

NPI LIMITED

Registered in England - No 3725037

Registered Office

The Pearl Centre

Lynch Wood

Peterborough

PE2 6FY

Annual FSA Insurance Returns for the year ended

31 December 2009

Appendices 9.1, 9.3, 9.4, 9.6

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Statement of solvency - long-term insurance businessName of insurer **NPI LIMITED**

Global business

Financial year ended **31 December 2009**

Solo solvency calculation

R2	Company registration number	GL/UK/CM	day month year			Units
			31	12	2009	
	3725037	GL				£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	10000	10000
Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund	12	101338	145688
Capital resources available to cover long-term insurance business capital resources requirement (11+12)	13	111338	155688

Guarantee fund

Guarantee fund requirement	21	17694	16644
Excess (deficiency) of available capital resources to cover guarantee fund requirement	22	93644	139044

Minimum capital requirement (MCR)

Long-term insurance capital requirement	31	53083	49933
Resilience capital requirement	32	5150	1914
Base capital resources requirement	33	3128	2518
Individual minimum capital requirement	34	58233	51847
Capital requirements of regulated related undertakings	35		
Minimum capital requirement (34+35)	36	58233	51847
Excess (deficiency) of available capital resources to cover 50% of MCR	37	82222	129765
Excess (deficiency) of available capital resources to cover 75% of MCR	38	67663	116903

Enhanced capital requirement

With-profits insurance capital component	39		
Enhanced capital requirement	40	58233	51847

Capital resources requirement (CRR)

Capital resources requirement (greater of 36 and 40)	41	58233	51847
Excess (deficiency) of available capital resources to cover long-term insurance business CRR (13-41)	42	53105	103841

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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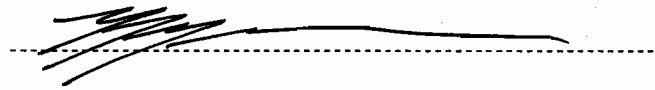
Covering Sheet to Form 2

Form 2

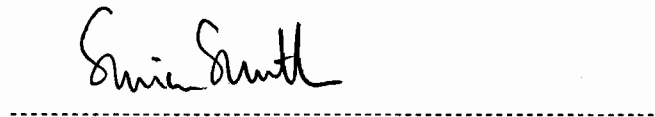
Name of insurer **NPI LIMITED**

Global business

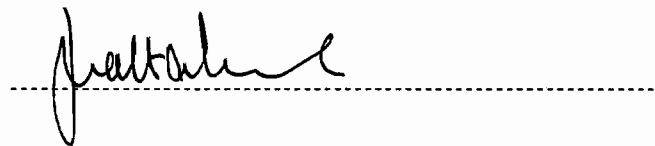
Financial year ended **31 December 2009**



M J Merrick Chief Executive



J S B Smith Director



J P Evans Director

Date: **25** March 2010

Components of capital resourcesName of insurer **NPI LIMITED**

Global business

Financial year ended **31 December 2009**

	Company registration number	GL/ UK/ CM	day	month	year	Units
R3	3725037	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		250000	250000	250000
Profit and loss account and other reserves	12		78726	78726	117458
Share premium account	13				
Positive valuation differences	14				
Fund for future appropriations	15				
Core tier one capital in related undertakings	16				
Core tier one capital (sum of 11 to 16)	19		328726	328726	367458

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		328726	328726	367458
Investments in own shares	32				
Intangible assets	33		12567	12567	12567
Amounts deducted from technical provisions for discounting	34				
Other negative valuation differences	35		15392	15392	14437
Deductions in related undertakings	36				
Deductions from tier one (32 to 36)	37		27959	27959	27004
Total tier one capital after deductions (31-37)	39		300767	300767	340454

Components of capital resourcesName of insurer **NPI LIMITED**

Global business

Financial year ended **31 December 2009**

	Company registration number	GL/ UK/ CM	day month year			Units
R3	3725037	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 resourcesName of insurer **NPI LIMITED**

Global business

Financial year ended **31 December 2009**

	Company registration number	GL/ UK/ CM	day month year			Units	
	R3	3725037	GL	31	12	2009	£000
		General insurance business	Long-term insurance business	Total as at the end of this financial year	3	Total as at the end of the previous year	4
		1	2				

Total capital resources

Positive adjustments for regulated non-insurance related undertakings	71					
Total capital resources before deductions (39+69+71)	72		300767	300767	340454	
Inadmissible assets other than intangibles and own shares	73		13287	13287	16989	
Assets in excess of market risk and counterparty limits	74		176142	176142	167777	
Deductions for related ancillary services undertakings	75					
Deductions for regulated non-insurance related undertakings	76					
Deductions of ineligible surplus capital	77					
Total capital resources after deductions (72-73-74-75-76-77)	79		111338	111338	155688	

Available capital resources for GENPRU/INSRU tests

Available capital resources for guarantee fund requirement	81		111338	111338	155688	
Available capital resources for 50% MCR requirement	82		111338	111338	155688	
Available capital resources for 75% MCR requirement	83		111338	111338	155688	

Financial engineering adjustments

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

Analysis of admissible assetsName of insurer **NPI LIMITED**

Global business

Financial year ended **31 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	3725037	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		
	Debts and loans	26		
Other group undertakings	Shares	27		
	Debts and loans	28	14559	15006
Participating interests	Shares	29		
	Debts and loans	30		

Other financial investments

Equity shares	41		
Other shares and other variable yield participations	42		
Holdings in collective investment schemes	43	88507	132586
Rights under derivative contracts	44		
Fixed interest securities	Approved	45	
	Other	46	
Variable interest securities	Approved	47	
	Other	48	
Participation in investment pools	49		
Loans secured by mortgages	50		
Loans to public or local authorities and nationalised industries or undertakings	51		
Loans secured by policies of insurance issued by the company	52		
Other loans	53		
Bank and approved credit & financial institution deposits	One month or less withdrawal	54	
	More than one month withdrawal	55	
Other financial investments	56		
Deposits with ceding undertakings	57		
Assets held to match linked liabilities	Index linked	58	
	Property linked	59	

Analysis of admissible assetsName of insurer **NPI LIMITED**

Global business

Financial year ended **31 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	3725037	GL	31	12	2009	£000	1
					As at end of this financial year	As at end of the previous year	
					1	2	

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	
	due in more than 12 months	79	

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	123	122
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84		597
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86	27	257

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	103216	148568
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Analysis of admissible assetsName of insurer **NPI LIMITED**

Global business

Financial year ended **31 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	3725037	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	103216	148568
Admissible assets in excess of market and counterparty limits	92	176142	167777
Inadmissible assets directly held	93	12566	12567
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	(178)	
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	291746	328912
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103		

Analysis of admissible assetsName of insurer **NPI LIMITED**

Global business

Financial year ended **31 December 2009**Category of assets **Total long term insurance business assets**

R13	Company registration number	GL/UK/CM	day month year			Units	Category of assets
			31	12	2009		
	3725037	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			149137	153534

Investments in group undertakings and participating interests

UK insurance dependants	Shares	21		
	Debts and loans	22		
Other insurance dependants	Shares	23		
	Debts and loans	24		
Non-insurance dependants	Shares	25		
	Debts and loans	26		
Other group undertakings	Shares	27		
	Debts and loans	28		
Participating interests	Shares	29		
	Debts and loans	30		

Other financial investments

Equity shares		41		160325
Other shares and other variable yield participations		42		
Holdings in collective investment schemes		43	264886	142139
Rights under derivative contracts		44	41575	62042
Fixed interest securities	Approved	45	315635	316410
	Other	46	384645	169120
Variable interest securities	Approved	47	16627	58828
	Other	48	20406	41533
Participation in investment pools		49		
Loans secured by mortgages		50	184	447
Loans to public or local authorities and nationalised industries or undertakings		51		
Loans secured by policies of insurance issued by the company		52	30	53
Other loans		53		
Bank and approved credit & financial institution deposits	One month or less withdrawal	54	6844	3063
	More than one month withdrawal	55		
Other financial investments		56		
Deposits with ceding undertakings		57		
Assets held to match linked liabilities	Index linked	58	10832	7308
	Property linked	59	2841575	2585346

