sterling liabilities are prudently determined, and in view of the small amounts, no additional reserve is deemed necessary in respect of currency mismatching.

(4) Most onerous scenario under INSPRU 3.1.16R

INSPRU 3.1.16R does not apply to the Society. See 7.(6).

(5) Most onerous scenarios under INSPRU 3.1.23R

INSPRU 3.1.23R does not apply to the Society. See 7.(6).

(6) Amount of resilience capital requirement

The Society is not required to determine a resilience capital requirement, as it is not a regulatory basis only life firm.

(7) Additional reserve arising from INSPRU 1.1.34(2)

Based on an analysis of expected cash inflows from assets held and future regular premiums and expected cash outflows from insurance liabilities as they fall due, it is believed that the assets held to cover the technical provisions and other long-term insurance liabilities are of a sufficient amount, and of an appropriate currency and term, to ensure that the cash inflows will meet the expected cash outflows without requiring any additional reserve.

8. Other special reserves

There are no special reserves exceeding £10m.

9. Reinsurance**(1) Facultative reinsurance to reinsurers not authorised in the UK**

The premiums payable in 2009 in respect of reinsurances ceded on a facultative basis to reinsurers who are not authorised to carry on insurance business in the United Kingdom amount to £nil. There are no deposit back arrangements. No such reinsurers are connected with the Society.

(2) Reinsurance treaties

Details of reinsurance treaties under which the Society is the cedant and either the premiums payable to the reinsurer during 2009 or the reduction in mathematical reserves in respect of the reinsurance exceed £10m are contained in the following table.

Reinsurer	Nature and extent of cover	Premiums payable during 2009 £m	Whether treaty closed to new business	Reduction in mathematical reserves £m
ASL	Reassurance of all unit liabilities for unit-linked life and pensions contracts.	220	No	7,788
ASL	Reassurance of all non-profit life annuities in payment	0	Yes	107
ASL	Reassurance of 50% of most of the non-profit pensions annuities in payment	2,058	Yes	2,013
Munich Re	Single premium structured settlement annuities on an original terms quota share basis for 50% of the benefits underwritten.	0	Yes	40

In respect of these treaties:

- No amounts have been deposited under any deposit back arrangements.
- There are no undischarged obligations of the Society other than outstanding reinsurance premiums.

ASL is connected with the Society, and is authorised to carry out insurance business in the UK.

There are no legal disputes at the present time in connection with the Society's reinsurance treaties, and it is not believed that these treaties present any material legal risk or other risks.

No provision is made for the liability of the Society to refund any amounts of reinsurance commission in the event of lapse or surrender of contracts, as in each case the amount of such refund is less than the amount of premium refundable, if any, by the reinsurer.

The Society has no obligations under any financing arrangements.

10. Regular bonus

Name of Bonus Series	Mathematical Reserves £m	Bonus Rate for 2009	Bonus Rate for 2008	Guaranteed Rate for 2009
Conventional With Profits				
Life Compound Series	287	1.25%	1.25%	-
Ten Plus Series 1	13	1.25%	1.25%	-
Ten Plus Series 2 ⁵	58	1.25%/1.75%	1.25%/1.75%	-
Whole Life Simple Series	9	1.75%	1.75%	-
Pension Builder and Retirement Annuity (1976 Series)	383	0.00%	0.00%	-
With Profits Annuity	69	3.67%	5.67%	-
Unitised With Profits				
Life	488	2.25%	2.25%	-
Pensions:				
Group WP fund	39	3.00%	3.00%	-
with GMP guarantee	292	2.50%	2.50%	-
Other ^{1, 2}	1096	3.00%	3.00%	-
AXA Isle of Man Bonds ³ :				
Series 1	36	2.00%	3.00%	-
Series 2 (Sterling)	49	2.75%	3.75%	-
Deposit Administration				
Deposit Administration Plan ⁴	311	7.00%	7.00%	see 4

Notes:

- 1 The rates stated above are for accumulation units. The corresponding rates for capital units were 0.00% for 2009 and 2008.
- 2 For certain Personal Pension plans, bonus rates were 1.5% lower than the rates above.
- 3 For AXA Isle of Man Bonds, bonus rates correspond to the increase in unit price during the year. Where bonus rates have changed during the year, the rate stated therefore represents an average of bonus rates weighted by period in force.
- 4 For a few Deposit Administration plans, certain tranches are subject to a guaranteed minimum annual rate of return of 4.5% p.a. Where such a guarantee applies, the bonus rate is reduced by the guaranteed rate of return. The above bonus rates include the guaranteed return where relevant.
- 5 For Ten Plus Series 2, the rate of bonus is a percentage of sum assured dependent on the age of the policyholder at outset. The rates stated above are weighted averages. The second rate stated is the rate of bonus on attaching bonus.

NAME OF INSURER: SUN LIFE ASSURANCE SOCIETY PLC**IPRU(INS) RULE 9.31(b) - APPENDIX 9.4A****ABSTRACT OF VALUATION REPORT FOR REALISTIC VALUATION****1. Introduction**

- (1) The actuarial investigation relates to a valuation date of 31 December 2009.
- (2) The valuation date of the previous valuation was 31 December 2008.
- (3) An interim valuation was carried out on 30 June 2009.