Analysis of admissible assetsName of insurer **NPI LIMITED**

Global business

Financial year ended **31 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	3725037	GL	31	12	2009	£000	10
					As at end of this financial year	As at end of the previous year	
					1	2	

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	3000	
	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	26548	7400
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	4917	31248
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	16138	17672
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86	265	2274

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	4103244	3758742
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Analysis of admissible assetsName of insurer **NPI LIMITED**

Global business

Financial year ended **31 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	3725037	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	4103244	3758742
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93	1	
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	13287	16989
Reinsurers' share of technical provisions excluded from line 89	100	844098	874951
Other asset adjustments (may be negative)	101		(181)
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	4960630	4650501
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103	2226	5547

Long term insurance business liabilities and margins

Name of insurer **NPI LIMITED**
Global business
Financial year ended **31 December 2009**
Total business **Total long term insurance business assets**
Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Mathematical reserves, after distribution of surplus	11	3350599	2957499	
Cash bonuses which had not been paid to policyholders prior to end of the financial year	12			
Balance of surplus/(valuation deficit)	13	10000	10000	
Long term insurance business fund carried forward (11 to 13)	14	3360599	2967499	
Claims outstanding	Gross	15	5666	5079
	Reinsurers' share	16		
	Net (15-16)	17	5666	5079
Provisions	Taxation	21		1900
	Other risks and charges	22		
Deposits received from reinsurers	23	513702	532712	
Creditors	Direct insurance business	31	388	36
	Reinsurance accepted	32		
	Reinsurance ceded	33	3000	
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions	36	155540	162534	
Creditors	Taxation	37	681	7487
	Other	38	54781	72577
Accruals and deferred income	39	1912	1654	
Provision for "reasonably foreseeable adverse variations"	41	6975	7264	
Total other insurance and non-insurance liabilities (17 to 41)	49	742645	791243	
Excess of the value of net admissible assets	51			
Total liabilities and margins	59	4103244	3758742	

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61	7783	11206
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62	2841575	2585346

Total liabilities (11+12+49)	71	4093244	3748742
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73	844098	874951
Other adjustments to liabilities (may be negative)	74	(15392)	(14618)
Capital and reserves and fund for future appropriations	75	38680	41426
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	4960630	4650501

Liabilities (other than long term insurance business)Name of insurer **NPI LIMITED**

Global business

Financial year ended **31 December 2009**

	Company registration number	GL/ UK/ CM	day month year			Units	
	R15	3725037	GL	31	12	2009	£000
						As at end of this financial year 1	As at end of the previous year 2

Technical provisions (gross amount)

Provisions 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		
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		1700
	Foreseeable dividend	48		
	Other	49		178
Accruals and deferred income		51		81
Total (19 to 51)		59		1878
Provision for "reasonably foreseeable adverse variations"		61		
Cumulative preference share capital		62		
Subordinated loan capital		63		
Total (59 to 63)		69		1878

Amounts included in line 69 attributable to liabilities to related insurers, other than those under contracts of insurance or reinsurance	71		178	1090
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Amounts deducted from technical provisions for discounting	82			
Other adjustments (may be negative)	83		(178)	
Capital and reserves	84		290046	328032
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		291746	328912

Profit and loss account (non-technical account)Name of insurer **NPI LIMITED**

Global business

Financial year ended **31 December 2009**Company
registration
numberGL/
UK/
CM

day month year

Units

R16		3725037	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			22699	62882
Investment income	Income		14			9223	15881
	Value re-adjustments on investments		15				
	Gains on the realisation of investments		16				
Investment charges	Investment management charges, including interest		17			43	43
	Value re-adjustments on investments		18				
	Loss on the realisation of investments		19				1189
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			(364)	(946)
Profit or loss on ordinary activities before tax (11+12+13+14+15+16-17-18-19-20+21)			29			31515	76585
Tax on profit or loss on ordinary activities			31			2500	3900
Profit or loss on ordinary activities after tax (29-31)			39			29015	72685
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			29015	72685
Dividends (paid or foreseeable)			51			65000	27100
Profit or loss retained for the financial year (49-51)			59			(35985)	45585

Analysis of derivative contractsName of insurer **NPI LIMITED**

Global business

Financial year ended **31 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	3725037	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 1		Liabilities 2		Bought / Long 3		Sold / Short 4	
Futures and contracts for differences	Fixed-interest securities	11	491					16824	
	Interest rates	12	39090		11687		426650	281986	
	Inflation	13	949					59494	
	Credit index / basket	14							
	Credit single name	15	115					10426	
	Equity index	16							
	Equity stock	17							
	Land	18							
	Currencies	19	1421		2374		270668	25636	
	Mortality	20							
Other	21								
In the money options	Swaptions	31							
	Equity index calls	32							
	Equity stock calls	33							
	Equity index puts	34							
	Equity stock puts	35							
Other	36								
Out of the money options	Swaptions	41							
	Equity index calls	42							
	Equity stock calls	43							
	Equity index puts	44							
	Equity stock puts	45							
Other	46								
Total (11 to 46)		51	42066		14061		697318	394366	
Adjustment for variation margin		52	(491)						
Total (51 + 52)		53	41575		14061				

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

Long-term insurance business : Revenue account

Name of insurer **NPI LIMITED**
 Total business **Total long term insurance business assets**
 Financial year ended **31 December 2009**
 Units **£000**

Financial year	Previous year
1	2

Income

Earned premiums	11	151277	163424
Investment income receivable before deduction of tax	12	122401	151554
Increase (decrease) in the value of non-linked assets brought into account	13	29899	22045
Increase (decrease) in the value of linked assets	14	404613	(781432)
Other income	15	272	4089
Total income	19	708462	(440320)

Expenditure

Claims incurred	21	252266	328639
Expenses payable	22	14098	12899
Interest payable before the deduction of tax	23	663	1724
Taxation	24	(21199)	(1100)
Other expenditure	25	46835	46650
Transfer to (from) non technical account	26	22699	62882
Total expenditure	29	315362	451694

Business transfers - in	31	11601	
Business transfers - out	32	11601	
Increase (decrease) in fund in financial year (19-29+31-32)	39	393100	(892014)
Fund brought forward	49	2967499	3859513
Fund carried forward (39+49)	59	3360599	2967499

Long-term insurance business : Analysis of premiums

Name of insurer **NPI LIMITED**
 Total business **Total long term insurance business assets**
 Financial year ended **31 December 2009**
 Units **£000**

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

Gross

Regular premiums	11	9374	28331		37705	44132
Single premiums	12	483	124074		124557	126937

Reinsurance - external

Regular premiums	13					
Single premiums	14					

Reinsurance - intra-group

Regular premiums	15	17	585		602	622
Single premiums	16		10383		10383	7023

Net of reinsurance

Regular premiums	17	9357	27746		37103	43510
Single premiums	18	483	113691		114174	119914

Total

Gross	19	9857	152405		162262	171069
Reinsurance	20	17	10968		10985	7645
Net	21	9840	141437		151277	163424

Long-term insurance business : Analysis of claims

Name of insurer **NPI LIMITED**
 Total business **Total long term insurance business assets**
 Financial year ended **31 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	11362	7208		18570	21628
Disability periodic payments	12	5			5	
Surrender or partial surrender	13	37659	115632		153291	252988
Annuity payments	14	4770	61212		65982	62793
Lump sums on maturity	15	19156	64394		83550	100923
Total	16	72952	248446		321398	438332

Reinsurance - external

Death or disability lump sums	21					
Disability periodic payments	22					
Surrender or partial surrender	23					
Annuity payments	24					40952
Lump sums on maturity	25					
Total	26					40952

Reinsurance - intra-group

Death or disability lump sums	31	2319	207		2526	3477
Disability periodic payments	32					
Surrender or partial surrender	33	13683	3063		16746	54067
Annuity payments	34		43618		43618	3088
Lump sums on maturity	35		6242		6242	8109
Total	36	16002	53130		69132	68741

Net of reinsurance

Death or disability lump sums	41	9043	7001		16044	18151
Disability periodic payments	42	5			5	
Surrender or partial surrender	43	23976	112569		136545	198921
Annuity payments	44	4770	17594		22364	18753
Lump sums on maturity	45	19156	58152		77308	92814
Total	46	56950	195316		252266	328639

Long-term Insurance business : Analysis of expenses

Name of insurer **NPI LIMITED**
 Total business **Total long term insurance business assets**
 Financial year ended **31 December 2009**
 Units **£000**

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

Gross

Commission - acquisition	11				
Commission - other	12	(272)	(395)	(667)	759
Management - acquisition	13				
Management - maintenance	14	4609	10406	15015	14871
Management - other	15	106	598	704	(1776)
Total	16	4443	10609	15052	13854

Reinsurance - external

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

Reinsurance - Intra-group

Commission - acquisition	31				
Commission - other	32				
Management - acquisition	33				
Management - maintenance	34	289	665	954	955
Management - other	35				
Total	36	289	665	954	955

Net of reinsurance

Commission - acquisition	41				
Commission - other	42	(272)	(395)	(667)	759
Management - acquisition	43				
Management - maintenance	44	4320	9741	14061	13916
Management - other	45	106	598	704	(1776)
Total	46	4154	9944	14098	12899

Long-term insurance business : Linked funds balance sheet

Name of insurer **NPI LIMITED**
 Total business
 Financial year ended **31 December 2009**
 Units **£000**

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

Internal linked funds (excluding cross investment)

Directly held assets (excluding collective investment schemes)	11	207726	348808
Directly held assets in collective investment schemes of connected companies	12		
Directly held assets in other collective investment schemes	13	2636055	2243862
Total assets (excluding cross investment) (11+12+ 13)	14	2843781	2592670
Provision for tax on unrealised capital gains	15	18	18
Secured and unsecured loans	16		
Other liabilities	17	1060	3451
Total net assets (14-15-16-17)	18	2842703	2589201

Directly held linked assets

Value of directly held linked assets	21		
--------------------------------------	----	--	--

Total

Value of directly held linked assets and units held (18+21)	31	2842703	2589201
Surplus units	32	1128	3855
Deficit units	33		
Net unit liability (31-32+33)	34	2841575	2585346

Long-term insurance business : Revenue account for internal linked funds

Name of insurer **NPI LIMITED**
 Total business
 Financial year ended **31 December 2009**
 Units **£000**

Financial year	Previous year
1	2

Income

Value of total creation of units	11	188723	125646
Investment income attributable to the funds before deduction of tax	12	70072	100214
Increase (decrease) in the value of investments in the financial year	13	404613	(781432)
Other income	14	614	804
Total income	19	664022	(554768)

Expenditure

Value of total cancellation of units	21	381381	377016
Charges for management	22	21513	30742
Charges in respect of tax on investment income	23	7171	7710
Taxation on realised capital gains	24	205	198
Increase (decrease) in amount set aside for tax on capital gains not yet realised	25	(25)	1337
Other expenditure	26	275	593
Total expenditure	29	410520	417596

Increase (decrease) in funds in financial year (19-29)	39	253502	(972364)
Internal linked fund brought forward	49	2589201	3561565
Internal linked funds carried forward (39+49)	59	2842703	2589201

Long-term insurance business : Summary of new business

Name of insurer **NPI LIMITED**
 Total business
 Financial year ended **31 December 2009**
 Units **£000**

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

**Number of new policyholders/
scheme members for direct
insurance business**

Regular premium business	11					3
Single premium business	12					62
Total	13					65

**Amount of new regular
premiums**

Direct insurance business	21	277	73		350	531
External reinsurance	22					
Intra-group reinsurance	23		10		10	20
Total	24	277	83		360	551

**Amount of new single
premiums**

Direct insurance business	25	457	1136		1593	1160
External reinsurance	26					
Intra-group reinsurance	27	27	122937		122964	124762
Total	28	483	124073		124556	125922

Long-term insurance business : Analysis of new business

NPI LIMITED

Name of insurer

Total business

Financial year ended

31 December 2009

Units

£000

UK Life / Direct Insurance Business

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
395	Annuity non-profit (PLA)				457
710	Life property linked whole life regular premium		31		
715	Life property linked endowment regular premium - savings		246		

Long-term insurance business : Analysis of new business

Name of insurer
NPI LIMITED

Total business

Financial year ended
31 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
395	Annuity non-profit (PLA)				27

Long-term insurance business : Analysis of new business

NPI LIMITED

Name of insurer
 Total business
 Financial year ended
 Units

31 December 2009

£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
525	Individual pensions UWP				9
530	Individual pensions UWP - increments				21
725	Individual pensions property linked		72		688
730	Individual pensions property linked - increments		1		305
735	Group money purchase pensions property linked				113

Long-term insurance business : Analysis of new business

NPI LIMITED

Name of insurer

Total business

Financial year ended

31 December 2009

Units

£000

UK Pension / 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
400	Annuity non-profit(CPA)				121711
730	Individual pensions property linked - increments			5	410
735	Group money purchase pensions property linked			5	816

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

Name of insurer **NPI LIMITED**
 Category of assets **Total long term insurance business assets**
 Financial year ended **31 December 2009**
 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	149137	149137		4.52	
Approved fixed interest securities	12	322357	315703	15318	4.54	
Other fixed interest securities	13	393769	384758	23149	5.64	
Variable interest securities	14	37282	37033	722	4.10	
UK listed equity shares	15		496	16	3.20	
Non-UK listed equity shares	16		384	9	2.22	
Unlisted equity shares	17		264886			
Other assets	18	348292	98440	2337	2.37	
Total	19	1250837	1250837	41551	3.73	

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

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

Overall return on with-profits assets

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

Long-term insurance business : Fixed and variable interest assets

Name of insurer **NPI LIMITED**
 Category of assets **Total long term insurance business assets**
 Financial year ended **31 December 2009**
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	11	69167	12.09	3.95	3.95
Other approved fixed interest securities	21	246536	12.37	4.63	4.62
Other fixed interest securities					
AAA/Aaa	31	3638	18.37	4.51	4.51
AA/Aa	32	47598	13.10	5.41	4.80
A/A	33	208258	9.33	5.24	4.49
BBB/Baa	34	110065	6.62	5.53	4.18
BB/Ba	35	10757	12.42		
B/B	36	287	18.93		
CCC/Caa	37				
Other (including unrated)	38	4155	38.32		
Total other fixed interest securities	39	384758	9.52	5.41	4.49
Approved variable interest securities	41	37033	15.80	4.10	4.10
Other variable interest securities	51				
Total (11+21+39+41+51)	61	737494	11.03	4.95	4.50

Long-term insurance business : Summary of mathematical reserves

Name of insurer **NPI LIMITED**
 Total business **Total long term insurance business assets**
 Financial year ended **31 December 2009**
 Units **£000**

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

Gross

Form 51 - with-profits	11				
Form 51 - non-profit	12	46020	988904	1034924	906975
Form 52	13	118722	74002	192724	213576
Form 53 - linked	14	412445	2429130	2841575	2585346
Form 53 - non-linked	15	3424	87638	91062	97128
Form 54 - linked	16	2142	30633	32775	28115
Form 54 - non-linked	17	200	1437	1637	1309
Total	18	582953	3611744	4194697	3832449

Reinsurance - external

Form 51 - with-profits	21				
Form 51 - non-profit	22				523449
Form 52	23				
Form 53 - linked	24				
Form 53 - non-linked	25				
Form 54 - linked	26				20695
Form 54 - non-linked	27				
Total	28				544144

Reinsurance - Intra-group

Form 51 - with-profits	31				
Form 51 - non-profit	32		581385	581385	56560
Form 52	33	116475	73997	190472	211337
Form 53 - linked	34				
Form 53 - non-linked	35	1	50297	50298	62797
Form 54 - linked	36		21943	21943	112
Form 54 - non-linked	37				
Total	38	116476	727622	844098	330806

Net of reinsurance

Form 51 - with-profits	41				
Form 51 - non-profit	42	46020	407519	453539	326966
Form 52	43	2247	5	2252	2239
Form 53 - linked	44	412445	2429130	2841575	2585346
Form 53 - non-linked	45	3423	37341	40764	34331
Form 54 - linked	46	2142	8690	10832	7308
Form 54 - non-linked	47	200	1437	1637	1309
Total	48	466477	2884122	3350599	2957499

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

Name of insurer

NPI LIMITED

Total business

Total long term insurance business assets

Financial year ended

31 December 2009

Units

£000

UK Life / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
395	Annuity non-profit (PLA)	5612	4598					45386
435	Miscellaneous non-profit	81	3776					76
440	Additional reserves non-profit OB							558