2. Assets

- (1) The economic assumptions used in calculating the future profits on non-profit business are as follows:

This financial year	
Investment return	Risk-free rate calibrated to the gilt yield curve plus 10 basis points. For fixed interest assets matching annuities in payment, a 65 basis point liquidity premium has been added to the risk-free rate
Expense inflation	Price inflation + 1% p.a., where the price inflation curve is calibrated to RPI
Discount rate	For profits emerging on non-profit business: risk-free rate + 150 basis points p.a. + 65 basis points p.a. for annuities in payment. For release of long-term insurance capital component: risk-free rate + 65 basis points p.a. for annuities in payment.

Preceding financial year	
Investment return	Risk-free rate calibrated to the gilt yield curve plus 10 basis points. For fixed interest assets matching annuities in payment, a 135 basis point liquidity premium has been added to the risk-free rate
Expense inflation	Price inflation + 1% p.a., where the price inflation curve is calibrated to RPI
Discount rate	For profits emerging on non-profit business: risk-free rate + 150 basis points p.a. + 135 basis points p.a. for annuities in payment. For release of long-term insurance capital component: risk-free rate + 135 basis points p.a. for annuities in payment.

Note: 1 basis point = 0.01%

- (2) No amounts have been included in the realistic value of assets under INSPRU 1.3.33R(2).
- (3) No business is written outside the with profits fund.
- (4) A single set of economic assumptions has been used in valuing the non-profit contracts.
- (5) Not applicable.

3. With Profits Benefits Reserve Liabilities

- (1) The table below shows the With Profits Benefits Reserve and the future policy related liabilities for each group of contracts with materially different guarantees and options.

	With Profits Benefits Reserve (£m)	Future policy related liabilities (£m)
Retrospective method (asset share)		
UWP Bonds (No MVA-Free date)	552	131
UWP Bonds (MVA-Free date on 10 th ann)	40	17
UWP Reg Prem Life	207	52
UWP Pensions (no min bonus or GAR)	1,334	357
UWP Pensions (with GMP)	175	93
Conventional Life	538	195
Conventional Pensions	135	246
DA77	319	67
With Profits Annuity	63	16
Prospective method (regulatory reserve)		
Other	0	0
Total	3,363	1,175

- (2) The total amounts of the With Profit Benefits Reserve in the table above correspond to the amounts shown in Form 19, Line 31. The future policy related liabilities in the table above reconcile to Form 19, Line 49 as shown below. For details of the reconciling items, refer to Sections 7 and 8 of this Report.

£m	
Future Policy Related Liabilities, from above table	1,175
Financing arrangements	-78
Tax and expense liability on assets in excess of asset share	11
Provisions for potential mis-selling liabilities	0
Future Policy Related Liabilities, Form 19, Line 49	1,108

4. With Profits Benefits Reserve – Retrospective method

- (1) In all cases where a retrospective method (i.e. asset share) is used, this is calculated on a policy by policy basis.
- (2) No significant changes have been made to the valuation method since the previous valuation.
- (3) The basis of allocating expenses to the with profits funds in the valuation is given below.

Fees are paid to AXA Sun Life Services plc (ASLS) for management, administration, marketing and sales services, as defined in the Service Agreements between SLAS and ASLS. These fees are charged to asset shares and are adjusted annually as at 1 January, again as defined in the Service Agreements. The amounts of such fees, split between initial and maintenance expenses, for the full year 2009 are shown below.

Fees paid to the investment managers for the same period are also shown below. Those in respect of with profits policies are charged to asset shares, as a percentage of the asset

share representing the average fee level including an allowance for performance fees. Some expenses met directly by the fund, such as regulatory fees, are charged to asset shares. These are apportioned between individual policies using a method that is believed to be equitable.

Also shown below are the expenses that have been charged to the with profits fund during 2009, but which are not charged to asset shares. These are mainly initial and renewal fees in respect of non-profit business, investment management fees in respect of non-profit business and other assets in excess of asset shares, plus certain exceptional costs.

Further details of the basis of allocating expenses to the with profits fund are given in the Principles and Practices of Financial Management (PPFM).

The table below shows the expenses incurred by the fund in 2009:

£m	
Initial fees chargeable to asset shares	0.8
Maintenance fees chargeable to asset shares	6.0
Investment fees chargeable to asset shares	10.7
Other expenses chargeable to asset shares	0
Expenses on non-profit contracts	11.6
Other expenses not chargeable to asset shares	2.9

- (4) During 2009, no significant charges for guarantees or cost of capital have been made to asset shares. As indicated in the PPFM, this practice is reviewed periodically and is subject to change.
- (5) No charges have been deducted from the funds for non-insurance risk.
- (6) The ratio of claims paid to underlying asset shares for with profits insurance contracts over the three year period are:

Year	Average Payout ratio
2009	107%
2008	104%
2007	96%

- (7) For the full year 2009 the investment return applied to the asset share for each policy, other than with profits annuities, was 10.8% (before tax and expenses). The equivalent return applied to with profits annuities was 10.8%.

Further details of how returns are applied to asset shares are given in the PPFM.

5. With Profits Benefits Reserve – Prospective method

Where a prospective method is used rather than asset shares, the with profits benefit reserve is set equal to the regulatory reserve.

6. Costs of guarantees, options and smoothing

- (1) Not applicable.
- (2) For all products, except DA77 (group deposit administration), where the valuation of guarantees, options and smoothing is carried out using a stochastic model, grouped data is used. Contracts are grouped according to their major product features, term gone and term to go, policyholder age and the extent to which guarantees are in or out of the money.

The total number of policies modelled in this way was 265,962 for which 1,139 model points were used.

DA77 (group deposit administration) business is valued using a stochastic model on an individual scheme by scheme basis.

The results from the stochastic model using grouped data are validated against the results from a closed-form model using individual data. An approximate upward adjustment has been made to the cost of guarantees, options and smoothing to allow for the estimated grouping error.

There are some minor classes of business that are not included in the stochastic model, notably with profits annuities. For these policies the regulatory reserve exceeds the asset share in aggregate, so the total realistic liability has been set equal to the regulatory reserve.

- (3) No significant changes have been made to the liability projection model used.
- (4) (a) (i) The liabilities being valued using a full stochastic approach are:
 - The guarantee that no market value reduction will be applied on maturity or on death. The extent to which these options are in the money at the valuation date depends on the ratio of guaranteed benefits to asset share for each policy at that date, and varies both across and within lines of business. On average, the ratio of the present value of guaranteed benefits to asset share varies from around 90% for policies close to maturity to 58% for policies with more than 20 years to go.
 - Guaranteed annuity rates (GARs), which offer an annuity calculated on guaranteed terms on normal retirement. These options are currently in the money.
 - The cost of smoothing. This reflects a combination of short-term and long-term effects: in the short term the difference between payouts and the sustainable level (glidepath); and in the long term the under or overpayment of asset share.

Within the stochastic model the liabilities are valued in the following order: asset share; costs of contractual guarantees; planned enhancements; costs of smoothing. So, for instance, if guarantees bite on a claim, the excess of the claim over the asset share is attributed to costs of contractual guarantees. As smoothing is calculated last, there is a partial offset between the cost of guarantees and cost of smoothing.

- (ii) The nominal interest rate model used (Libor Market Model) is calibrated exactly to the current risk-free yield curve. The volatilities have been selected to provide a close fit to a range of swaption-implied volatilities. Equity and property returns are based on short term rates from the interest rate model with an additional log-normal component with a mean of zero. Equity volatilities are calibrated to a term structure of FTSE option-implied volatilities. The model is arbitrage-free.

The risk-free rate in the asset model is calibrated to the gilt curve at 31 December 2009 plus 10 basis points. Sample rates are shown in the table in (iii) below.

Sample volatilities are shown below for the main asset classes. These are derived from the asset model output. The volatility for fixed interest investments is the overall figure for the assumed portfolio mix of government and corporate bonds.

Volatility over period (years)	Equity	Property	Fixed interest
5	27%	16%	5%
10	28%	16%	6%
20	29%	16%	8%

The correlations assumed between the main assets classes are:

Correlation between:	
Equities and medium term fixed interest assets	34%
Equities and property	26%
Medium term fixed interest assets and property	36%

- (iii) The table below shows the annualised compound equivalent of the risk-free rate assumed for each duration (n) and values derived from the asset model of specified assets/options.

Row 1 shows the value of cash payments of £1,000,000 due n years after the valuation date.

Rows 2 to 15 inclusive show, for the appropriate asset classes, 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 $K * £1,000,000 * (1+r*p)^n$.

Row 16 shows the value of sterling receiver swaptions with a strike of 5% exercisable n years after the valuation date with swap durations on exercise of L years, expressed as a percentage of nominal.

	K	0.75			
<i>n</i>	<i>Duration (n)</i>	5	15	25	35
R	Annualised compound equivalent of the risk-free rate assumed for the period (r)	3.11%	4.81%	4.79%	4.60%
1	<i>Risk-Free Zero Coupon Bond</i>	£857,989	£494,535	£310,767	£207,464
2	<i>FTSE All Share Index (p=1)</i>	£101,745	£254,864	£363,667	£448,149

K		0.75			
<i>n</i>	<i>Duration (n)</i>	5	15	25	35
3	FTSE All Share Index (<i>p</i> =0.8)	£92,339	£198,088	£257,667	£295,192
4	Property (<i>p</i> =1)	£30,018	£112,426	£186,195	£267,388
5	Property (<i>p</i> =0.8)	£25,022	£73,788	£108,691	£145,893
6	15yr Risk-Free ZCBs (<i>p</i> =1)	£17,794	£29,875	£22,871	£38,761
7	15yr Risk-Free ZCBs (<i>p</i> =0.8)	£14,888	£18,086	£9,477	£10,337
8	15yr Corporate Bonds (<i>p</i> =1)	£20,619	£36,429	£33,539	£54,450
9	15yr Corporate Bonds (<i>p</i> =0.8)	£17,270	£21,896	£12,631	£14,086
10	Portfolio 1 (<i>p</i> =1)	£51,084	£162,960	£254,368	£332,598
11	Portfolio 1 (<i>p</i> =0.8)	£44,298	£115,856	£165,210	£201,447
12	Portfolio 2 (<i>p</i> =1)	£46,586	£142,874	£221,604	£292,321
13	Portfolio 2 (<i>p</i> =0.8)	£40,251	£98,621	£137,743	£170,207
14	Portfolio 3 (<i>p</i> =1)	£19,780	£73,484	£129,586	£190,541
15	Portfolio 3 (<i>p</i> =0.8)	£15,853	£42,188	£64,171	£92,450
	Sterling Receiver Swaptions	<i>L</i> = 15			
16		4.67%	6.99%	5.92%	4.19%