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

Name of insurer **NPI LIMITED**
 Total business **Total long term insurance business assets**
 Financial year ended **31 December 2009**
 Units **£000**
 UK Pension / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
390	Deferred annuity non-profit		328					5416
400	Annuity non-profit (CPA)	12722	73201					978949
435	Miscellaneous non-profit	19	1077					24
440	Additional reserves non-profit OB							4515

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

Name of insurer **NPI LIMITED**
 Total business **Total long term insurance business assets**
 Financial year ended **31 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	1059	21069	189	21069	18551	2365	20916
535	Group money purchase pensions UWP	4451	38417	1861	38417	37015	3334	40349
570	Income drawdown UWP	75	14675		14675	12566	166	12732
605	Miscellaneous protection rider		370	5			5	5

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

Name of insurer **NPI LIMITED**
 Total long term insurance business assets
 Financial year ended **31 December 2009**
 Units **£000**

UK Life / Reinsurance ceded intra-group

Product code number	1	2	Number of policyholders / scheme members	3	Amount of benefit	4	Amount of annual office premiums	5	Nominal value of units	6	7	Discounted value of units	8	Other liabilities	9
500	Life UWP single premium			126627		126431	107665		116475						

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

Name of insurer **NPI LIMITED**
 Total business **Total long term insurance business assets**
 Financial year ended **31 December 2009**
 Units **£000**

UK Pension / Reinsurance ceded intra-group

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
525	Individual pensions UWP		21069	189	21069	18551	2365	20916
535	Group money purchase pensions UWP		38417	1861	38417	37015	3334	40349
570	Income drawdown UWP		14675		14675	12566	166	12732

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

Name of insurer **NPI LIMITED**
 Total business **Total long term insurance business assets**
 Financial year ended **31 December 2009**
 Units **£000**
 UK Life / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
700	Life property linked single premium	14106	266802		265517	265516	1617	267133
710	Life property linked whole life regular premium	3694	109913	1377	39173	38496	164	38660
715	Life property linked endowment regular premium - savings	16039	264782	6615	104450	105180	1630	106810
720	Life property linked endowment regular premium - target cash		7946	238	3253	3253	8	3261
770	Term assurance rider		1044	17			1	1
790	Miscellaneous protection rider			42			4	4

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

Name of insurer

NPI LIMITED

Total business

Total long term insurance business assets

Financial year ended

31 December 2009

Units

£000

UK Life / Reinsurance ceded intra-group

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
770	Term assurance rider		1044	17			1	1

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

Name of insurer

NPI LIMITED

Total business

Total long term insurance business assets

Financial year ended

31 December 2009

Units

£000

UK Pension / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
725	Individual pensions property linked	72738	1932842	27286	1932506	1916104	81066	1997170
735	Group money purchase pensions property linked	22103	442741	30144	442741	439106	4940	444046
750	Income drawdown property linked	496	63222		63222	63222	(290)	62932
755	Trustees investment plan	13	2078		2078	2078		2078
790	Miscellaneous protection rider		1647	47			53	53
795	Miscellaneous property linked	3	8620		8620	8620		8620
800	Additional reserves property linked						1869	1869

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

Name of insurer NPI LIMITED
Total business Total long term insurance business assets
Financial year ended 31 December 2009
Units £000
UK Pension / Reinsurance ceded intra-group

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
725	Individual pensions property linked						50297	50297

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

Name of insurer **NPI LIMITED**
 Total business **Total long term insurance business assets**
 Financial year ended **31 December 2009**
 Units **£000**
 UK Life / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
905	Index linked annuity	70	271		2142	2142	200	2342

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

Name of insurer NPI LIMITED
Total business Total long term insurance business assets
Financial year ended 31 December 2009
Units £000
UK Pension / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
905	Index linked annuity	122	1969		32356	30633	1437	32070

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

Name of insurer

NPI LIMITED

Total business

Total long term insurance business assets

Financial year ended

31 December 2009

Units

£000

UK Pension / Reinsurance ceded intra-group

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
905	Index linked annuity		1539		23885	21943		21943

Long-term insurance business : Unit prices for internal linked funds

Name of insurer NPI LIMITED

Total business

Financial year ended 31 December 2009

Units £000

Fund name 1	Type of fund 2	Net assets 3	Main series 4	Unit management charge 5	Price at previous valuation date 6	Price at current valuation date 7	Change in price during year 8
Pension Managed	12 - individual pension - balanced managed fund	1365899	Ordinary Series 1 & 2	1.01	13.1960	15.8450	20.07
Pension UK Equity	15 - individual pension - UK equity	186344	Ordinary Series 1 & 2	1.01	15.4790	20.2460	30.80
Retirement Managed	14 - individual pension - other managed fund	294107	Mixed Accumulation	1.00	3.4030	3.9620	16.43
Balanced Managed	02 - life - balanced managed fund	128359	Mixed Accumulation	1.00	2.6500	3.0650	15.66

Long-term insurance business: Analysis of valuation interest rateName of insurer **NPI LIMITED**Total business **Total long term insurance business assets**Financial year ended **31 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
UKL NP Code 395/440/905	46144	4.40	4.40	4.37
UKP NP Code 390/400/440/905	408932	4.40	4.40	4.37
UKL NP Code 700/710/715/720	3388	3.00	3.70	4.11
UKL WP Code 500/575	2247	3.00	3.75	3.97
UKP WP Code 725/735	5	4.30	4.30	3.97
UKP NP Code 725	8083	3.70	3.70	4.11
UKP NP Code 725	22716	3.70	3.70	4.11
UKP NP Code 735	4940	3.70	3.70	3.97
Misc	1737			3.97
Total	498192			

Long-term insurance business : Distribution of surplus

Name of insurer **NPI LIMITED**
 Total business **Total long term insurance business assets**
 Financial year ended **31 December 2009**
 Units **£000**

Financial year	Previous year
1	2

Valuation result

Fund carried forward	11	3360599	2967499
Bonus payments in anticipation of a surplus	12		
Transfer to non-technical account	13	22699	62882
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	3383298	3030381
Mathematical reserves	21	3350599	2957499
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	32699	72882

Composition of surplus

Balance brought forward	31	10000	38942
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	22699	33940
Total	39	32699	72882

Distribution of surplus

Bonus paid in anticipation of a surplus	41		
Cash bonuses	42		
Reversionary bonuses	43		
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46		
Net transfer out of fund / part of fund	47	22699	62882
Total distributed surplus (46+47)	48	22699	62882
Surplus carried forward	49	10000	10000
Total (48+49)	59	32699	72882

Percentage of distributed surplus allocated to policyholders

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

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

Name of insurer **NPI LIMITED**
 Original insurer **NPI LIMITED**
 Date of maturity value / open market option **01 March 2010**

1	2	3	4	5	6	7	8
Category of with-profits policy	Original term (years)	Maturity value / open market option	Terminal bonus	MVA	CWP / UWP	MVA permitted?	Death benefit
Endowment assurance	10	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	15	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	20	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	25	n/a	n/a	n/a	n/a	n/a	n/a
Regular premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Regular premium pension	10	24452	899	n/a	UWP	N	24452
Regular premium pension	15	n/a	n/a	n/a	n/a	n/a	n/a
Regular premium pension	20	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	12809	n/a	n/a	UWP	N	12809
Single premium pension	15	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	20	n/a	n/a	n/a	n/a	n/a	n/a

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

Name of insurer NPI LIMITED

Original insurer NPI LIMITED

Date of surrender value 01 March 2010

1	2	3	4	5	6	7	8
Category of with-profits policy	Duration at surrender (years)	Surrender value	Terminal bonus	MVA	CWP / UWP	MVA permitted?	Death benefit
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	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	20	n/a	n/a	n/a	n/a	n/a	n/a
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	9941	n/a	(2,643)	UWP	Y	12597
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	9863	n/a	(2,946)	UWP	Y	12809

Long-term insurance capital requirementName of insurer **NPI LIMITED**

Global business

Financial year ended **31 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%				
Classes I (other), II and IX	13	0.15%		0.50		
Classes I (other), II and IX	14	0.3%	24137	5611	36	41
Classes III, VII and VIII	15	0.3%	236243	236243	709	854
Total	16		260380	241854	745	895