K		1.00			
<i>n</i>	<i>Duration (n)</i>	5	15	25	35
R	Annualised compound equivalent of the risk-free rate assumed for the period (<i>r</i>)	x	x	x	x
1	Risk-Free Zero Coupon Bond	x	x	x	x
2	FTSE All Share Index (<i>p</i> =1)	£233,892	£419,494	£550,082	£649,969
3	FTSE All Share Index (<i>p</i> =0.8)	£215,801	£332,164	£396,007	£435,737
4	Property (<i>p</i> =1)	£131,182	£247,806	£344,736	£444,588
5	Property (<i>p</i> =0.8)	£114,702	£171,652	£212,003	£256,974
6	15yr Risk-Free ZCBs (<i>p</i> =1)	£91,252	£96,335	£96,992	£154,530
7	15yr Risk-Free ZCBs (<i>p</i> =0.8)	£77,843	£53,702	£29,294	£34,720
8	15yr Corporate Bonds (<i>p</i> =1)	£97,730	£114,520	£120,361	£171,230
9	15yr Corporate Bonds (<i>p</i> =0.8)	£84,064	£65,524	£43,571	£49,834
10	Portfolio 1 (<i>p</i> =1)	£165,546	£310,553	£421,771	£516,507
11	Portfolio 1 (<i>p</i> =0.8)	£148,458	£230,744	£282,625	£321,628
12	Portfolio 2 (<i>p</i> =1)	£158,882	£284,343	£383,647	£470,657
13	Portfolio 2 (<i>p</i> =0.8)	£141,733	£206,457	£248,725	£281,817
14	Portfolio 3 (<i>p</i> =1)	£112,564	£196,164	£272,379	£348,557
15	Portfolio 3 (<i>p</i> =0.8)	£96,536	£125,371	£152,048	£181,766
	Sterling Receiver Swaptions	<i>L</i> = 15			
16		6.10%	8.60%	7.08%	4.94%

K		1.5			
<i>n</i>	<i>Duration (n)</i>	5	15	25	35
R	Annualised compound equivalent of the risk-free rate assumed for the period (<i>r</i>)	x	x	x	x
1	Risk-Free Zero Coupon Bond	x	x	x	x
2	FTSE All Share Index (<i>p</i> =1)	£608,158	£798,812	£958,107	£1,073,954
3	FTSE All Share Index (<i>p</i> =0.8)	£570,810	£645,086	£702,591	£733,468
4	Property (<i>p</i> =1)	£523,424	£621,361	£735,431	£845,898

	K	1.5			
n	Duration (n)	5	15	25	35
5	Property (p=0.8)	£482,628	£464,903	£487,428	£521,568
6	15yr Risk-Free ZCBs (p=1)	£499,335	£500,808	£510,318	£555,518
7	15yr Risk-Free ZCBs (p=0.8)	£454,879	£312,529	£231,592	£222,810
8	15yr Corporate Bonds (p=1)	£499,269	£498,384	£513,484	£560,723
9	15yr Corporate Bonds (p=0.8)	£455,434	£318,478	£245,115	£237,673
10	Portfolio 1 (p=1)	£548,882	£680,522	£809,827	£921,762
11	Portfolio 1 (p=0.8)	£509,668	£526,684	£565,272	£595,502
12	Portfolio 2 (p=1)	£543,301	£652,688	£765,750	£868,651
13	Portfolio 2 (p=0.8)	£503,808	£499,635	£522,740	£547,853
14	Portfolio 3 (p=1)	£512,960	£568,860	£645,987	£734,850
15	Portfolio 3 (p=0.8)	£471,062	£409,498	£404,882	£421,359
	Sterling Receiver Swaptions	L=25			
16		7.42%	9.87%	7.95%	5.47%

- (iv) Initial UK equity yield assumed 3.2%
Initial UK property yield assumed 4.3%
- (v) No asset classes outside the UK are modelled separately.
- (vi) The average outstanding term of with profits liabilities is approximately 8 years. A breakdown for selected product types is shown in the table below.

Outstanding term (yrs)	
Bonds	8
Conventional Pensions	3
UWP Life	7
UWP Pensions	10

Term is the outstanding term of the contract weighted by the asset share.

The outstanding duration of with profits guarantees is fairly evenly spread over the term of the liabilities. The outstanding duration of GAR benefits is shorter but still evenly spread.

The model was calibrated to a moneyness of between 90% for short durations to 55% for longer terms. The table below shows the extent of the fit of the modelled equity volatilities to market implied volatility.

Term (years)	Strike	Market Equity Volatility	Modelled Equity Volatility
1	90%	25.90%	26.53%
2	90%	26.35%	26.44%
3	90%	26.80%	27.09%
5	90%	26.70%	27.45%
10	80%	28.70%	27.83%
20	55%	29.35%	29.16%

- (vii) The asset model is validated by accumulating and discounting asset values and comparing with the starting asset value. Results of this comparison are shown under (viii) below.

- (viii) The valuation is based on 2,000 simulations of the asset model. The convergence of these simulations is shown in the table below. The figures are the ratio of the average, across the 2,000 scenarios, of the accumulated and discounted asset values to the starting asset value.

Projection term (years)	Ratio
5	100.63%
10	101.01%
15	99.50%
20	100.50%
25	102.45%
30	98.35%

The same principle of accumulating, discounting and comparing with the start value is applied to the asset shares in the liability valuation. The convergence of these results is at the level expected given the validation results of the asset model.