Insurance health risk and life protection reinsurance capital component

Class IV supplementary classes 1 and 2 and life protection reinsurance	21					
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Insurance expense risk capital component

Life protection and permanent health reinsurance	31	0%					
Classes I (other), II and IX	32	1%	1227786	455790	0.85	10436	9542
Classes III, VII and VIII (investment risk)	33	1%	194972	121156	0.85	1657	1766
Classes III, VII and VIII (expenses fixed 5 yrs +)	34	1%	292104	292104	1.00	2921	2606
Classes III, VII and VIII (other)	35	25%				1043	1200
Class IV (other)	36	1%					
Class V	37	1%					
Class VI	38	1%					
Total	39					16057	15114

Insurance market risk capital component

Life protection and permanent health reinsurance	41	0%					
Classes I (other), II and IX	42	3%	1227786	455790	0.85	31309	28626
Classes III, VII and VIII (investment risk)	43	3%	194972	121156	0.85	4972	5298
Classes III, VII and VIII (expenses fixed 5 yrs +)	44	0%	292104	292104			
Classes III, VII and VIII (other)	45	0%	2481549	2481549			
Class IV (other)	46	3%					
Class V	47	0%					
Class VI	48	3%					
Total	49		4196411	3350599		36281	33924

Long term insurance capital requirement	51					53083	49933
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Returns under the Accounts and Statements Rules

Supplementary Notes

NPI LIMITED

Global Business

Financial year ended 31 December 2009

Appendix 9.1

0201 Modification to the Return

The FSA, on the application of the insurer made a direction under section 148 of the Financial Services and Markets Act 2000 in November 2007. 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.

The FSA, on the application of the firm, made a direction in December 2008 under section 148 of the Financial Services and Markets Act 2000. The effect of the direction is to enable the firm to take into account 'reversionary interests in land' for the purposes of determining the yield and internal rate of return on assets in accordance with 3.1.34R and 3.1.39R respectively.

The FSA, on the application of the firm, made a direction under section 148 of the Financial Services and Markets Act 2000 in April 2009. The effect of the direction is to modify the provisions of INSPRU 2.1.22R so that a group of persons is not closely related by reason of the relationship described in INSPRU 2.1.40R (1) if control is exercised by, or on behalf of, HM Treasury.

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

	2009 £000	2008 £000
Net admissible assets:		
Total other than long term insurance business assets - Form 13 line 89	103,216	148,568
Total long term insurance business assets - Form 13 line 89	4,103,244	3,758,742
Less Liabilities - Form 14 line 71	(4,093,244)	(3,748,742)
Less Liabilities - Form 15 line 69	(1,878)	(2,880)
Total capital resources after deductions	<u>111,338</u>	<u>155,688</u>

0310 Net valuation differences shown in Form 3 line 35

	2009 £000	2008 £000
Valuation differences included within Form 3 line 35		
Positive valuation differences in respect of liabilities		
Onerous contracts provisions in respect of unutilised contracts	5,748	2,891
Provisions for Guaranteed minimum pensions	869	-
Provision for Solvency II costs	1,509	-
Miscellaneous reserves	1,448	-
Negative valuation differences in respect of liabilities		
Provision for reasonably foreseeable adverse variations	(6,975)	(7,264)
Mathematical reserves	(17,991)	(10,064)
Net valuation difference	<u>(15,392)</u>	<u>(14,437)</u>

Returns under the Accounts and Statements Rules

Supplementary Notes

NPI LIMITED

Global Business

Financial year ended 31 December 2009

Appendix 9.1 (continued)

0313 Reconciliation of profit and loss account and other reserves

	2009 £000
Profit and loss account and other reserves - Form 3 line 12 at 1 January 2009	117,458
Profit or loss retained for the financial year - Form 16 line 59	(35,985)
Movement in inadmissible assets	(3,702)
Movement in net valuation difference (Note 0310)	955
Profit and loss account and other reserves - Form 3 line 12 at 31 December 2009	<u>78,726</u>

1305 Counterparty limits

1319

- (a) The investment guidelines operated by the insurer limit exposure to any one counterparty by establishing limits for each type. These limits are set by reference to the individual and aggregated limits set out in the market and counterparty limits in Chapter 2.1 of the Prudential Sourcebook for Insurers.
- (b) The maximum permitted exposure to a counterparty other than an approved counterparty during the year was 5% of the business amount, calculated in accordance with Chapter 2.1 of the Prudential Sourcebook for Insurers. The exception to this is for loans to other insurers within the same group, where the application of these guidelines is just one of the factors considered in determining the most appropriate allocation of capital within the group.
- (c) There were no breaches of these limits during the year.

1306 Counterparty exposure at the end of the financial year

1312

There was one case where the exposure of the insurer to any one counterparty at the end of the financial year exceeded 5% of the sum of the base capital resources requirement and the long-term insurance liabilities, excluding property linked benefits and net of reinsurance ceded.

This exposure is a loan to the insurer's parent undertaking, Pearl Group Holdings (No. 2) Limited (formerly Pearl Group Limited), with a value of £192.8 million.

Returns under the Accounts and Statements Rules

Supplementary Notes

NPI LIMITED

Global Business

Financial year ended 31 December 2009

Appendix 9.1 (continued)

1308 Unlisted and listed investments

Included within Form 13 are the following amounts:

	2009 £000	2008 £000
Unlisted Investments valued in accordance with the rules in GENPRU 1.3	-	160,325
Listed Investments valued in accordance with the rules in GENPRU 1.3 and which are not readily realisable.	-	19,494
Collective Investment Schemes, as specified in instruction 5 to Form 13	146,469	-
Total	<u>146,469</u>	<u>179,819</u>

The above amounts in respect of unlisted investments and listed investments that are not readily realisable, fall within any of lines 41, 42, 46 or 48 of Form 13 Total long term business insurance assets.

There are no units or beneficial interests in collective investment schemes, as specified in instruction 5 to Form 13.

There are no reversionary interests or remainders in property other than land and buildings.

1318 Other asset adjustments

Included within line 101 of Form 13, for 2009 are the following amounts:

	Long Term £000	Other than long term £000
Reclassification of other creditors	-	(178)
	<u>-</u>	<u>(178)</u>

Included within line 101 of Form 13, for 2008 are the following amounts:

	Long Term £000	Other than long term £000
Reclassification of other creditors	(181)	-
	<u>(181)</u>	<u>-</u>

Returns under the Accounts and Statements Rules

Supplementary Notes

NPI LIMITED

Global Business

Financial year ended 31 December 2009

Appendix 9.1 (continued)

1401 Provision for reasonably foreseeable adverse variations

1501

On 30 September 1999, the insurer entered into a refinancing arrangement with a wholly owned subsidiary of Abbey National Group plc. The insurer has originated a portfolio of residential property investments subject to life tenancies (reversions) against which it has sold Extra Income Plan annuity contracts. The insurer has sold 93% of "shared growth" reversions and entered into an arrangement whereby the Abbey National subsidiary will commit to acquire future "shared growth" reversions which the insurer originates on pre-agreed terms. As part of the arrangement, the insurer has undertaken to indemnify the Abbey National subsidiary against profits or losses arising from mortality or surrender experience which differs from the basis used to calculate the reversion amount. There is an interest charge of LIBOR plus 1.125% on capital used for the reversion purchases. The insurer will be liable for the first 7% of any losses arising from sales proceeds underperforming the movement of the regional Halifax house price indices. Losses in excess of 7%, together with any loss arising from the movement of the regional Halifax house price indices; will be borne by the Abbey National subsidiary. On 30 April 2002, Abbey National Group plc ceased to refinance new reversions.

The key assumptions used to calculate the reversion amounts were:

- Mortality: 80% IML92/IFL92 with CMI17 improvements together with a surrender assumption (50% increase) to allow for sale before death without immediate repurchase.
- Future specific house price inflation 0.99% p.a.

A provision for adverse mortality and specific house price inflation experience was calculated based on a cashflow projection assuming:

- Mortality: 100% IML92 with 100% average medium and long cohort improvements with a 1.5% floor (C2012); 100% IFL92 with 75% average medium and long cohort improvements with a 1.25% floor (C2012).
- Future specific house price inflation 0.84% p.a. below the growth in the Halifax house price index (assumed to be 1.240% p.a.) is assumed.
- A future LIBOR rate of 3.74% p.a. plus an additional 1.125% and a discount rate of 3.62% p.a. were assumed in calculating the provision.