- (b) None of the costs of guarantees, options and smoothing has been valued using the market costs of hedging.
- (c) None of the cost of guarantees, options and smoothing has been valued using a series of deterministic projections with attributed probabilities.
- (5) (a) The management actions assumed in the projection of assets and liabilities are derived from the PPFM, as set out below. The actions modelled below are consistent with the PPFM, although the PPFM does allow for larger movements in regular bonus rates and payouts when solvency is at risk.

Regular bonuses

Sustainable regular bonuses in the valuation for each modelled bonus series have been derived from the gross redemption yield on long-dated gilts, with deductions for guaranteed interest rates, tax, expenses, shareholder transfers, and a contingency margin to reflect the extent of existing guarantees. The bonus rate in a given year is targeted at this sustainable level, but is constrained to move by no more than 1% upwards or downwards from the previous year's rate. Additionally, the bonus rate is constrained not to increase if the guaranteed benefits exceed the asset share at that point in the projection.

Terminal bonuses

The model determines a scale of terminal bonus rates for maturing policies (surrendering policies for bonds). These are also used to derive rates for death and surrender. Terminal bonus rates are set for a cohort of similar policies in the same bonus series. For a given group of policies, the payout on an identical maturing policy is restricted to move by a maximum of 15% in either direction from year to year. The implied payout ratios are assumed to start from forecast values and move to sustainable levels over time.

For all policies with a maturity date, and those without a maturity date but which have been in force a specified length of time, the sustainable payouts assumed in the valuation allow for a level of uplift to asset share, consistent with the PPFM.

Market value reduction (MVR)

For unithised with profits business, where a policy is assumed to surrender, and where the asset share is below the face value of the units an MVR is applied so that the payout is

equal to the asset share plus a defined percentage (10% for bonds and trustee plans, and 15% for other pensions) of the face value; subject to an overall maximum of the face value of units. No MVRs are assumed to be applied for regular premium life business.

Asset allocation

The asset mix of the with profits fund is assumed to remain constant throughout the projection.

(b) Best estimates of the future proportions of assets backing the with profits benefit reserves and future bonus rates under specified scenarios are:

Return	Risk-Free Rate unadjusted			Risk-Free Rate reduced by 0.78% p.a.			Risk-Free Rate increased by 0.78% p.a.		
	Current	5	10	Current	5	10	Current	5	10
Years into projection									
Equity backing ratio	48%	48%	48%	48%	48%	48%	48%	48%	48%
Annual bonus rate Bond	2.25%	2.50%	2.50%	2.25%	2.00%	1.75%	2.25%	3.25%	3.00%
Annual Bonus rate UWP Pension (effected 1994)	3.00%	2.50%	2.25%	3.00%	1.75%	1.50%	3.00%	3.25%	3.00%

Note: Equity backing ratio includes equities and property

(6) The persistency assumptions used for the main classes of business are:

Product		Average lapse / surrender / paid-up rate for the policy years			
		1-5% p.a.	6-10% p.a.	11-15% p.a.	16-20% p.a.
CWP pension regular premium	surrender	1.5	1.5	1.5	1.5
CWP pension single premium	surrender	1.5	1.5	1.5	1.5
UWP individual pension regular premium	PUP	6.5	6.5	5.0	8.0
UWP individual pension regular premium	surrender	5.5	5.5	6.0	8.4
UWP individual pension single premium	surrender	5.5	5.5	6.0	8.4
CWP savings endowment	surrender	7.8	11.2	4.8	4.0
CWP target cash endowment	surrender	11.2	4.4	2.9	2.5
UWP savings endowment	surrender	5.2	4.5	9.3	8

Product		Average lapse / surrender / paid-up rate for the policy years			
		1-5% p.a.	6-10% p.a.	11-15% p.a.	16-20% p.a.
UWP target cash endowment	surrender	5.2	4.5	9.3	8
UWP Bond	surrender	11	11	11	11
UWP Bond	automatic withdrawals	100% of current	100% of current	100% of current	100% of current
CWP pension regular premium	PUP	5	5	5	5

The take-up rates on GARs are assumed to vary with scenario. When the option is in the money, the take-up rate varies between 75% and 80%, depending on the relative values of tax relief on the tax free cash and the option.

The mortality assumption in possession of any guaranteed annuity options is assumed to be 95% PCMA00 100% medium cohort (1992 - 2004) & 100% medium cohort with 1.7% floor (2004 onwards) for males. For female, the mortality assumption is assumed to be 95% PCFA00 100% medium cohort (1992 - 2004) & 75% medium cohort with 1.5% floor (2004 onwards). For practical reasons, an equivalent one-dimensional table has been used.

- (7) Policyholder lapse and paid-up rates are not assumed to vary with scenario in the calculations. The policyholder take-up rates on GARs are described in (6) above.

7. Financing costs

SLAS reinsures most of its unit-linked business to AXA Sun Life Plc. In accordance with the terms of the reinsurance agreement, SLAS provided financing in respect of part of the acquisition expenses that would otherwise have been charged to ASL in respect of the reinsured business. The financing is repaid by applying specified repayments to reduce the accumulated financing balance, and will be fully repaid when the balance is extinguished. Interest is charged at the rate of an average of 3 month LIBOR, and is rolled up within the financing balance. No additional fees are payable. Total repayments of £15.9m were made from ASL to SLAS during 2009. The balance of financing outstanding at 31 December 2009 is £78.1m. The arrangement has been closed to new business since 31st December 2006.

8. Other long-term insurance liabilities

Line 47 includes the value of the future tax and investment expenses on the assets backing the future policy related liabilities in excess of asset share. It also includes provisions held in respect of potential mis-selling liabilities.