The total provision was £6.9 million.

No other provision for reasonably foreseeable adverse variations is made as consideration is given to ensure assets of an identical or similar nature are held so that the derivative contracts are effectively covered. All contracts are reasonably covered and any potential provision is considered immaterial.

The assets of the insurer are valued at fair value. Consideration is given to any assets where the valuation requires judgement or where the asset is considered to be illiquid (with a lock up period of greater than one year) or is valued using an internal model.

Returns under the Accounts and Statements Rules

Supplementary Notes

NPI LIMITED

Global Business

Financial year ended 31 December 2009

Appendix 9.1 (continued)

These assets are subject to the rules set out in GENPRU 1.3.30R to GENPRU 1.3.33R are applied to all identified assets. In assessing the need for a provision the following assumptions have been made:

- The insurer, as part of its asset allocation strategy, invests in assets which are less liquid or where judgement is required within the valuation. The asset liability management process monitors liquidity on a monthly basis and ensures that there is sufficient liquidity at all times. A provision is established for less liquid positions.
- Opal assets are collateralised and the assets and liabilities are matched. Opal assets are regularly assessed to ensure that there is sufficient liquidity within the funds to meet its obligations therefore no further adjustments are considered necessary for Opal assets.

No additional provisions have been identified.

1402 Liabilities

1502

- (a) A reinsurance treaty between the insurer and Opal Reassurance Limited ("Opal") was signed during 2007. Under the terms of this agreement effective from 1 January 2007, the pension annuity in payment liabilities were reassured to Opal, thereby substantially removing longevity and investment risk from the insurer. The premium payable has been withheld by the insurer as collateral and Opal has a fixed charge over the assets. The aggregate value of the assets which are subject to the charge is £513.7 million (2008: £532.7 million) (see table below).

Assets which are subject to the charge	2009 £000	2008 £000
Form 13		
Line 41 – Equity shares	-	160,325
Line 43 – Holdings in collective investment schemes	207,913	50,213
Line 44 – Rights under derivative contracts	36,380	60,256
Line 45 – Approved fixed interest securities	111,900	81,172
Line 46 – Other fixed interest securities	146,725	102,076
Line 47 – Approved variable interest securities	14,758	58,827
Line 48 – Other variable interest securities	16,906	38,761
Line 74 - Reinsurance accepted	3,000	-
Line 78 – Other debtors	367	-
Line 81 – Cash in hand	2,157	28,499
Line 84 – Accrued interest and rent	5,269	4,555
Less Form 14		
Line 38 – Creditors other	31,673	51,972
Total	<u>513,702</u>	<u>532,712</u>

- (b) The total potential liability to taxation on capital gains, which might arise if the insurer were to dispose of its long term insurance business assets, is £nil (2008: £nil). In accordance with FRS 19, the discounted value of £nil (2008: £nil) for this liability has been recognised together with further deferred tax liabilities totalling £nil (2008: £1.9 million) to give the figure of £nil (2008: £1.9 million) shown on line 21 of Form 14.

Returns under the Accounts and Statements Rules

Supplementary Notes

NPI LIMITED

Global Business

Financial year ended 31 December 2009

Appendix 9.1 (continued)

- (c) In common with other life companies in the United Kingdom which have written pension transfer and opt out business, the insurer has set up provisions for the review and possible redress relating to personal pension policies. These provisions, which have been calculated using data derived from detailed file reviews of specific cases and from a statistical review of other outstanding cases, are included in the mathematical reserves.

The Personal Investment Authority (PIA) issued guidelines in 1995 on the analysis of cases by priority and the method of calculation of compensation. The provision for possible redress included in the mathematical reserves for Phase 1 is £22.6 million (2008: £21.3 million). The provision for possible redress included in the mathematical reserves for Phase 2 cases is £0.1 million (2008: £0.1 million).

Included in the mathematical reserves are also provisions for additional associated costs of £0.4 million (2008: £0.4 million).

The above cost of the provision has fallen on shareholders so other policyholders' benefits have not been affected in any way.

- (d) The insurer has no guarantees, indemnities or other contractual commitments affected other than in the ordinary course of its insurance business in respect of related companies.
- (e) In the opinion of the directors, there are no other fundamental uncertainties affecting the financial position of the insurer.

1405 Other adjustments to liabilities

Included in line 74 of Form 14 are the following amounts:

	2009 £000	2008 £000
Positive valuation differences in respect of liabilities		
Onerous contracts provisions in respect of unitised contracts	5,748	2,891
Provisions for Guaranteed minimum pensions	869	-
Provision for Solvency II costs	1,509	-
Miscellaneous reserves	1,448	-
Negative valuation differences in respect of liabilities		
Provision for reasonably foreseeable adverse variations	(6,975)	(7,264)
Mathematical reserves	(17,991)	(10,064)
Other creditor reclassification	-	(181)
Total	<u>(15,392)</u>	<u>(14,618)</u>

Returns under the Accounts and Statements Rules

Supplementary Notes

NPI LIMITED

Global Business

Financial year ended 31 December 2009

Appendix 9.1 (continued)

***1507* Other adjustments to liabilities**

Included within line 83 of Form 15 are the following amounts

	2009 £000	2008 £000
Reclassification of other creditors	(178)	-
Form 15 line 83	<u>(178)</u>	<u>-</u>

***1601* Basis of conversion of foreign currency**

Assets and liabilities denominated in foreign currency are translated using the closing rate method. Exchange differences on opening net assets are dealt with in the profit and loss account.

***1603* Other income and charges**

Other charges comprise consultancy services, professional indemnity insurance and administration fees.

***1700* Analysis of derivative contracts**

In respect of Form 17 Other than long term insurance business, all amounts required to be shown would be zero and this Form has not been included in the Return.

***1701* Variation margin**

The insurer had no liability to repay "excess" variation margin at the end of the financial year. Variation margin received of £0.5 million (2008: £3.5 million) is included in Form 13 line 81.

Returns under the Accounts and Statements Rules

Supplementary Notes

NPI LIMITED

Global Business

Financial year ended 31 December 2009

Appendix 9.3

4002 Other income and expenditure

	2009 £000	2008 £000
Other income		
Annual management charges	10	3,442
Administration fees and charges	262	647
Total	<u>272</u>	<u>4,089</u>
Other expenditure		
Annual management charges payable	12,132	16,547
Change in deposits received from reinsurers	34,703	30,103
Total	<u>46,835</u>	<u>46,650</u>

Annual management charges are payable to National Provident Life Limited and Pearl Assurance plc. The change in deposits received from reinsurers represents the change in the collateral value of assets.

4004 Business transfers

During the year £11.6m of vesting annuities have remained within the Fund. These amounts have not been recognised as part of premiums and claims on Form 41 and Form 42 respectively but as "business transfers – in" and "business transfers – out". As these amounts are not single premiums on Form 41 they have not been included in the new business Form 46 and Form 47. This is a different approach from last year and comparatives have not been restated.

4008 Provision of management services

Pearl Group Services Limited has provided management services to the insurer. Ignis Investment Management Limited (formerly Axial Investment Management Limited), Ignis Asset Management Limited and Henderson Global Investors Limited have provided investment services during the financial year to the insurer.

State Street Bank and Trust Company have provided custody and accounting, securities lending, transition management and associated services for the Ignis managed assets of the insurer for the whole of the financial year.

4401 Basis of valuation of assets

Investments are stated at current value at the end of the financial year, calculated as follows:

- listed investments are stated at the bid market value
- short term deposits are included at cost
- other investments are shown at directors' estimates of market value

Returns under the Accounts and Statements Rules

Supplementary Notes

NPI LIMITED

Global Business

Financial year ended 31 December 2009

Appendix 9.3 (continued)

***4502* Other income and expenditure**

Other income contains management fee rebates.

Other expenditure consists of distributions paid out of Higher/Classic distribution funds and safe custody fees.

***4702* Hybrid Contracts**

5104

5204

5304

Benefits on hybrid contracts have been included proportionally to the policyholder count in the appropriate forms.