9. Realistic current liabilities

The realistic current liabilities are equal to the regulatory current liabilities plus an amount reflecting the tax liability on future shareholder transfers.

10. Risk Capital Margin

- (a) The Risk Capital Margin is £0m.

The most adverse scenario is the combination of events described below.

- (i) Equity values are assumed to fall by 20.0%. Property values are assumed to fall by 12.5%. No separate assumption is made for non-UK assets.
- (ii) Fixed interest yields are assumed to rise by the amounts shown in the table below. The percentage change in yields is 17.5%.

Currency	Long term yield (annualised)	Nominal rise in yields
Sterling	4.45%	0.78%

- (iii) The average (weighted by value) change in spread for bonds, and the percentage changes in asset value arising from the credit risk scenario are given below. These are the percentage changes applying to the corporate bond investments of the funds in the most adverse scenario. No other asset values are adjusted in the credit risk scenario.

	Average change in spread (basis points)	Percentage change in asset values
With profits portfolio	65	-4.6%
Non-profit portfolio	75	-5.7%

- (iv) The overall percentage change in the realistic value of liabilities that results from applying the persistency risk scenario, assuming that the market and credit risk stress scenarios have occurred, is 2.60%.
- (v) Not applicable.

(b)

- (i) In the stress scenario that defines the Risk Capital Margin it is assumed that planned enhancements will be able to be reduced so that no RCM is required.

There are no further changes to assumptions, other than those that result directly from the events of the stress scenario itself.

- (ii) The total impact of the change in management actions on the Risk Capital Margin is £450m.
- (iii) No changes would apply to the table in **6(5)(b)** if the management actions assumed within the Risk Capital Margin were also assumed within the base scenario.
- (iv) Not relevant since it is not assumed that such charges are taken.

(c)

- (i) All the assets required by the with profits fund to cover the Risk Capital Margin are held within the with profits fund.

11. Tax

- (i) Tax on assets backing the with profits benefit reserve (asset share) is charged to the asset share.
- (ii) The liability for future tax on assets backing the future policy related liabilities is calculated separately and included on the balance sheet in Form 19, Line 47. The calculation assumes that these assets are locked in for the mean term of the policy liabilities, and incur tax on the investment return over that term. Tax is only incurred on the BLAGAB proportion of the assets.
- (iii) There is no liability assumed for tax on the assets backing realistic current liabilities.

12. Derivatives

Derivatives held as at 31 December 2009 are as follows:

Sterling interest rate receiver and payer swaps are held for the purpose of hedging interest rate risk. The swaps held have maturity dates between 2036 and 2049, a total notional of £522.4m, and a total market value of £19.8m

Sterling and Euro-quanto receiver swaptions are held for the purpose of hedging interest rate risk. These have exercise dates ranging from 2010 to 2023, all have a tenor of 20 years and a strike rate of 5%. They have a total notional of £81.4m and a total market value of £7.1m.

Equity put options are held for the purpose of hedging embedded equity risk in the asset portfolio. These are out of the money put option on FTSE 100 expiring in September 2010 with a strike of 4000. There are 3,890 contracts with 10 units per contract and a total market value of £3.5m

Credit default swaps are held to adjust credit exposure for the purpose of portfolio management, rather than as a strategic hedge against credit risk. There is £5m notional of sold protection and £5m notional of bought protection. They are maturing in 2010.

Futures are held as set out in the table below:

Future	Bought / Sold	Purpose	Maturity Date	Exposure
FTSE 100	Sold	Reduce economic exposure to UK equities	19 March 2010	£256.2m
Long (10y) Gilt	Bought	Duration management	29 March 2010	£27.9m
Euro Bond	Sold	Duration management	08 March 2010	£1.2m
US TBond	Sold	Duration management	22 March 2010	£15.6m

Currency forwards are held for the purpose of portfolio management to hedge overseas currencies exposure back to Sterling. There is £79.1m exposure to Euro, USD and JPY back to Sterling.

Sterling Total Return Swaps (TRS) are held to reduce the risk to the fund of gilt/swap spreads returning to normal. They consist of receiving Gilt total return and paying fixed rate equal to the Libor 6m at settlement. The notional is £200m for a Market value of £6m. They are expiring in February 2010.

13. Analysis of change in working capital

£m	
Realistic working capital 31 December 2008	622
Opening Adjustments to valuation of WP liabilities	0
Model & Methodology Changes on valuation of WP liabilities	-2
Return on Working Capital	37
Mismatch profits on assets backing the future policyholder related liabilities	153
Changes to persistency & mortality assumptions	59
Changes to economic assumptions	34
Changes to non-economic assumptions	-118
New Business	0
Reassurance of part of Non-Profit Annuity business	-196
Profit from Non-Profit business in the With Profit Fund	-83
Changes in other liabilities of lines 47 and 51 of Form 19	10
Allocate F19 L65 excess to planned enhancements	-555
Other	39
Realistic working capital 31 December 2009	0

The main components of the changes to non-economic assumptions item is the increase in the level of uplift to asset share in the sustainable payouts assumed in the valuation.

The impact of non-profit business is mostly brought about by losses due asset downgrades in the assets backing non-profit business.

Name of Insurer **Sun Life Assurance Society Plc**

IPRU(INS) RULE 9.29 - STATEMENT ON DERIVATIVE CONTRACTS

Financial year ended 31 December 2009

a) **Investment Guidelines**

The investment guidelines of Sun Life Assurance Society Plc allow for the use of derivative contracts for the purposes of efficient portfolio management or the reduction of investment risk.

The guidelines restrict the investment in derivative contracts to specified exchange traded derivatives on a limited number of markets, forward foreign exchange contracts, interest rate swaps and inflation rate swaps. Credit default swaps may be used within the With Profit fund and the shareholder fund to buy credit protection. If credit protection needs to be sold in these funds the investment manager will need the approval of the Society before executing the proposed transactions

The counterparties through whom such transactions can be made are restricted, as are the counterparty exposures that may be built up using derivatives. Prudent limits have also been set on the extent to which derivatives may be used within a given portfolio. Derivatives must not be used to gear the portfolio.

The use of non exchange traded derivatives, with the exception of the derivative contracts noted above, is not permitted without the prior approval of the Group Finance Director or the Chief Investment Officer.

b) **Guidelines in respect of derivatives not likely to be exercised**

The investment guidelines do not explicitly allow or exclude the use of derivatives which create rights or obligations which are not, at the time the contract is entered into, reasonably likely to be exercised.

c) **Derivatives not likely to be exercised**

During the year, no contracts were entered into which were not, at the time of entry, reasonably likely to be exercised.

d) **No other instrument, whether it be a derivative or an instrument of similar nature was used which required a significant provision under INSPRU 3.2.17R, or where appropriate, did not fall within the definition of a permitted derivative contract.**

e) **There were no rights granted under derivative contracts or instruments of a similar nature for which fixed consideration was received by the Society during the year.**

Name of Insurer **Sun Life Assurance Society Plc****IPRU (INS) RULE 9.30 - STATEMENT OF CONTROLLERS OF SUN LIFE ASSURANCE SOCIETY PLC****At 31 December 2009**

Controller	Shareholding/Voting Rights						
AXA Sun Life Holdings Plc 5 Old Broad Street, London, EC2N 1AD Incorporated in England Registered No: 3479251	100% shareholding in Sun Life Assurance Society Plc						
AXA UK Plc 5 Old Broad Street, London, EC2N 1AD Incorporated in England Registered No: 2937724	100% shareholding in AXA Sun Life Holdings Plc						
AXA 25 avenue Matignon, 75008 Paris Incorporated in France Registered No: 572093920	100% shareholding in AXA UK Plc split as follows: <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">AXA</td> <td style="text-align: right;">78.3%</td> </tr> <tr> <td>AXA Equity & Law Plc (a 99.9% owned subsidiary of AXA)</td> <td style="text-align: right;">21.7%</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;">100.0%</td> </tr> </table>	AXA	78.3%	AXA Equity & Law Plc (a 99.9% owned subsidiary of AXA)	21.7%		100.0%
AXA	78.3%						
AXA Equity & Law Plc (a 99.9% owned subsidiary of AXA)	21.7%						
	100.0%						
Mutuelles AXA: AXA Assurances Vie Mutuelle 26 rue Drouot, 75009 Paris Incorporated in France Registered No: 353457245 AXA Assurances IARD Mutuelle 26 rue Drouot, 75009 Paris Incorporated in France Registered No: 775699309	Is an association of two companies, as listed, which collectively exercise 22.2% of AXA's voting rights as at 31 December 2009.						

Name of Insurer **Sun Life Assurance Society Plc**

IPRU(INS) RULE 9.36 - STATEMENT OF INFORMATION ON THE ACTUARY APPOINTED TO PERFORM THE WITH-PROFITS ACTUARY FUNCTION

The actuary was requested to furnish the Society with particulars specified in Rule 9.36 of the Interim Prudential Sourcebook for Insurers and he has confirmed that the information below is correct.

1. Shares

Mr Shelley had no interest in the shares of the Society.

Mr Shelley's interests in options as at 31 December 2009 were as follows:

- 3,154 €9.91 options (adjusted to take account of the rights issue in 2009) in AXA SA, exercisable to 4 July 2010,
- 2,384 €40.01 options (adjusted to take account of the rights issue in 2009) in AXA SA, exercisable to 11 July 2010,
- 6,308 €31.49 options (adjusted to take account of the rights issue in 2009) in AXA SA, exercisable to 8 May 2011,
- 4,206 €20.45 options (adjusted to take account of the rights issue in 2009) in AXA SA, exercisable to 26 February 2012,
- 3,154 €10.73 options (adjusted to take account of the rights issue in 2009) in AXA SA, exercisable to 13 March 2013,
- 300 shares in AXA SA Global Shareplan 2005,
- 200 shares in AXA SA Global Shareplan 2006,
- 167 shares in AXA SA Global Shareplan 2007,
- 197 shares in AXA SA Global Shareplan 2008,
- 221 shares in AXA SA Global Shareplan 2009.

2. Remuneration

In respect of 2009 Mr Shelley received management remuneration and other benefits (other than pension contributions) to the value of £126,492.

3. Pension contributions

Mr Shelley is a member of the AXA UK Group Pension Scheme.