***4803* Coupon Rates**

Where the coupon rate of a sinkable bond exceeds the yield for that bond; it is assumed that the bond will be redeemed at the earliest possible date.

***4901* Credit rating agency**

Ratings shown are the weaker of ratings provided by Moody's Investors Services and Standard & Poors Corporation, otherwise the credit ratings used were provided by Ignis Investment Management Limited (formerly Axial Investment Management Limited).

***5600* Long term insurance business: Index linked business**

In respect of Form 56 Long term insurance business: index linked business, the form is not included in the return as index linked assets are less than £100 million.

***5702* Analysis of valuation of interest rates**

The risk-adjusted yields on Form 57 determined from the cash flows of assets taken in combination in terms of the waiver specified in Note *0201* are:

Product Group	Risk adjusted yield
UKL NP Code 395/440/905	4.37%
UKP NP Code 390/400/440/905	4.37%
UKL WP Code 500/575	3.97%
UKP NP Code 735	3.97%
UKP WP Code 725/735	3.97%
Misc	3.97%

Returns under the Accounts and Statements Rules

Statement of additional information on derivative contracts required by rule 9.29

NPI LIMITED

Global Business

Financial year ended 31 December 2009

- (a) During the financial year the insurer operated an investment policy for the use and control of derivatives. This policy lists the approved derivative contracts and the approved uses of derivatives, establishes procedures for introducing new contracts or uses, identifies areas of risk, and establishes a control framework for dealing, settlement and independent monitoring and reporting of derivatives.

The insurer uses derivatives in its portfolio management to hedge against market movements in the values of assets in the portfolio (reduction of investment risks), and as a means of effecting a change in exposure to different asset classes without disturbing underlying physical holdings (efficient portfolio management). In addition, the insurer uses derivatives to match liabilities to mitigate the effect of changes in market variables on its capital position.

It is the insurer's policy that all obligations to transfer assets or pay monetary amounts arising under derivative contracts are covered by either cash, physical securities or other specific commitments. Consequently the insurer does not trade derivative contracts against uncovered positions, and portfolios may not be geared by means of derivatives.

The insurer controls market risks through the setting of exposure limits which are subject to detailed monitoring and review. Sophisticated risk management systems are employed to enable exposures, risks and sensitivities to be analysed on a total portfolio basis, providing for greater control. Market and liquidity risks are reduced by requiring all futures and options positions to be backed by cash or securities.

The insurer permits the purchase of partly paid shares, subject to the unpaid capital being covered by cash, and also convertible bonds as alternatives to investment in the underlying equities.

- (b) Subject to the investment principles described above, the investment policy permits the writing of contracts, under which the insurer has a right or an obligation to acquire or dispose of assets. The portfolio manager must be satisfied that the strike price is reasonable in terms of the current portfolio and market conditions at outset, in case the contract is subsequently exercised.

The investment policy for the use and control of derivatives imposes overriding provisions that the investment rationale for their use is clearly understood; that each contract is admissible in terms of the Prudential Sourcebook for Insurers (INSPRU) and that derivatives may not be used to gear a portfolio. The policy specifically excludes the use of derivatives that cannot be sufficiently well modelled using the Investment Manager's internal risk management systems, without the prior approval of the senior management of the Investment Manager.

- (c) There were no options bought or sold during the financial year where the difference at inception between the price of the underlying and the strike price was greater than 5%.
- (d) The insurer has not made use of any derivative contract at any time during the financial year which required a significant provision to be made under INSPRU 3.2.17R or did not fall within the definition of a permitted derivatives contract.
- (e) The total value of fixed considerations received during the financial year in return for granting rights under derivative contracts was £nil.

Returns under the Accounts and Statements Rules

Statement of additional information on controllers required by rule 9.30

NPI LIMITED

Global Business

Financial year ended 31 December 2009

The persons who, to the knowledge of the Company, were controllers at any time during the financial year were:

- a) Pearl Group Holdings (No. 2) Limited (formerly Pearl Group Limited);
- b) Phoenix Life Holdings Limited;
- c) PGH (LCA) Limited (formerly Sun Capital Investments Limited);
- d) PGH (LCB) Limited (formerly Hera Investments One Limited);
- e) Xercise Limited;
- f) TDR Capital Nominees Limited; and
- g) TDR Capital LLP

all of which were controllers throughout the financial year.

- h) Pearl Group became a controller on 28 August 2009, and subsequently changed its name to Phoenix Group Holdings on 15 March 2010.

Together with:

- i) Jambright Limited; and
- j) Hugh Osmond, Alan McIntosh, Matthew Allen, Edward Spencer-Churchill and Marc Jonas,

which ceased to be controllers on 28 August 2009.

The persons who, to the knowledge of the insurer, were controllers at the end of the financial year were:

1. Pearl Group Holdings (No. 2) Limited

As at 31 December 2009, Pearl Group Holdings (No. 2) Limited owned 100% of the shares of NPI Limited and was able to exercise 100% of the voting power at any general meeting.

2. Phoenix Life Holdings Limited

As at 31 December 2009, Phoenix Life Holdings Limited owned 100% of the ordinary shares of Pearl Group Holdings (No. 2) Limited, a company of which NPI Limited is a subsidiary undertaking, and was able to exercise 100% of the voting power at any general meeting.

3. PGH (LCA) Limited

As at 31 December 2009, PGH (LCA) Limited owned 50% of the ordinary shares of Phoenix Life Holdings Limited, a company of which NPI Limited is a subsidiary undertaking, and was able to exercise 50% of the voting power at any general meeting.

Returns under the Accounts and Statements Rules

Statement of additional information on controllers required by rule 9.30

NPI LIMITED

Global Business

Financial year ended 31 December 2009

(continued)

4. PGH (LCB) Limited

As at 31 December 2009, PGH (LCB) Limited owned 50% of the ordinary shares of Phoenix Life Holdings Limited, a company of which NPI Limited is a subsidiary undertaking, and was able to exercise 50% of the voting power at any general meeting.

5. Phoenix Group Holdings (formerly Pearl Group)

Phoenix Group Holdings owned 100% of the ordinary shares of PGH (LCA) Limited and 100% of the ordinary shares of PGH (LCB) Limited, which between themselves own 100% of the ordinary shares of Phoenix Life Holdings Limited, a company of which NPI Limited is a subsidiary undertaking, and was able to exercise 100% of the voting power of PGH (LCA) Limited and 100% of the voting power of PGH (LCB) Limited at any general meeting.

6. Xercise Limited

As at 31 December 2009, Xercise Limited owned 10.66% of the share capital of Phoenix Group Holdings, a company of which NPI Limited is a subsidiary undertaking, and was able to exercise 10.66% of the voting power at any general meeting.

7. TDR Capital Nominees Limited

As at 31 December 2009, TDR Capital Nominees Limited owned 13.24% of the share capital of Phoenix Group Holdings, a company of which NPI Limited is a subsidiary undertaking, and was able to exercise 13.24% of the voting power at any general meeting.

8. TDR Capital LLP

As at 31 December 2009, TDR Capital Nominees Limited, which is an associate of TDR Capital LLP within the meaning of the Financial Services and Markets Act 2000 by virtue of being a subsidiary undertaking, acted as a nominee for the TDR funds and owned 13.24% of the share capital of Phoenix Group Holdings, a company of which NPI Limited is a subsidiary undertaking, and was able to exercise 13.24% of the voting power at any general meeting.

NPI LIMITED

Appendix 9.4

Abstract of Valuation Report

Introduction

- (1) The date of the actuarial investigation (the valuation date) is 31 December 2009.
- (2) The date of the previous actuarial investigation under rule 9.4 was 31 December 2008.
- (3) Since the previous valuation date, there have been no interim valuations (for the purposes of rule 9.4).

Product range

- On 1 October 2006, under the terms of Part VII of the Financial Services and Markets Act 2000, all the long term insurance business of Pearl Assurance (Unit Funds) Limited, Pearl Assurance (Unit Linked Pensions) Limited, and London Life Linked Assurances Limited was transferred to NPI Limited.

Throughout the rest of this report, "PAUF" refers to the business transferred from Pearl Assurance (Unit Funds) Limited, "PAULP" refers to the business transferred from Pearl Assurance (Unit Linked Pensions) Limited, "LLLA" refers to the business transferred from London Life Linked Assurances Limited, and "NPIL" refers to the business already being conducted by NPI Limited at the time of the transfer.