Name of Insurer **Sun Life Assurance Society Plc**

IPRU(INS) 9.34 - DIRECTORS' CERTIFICATE

Financial year ended 31 December 2009

1. We certify that:

- (a) in our opinion, the return has been properly prepared in accordance with the requirements in IPRU(INS), GENPRU and INSPRU; and
- (b) we are satisfied that, with the exception of the item disclosed in 2 below:
 - (i) throughout the financial year in question, the Society 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 Society has continued to comply subsequently and will continue so to comply in future;
- (c) in our 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 Society that are available for the purpose, to enable the Society to meet its obligations in respect of those contracts and, in particular, to establish adequate mathematical reserves;
- (d) the sum of the mathematical reserves as shown in Form 14 constitute proper provision at the end of the financial year in question for the long-term insurance liabilities (other than liabilities which had fallen due before the end of the financial year) including any increase in those liabilities arising from a distribution of surplus as a result of an actuarial investigation as at that date into the financial condition of the long-term insurance business;
- (e) the with-profits fund has been managed in accordance with the Principles and Practices of Financial Management, as established, maintained and recorded under COBS 20.3;
- (f) we have, in preparing the return, taken and paid due regard to:
 - (i) advice in preparing the return from the actuary appointed by the Society to perform the actuarial function in accordance with SUP 4.3.13R; and
 - (ii) advice from the actuary appointed by the Society to perform the with-profits actuary function in accordance with SUP 4.3.16AR.

2. Following the period of market turbulence in Q4 2008, the Society did not meet its Individual Capital Assessment during early 2009. The Society put in place a programme of actions to enable it to restore its position and a formal plan was presented to the FSA. All necessary actions were completed during 2009 with the result that the Society has met its Pillar 2 requirements since June 2009. Pillar 1 requirements have been met at all times during the year.

Signed on behalf of Sun Life Assurance Society Plc

P. J. Evans	Chief Executive
A. M. Parsons	Director
A. J. Purvis	Director

29 March 2010

Name of Insurer **Sun Life Assurance Society Plc**

REPORT OF THE AUDITORS TO THE DIRECTORS PURSUANT TO IPRU(INS) RULE 9.35

Global business

Financial year ended 31 December 2009

We have examined the following documents prepared by the company pursuant to the Accounts and Statement Rules set out in part I and part IV of chapter 9 to IPRU(INS) the Interim Prudential Sourcebook for Insurers, GENPRU the General Prudential Sourcebook and INSPRU the Insurance Prudential Sourcebook (“the Rules”) made by the Financial Services Authority under section 138 of the Financial Services and Markets Act 2000:

- Forms 2, 3, 13 to 19, 40 to 44, 48, 49, 56, 58 and 60 (including the supplementary notes) (‘the Forms’);
- the statement required by IPRU(INS) rule 9.29 on page 102 (‘the Statement’);
- the valuation report required by IPRU(INS) rule 9.31(a) (‘the valuation report’) on pages 73 to 88; and
- the statements, analysis and reports required by IPRU(INS) rule 9.31(b) (‘the realistic valuation report’) on pages 89 to 101.

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

- Forms 46, 47, 50 to 54, 57, 59A and 59B (including the supplementary notes),
- the statements required by IPRU(INS) rules 9.30 and 9.36 on pages 103 and 104; and
- the certificate required by IPRU(INS) rule 9.34(1) on page 105 (‘the certificate’).

Respective responsibilities of the company and its auditors

The company is responsible for the preparation of an annual return including the Forms, the Statement, the valuation report, the realistic valuation report, the forms and statements not examined by us and the certificate under the provisions of the Rules. The requirements of the Rules have been modified by waivers issued under section 148 of the Financial Services and Markets Act 2000 on 5 May 2009 and 19 November 2009. Under IPRU(INS) rule 9.11 the Forms, the Statement, the valuation report, the realistic valuation report, the forms and statements not examined by us and the certificate 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 company and used to perform the actuarial investigation as set out in the valuation report and the realistic valuation report, prepared in accordance with IPRU(INS) rule 9.31 are required to reflect appropriately the requirements of INSPRU 1.2 and 1.3.

It is our responsibility to form an independent opinion as to whether the Forms, the Statement, the valuation report and the realistic valuation report meet these requirements, and to report our opinions to you. We also report to you if, in our opinion, the company has not kept proper accounting records or if we have not received all the information we require for our examination. This report has been prepared for the directors of Sun Life Assurance Society Plc to comply with their obligations under IPRU(INS) rule 9.35 and for no other purpose. We do not, in providing this report, accept or assume responsibility for any other purpose save where expressly agreed by our prior consent in writing.

Name of Insurer **Sun Life Assurance Society Plc**

REPORT OF THE AUDITORS TO THE DIRECTORS PURSUANT TO IPRU(INS) RULE 9.35

Global business

Financial year ended 31 December 2009

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, the valuation report and the realistic valuation report. The evidence included that previously obtained by us relating to the audit of the financial statements of the company for the financial year. It also included an assessment of the significant estimates and judgements made by the company in the preparation of the Forms, the Statement, the valuation report and the realistic valuation report.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Forms, the Statement, the valuation report and the realistic valuation report are free from material misstatement, whether caused by fraud or other irregularity or error, and comply with IPRU(INS) rule 9.11.

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

Opinion

In our opinion:

- (a) the Forms, the Statement, the valuation report and the realistic valuation report fairly state the information provided on the basis required by the Rules as modified and have been properly prepared in accordance with the provisions of those Rules; and
- (b) the methods and assumptions determined by the insurer and used to perform the actuarial investigation as set out in the valuation report and the realistic valuation report prepared in accordance with IPRU(INS) rule 9.31 appropriately reflect the requirements of INSPRU 1.2 and 1.3.

PricewaterhouseCoopers LLP

Chartered Accountants

London

29 March 2010