There were no significant changes to NPIL, PAUF, PAULP, or LLLA products during the financial year.

Discretionary charges and benefits

- (1) Market value reductions ("MVRs") were applied on NPIL business as follows:

Product	Premium Investment Date	Period applied
Portfolio Bond Series 1	Jan 2000 to Jun 2002	Throughout 2009
	Jul 2002 to Sep 2002	Until 29 Sep 2009
	Oct 2002 to Mar 2003	1 Apr 2009 to 29 Sep 2009
	Apr 2003 to Jun 2005	Until 29 Sep 2009
	Jul 2005 to Sep 2008	Throughout 2009
	Oct 2008 to Dec 2008	1 Apr 2009 to 29 Sep 2009
Portfolio Bond Series 2	Jan 2000 to Jun 2002	Throughout 2009
	Jul 2002 to Sep 2002	Until 29 Sep 2009
	Oct 2002 to Mar 2003	1 Apr 2009 to 29 Sep 2009
	Apr 2003 to Jun 2005	Until 29 Sep 2009
	Jul 2005 to Sep 2008	Throughout 2009
	Oct 2008 to Dec 2008	1 Apr 2009 to 29 Sep 2009

Investment Bond	Oct 2000 to Jun 2002	Throughout 2009
	Jul 2002 to Mar 2005	Until 29 Sep 2009
	Apr 2005 to Sep 2008	Throughout 2009
	Oct 2008 to Dec 2008	1 Apr 2009 to 29 Sep 2009
Socially Responsible Investment Bond	Oct 2000 to 16 Sep 2001	Throughout 2009
	17 Sep 2001 to Jun 2002	Until 29 Sep 2009
	Jan 2005 to Jun 2005	Until 29 Jun 2009
	Jul 2005 to Dec 2005	Until 29 Sep 2009
	Jan 2006 to Jun 2008	Throughout 2009
	Jul 2008 to Sep 2008	Until 29 Sep 2009
	Oct 2008 to Dec 2008	1 Apr 2009 to 29 Jun 2009
Pensions business (excluding Capital Account)	Jan 2000 to Jun 2002	Throughout 2009
	Jul 2002 to Jun 2005	Until 29 Sep 2009
	Jul 2005 to Sep 2008	Throughout 2009
	Oct 2008 to Dec 2008	1 Apr 2009 to 29 Sep 2009
Socially Responsible With-profit Pensions business	Feb 2001 to Mar 2002	Throughout 2009
	Apr 2002 to Jun 2002	Until 29 Sep 2009
	Oct 2004 to Dec 2004	1 Apr 2009 to 29 Jun 2009
	Jan 2005 to Jun 2005	Until 29 Jun 2009
	Jul 2005 to Dec 2005	Until 29 Sep 2009
	Jan 2006 to Sep 2008	Throughout 2009
	Oct 2008 to Dec 2008	1 Apr 2009 to 29 Jun 2009

(2) There are no such policies.

(3) There are no such policies.

(4) Policy fees on NPIL linked policies were not increased during the year.

Policy fees on PAULP Prosperity Personal Pension Version 1 policies were increased by 3.6% on 1 January 2009 in line with the July 2007 to July 2008 increase in the National Average Earnings Index.

(5) During the financial year benefit charges on linked business remained unchanged.

(6) During the financial year, unit management charges for accumulating with-profits and linked business remained unchanged.

- (7) (a) Units are of two main types. They are called initial and ordinary in NPIL and the corresponding types are capital and accumulation in PAUF and PAULP. LLLA has only accumulation units. The following method applies to all units.
- (i) The creation unit price is determined by valuing the assets at the offered dealing price including all costs that would be incurred in buying assets and net of charges and deductions, if any, for tax. This total is divided by the number of units. The cancellation unit price is calculated by valuing the assets at the price at which they could be sold and deducting the dealing costs, management charges and taxes if applicable. This total is divided by the number of units.
 - (ii) The offer price is determined as the creation or cancellation price divided by 95%, plus any rounding adjustment. Units are cancelled at 95% of the offer price less any rounding adjustment. For the NPIL Pooled Managed Fund, which has a 1.75% bid-offer spread the 95% used in the calculation of the offer and bid prices, is replaced by 98.25%. Similarly, where there is no bid-offer spread the 95% is replaced by 100%.
 - (iii) Units are allocated to policies at the offer price and cancelled at the bid price.
 - (iv) The assets of the internal linked funds are valued at noon on each working day. If markets move significantly between noon and 4 pm, allowance for this market movement is made. This market adjustment is made automatically every day for LLLA business.
- (b) All internal linked funds are valued on a bid basis as the expected cash flows are negative for all asset categories. The valuation includes the income since the last valuation and allowances for tax on income and realised and unrealised capital gains.
- (c) Where the funds invest in unit trusts or open-ended investment companies the units are valued at the price at which NPI Limited would have been able to buy the investments. To ensure that unit holders are not subject to two sets of initial charges arrangements are in place to ensure that the unit trust investments are undertaken free of any manager's initial charges.

- (8) Tax on realised and unrealised gains and losses is accrued daily in the internal linked Life funds. Gains in Life equity funds are index-adjusted. There are no tax accruals in Pension funds.

The table below summarises the current Life tax rates and the times at which the accruals are cleared.

Fund Type	Realised Gains	Unrealised Gains	Realised Losses	Unrealised Losses
Net Priced Equity (PAUF & NPIL)	19.9%	18.8%	19.9%	18.8%

Accruals for realised gains and losses in Net Priced Equity funds are cleared at the end of each month.

Accruals for unrealised gains and losses are cleared at the end of each financial year under the "deemed disposal" regime. The tax rate used for this purpose at the end of 2009 was 18.8%.

All LLLA Life equity and some NPIL Life equity funds have accumulated capital losses and their tax rates are currently nil.

Net Priced Fixed Interest (PAUF, NPIL, LLLA)	20%	20%	20%	20%
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Fixed Interest tax accruals are cleared at the end of each month.

- (9) See (8) above.

- (10) The internal linked funds receive an initial charge discount and an annual management charge rebate when purchasing, selling or holding units in collective investment funds. This ensures that the policyholder is not subject to two sets of charges.

Valuation basis (other than for special reserves)

4. (1) The general principles and methods adopted in the valuation are:

Non-Linked Business

Mathematical reserves have been determined using a gross premium method except as mentioned below.

Some non-profit assurances have been valued using the net premium method of valuation. It is unmodified, except that:

- (i) Policies subject to an extra premium are valued as if effected at the standard premium and a further provision of one year's extra office premium is held.
- (ii) If the net premium on the valuation basis exceeds the office premium, the premium valued is the office premium.
- (iii) For classes of business where the difference between the office premium and the net premium is considered insufficient to cover future expenses an additional reserve is held.

A provision for the immediate payment of claims is made.

A reserve for policies where premiums are unpaid is held. This reserve is equivalent to the normal net premium reserve assuming premiums are paid to date, less the outstanding office premiums.

All deferred annuities with a return on death are valued ignoring mortality before vesting.

The amount of the gross mathematical reserve for unitised with-profit, unitised Socially Responsible with-profit, and capital accounts is calculated as follows:

- (i) The present value of the units is determined by accumulating the existing units at the guaranteed minimum bonus rates to the retirement date for Pensions, or over the expected lifetime of the policyholder for Life, and discounting the resulting sum at the valuation rate of interest. Under Portfolio Bond 2 any guaranteed bonus payable at the first policy anniversary, if it has not yet been reached, any remaining fees due in the first five years, and the additional bonus payable at the fifth policy anniversary and every five years thereafter are all taken into account. Under PPP Series 2 and FIP (nil bid-offer spread version) the number of existing units is increased by the number of loyalty bonus units due at the retirement date.

For regular premium policies the units that will be bought from future premiums are accumulated at the guaranteed minimum bonus rates to the retirement date and discounted at the valuation rate of interest. From this the value of the future premiums less future commission (discounted at the valuation rate of interest) is deducted. Allowance is made for the possibility that the policy is made paid-up, and hence future premiums not paid, in these calculations.

- (ii) An expense reserve is calculated by applying an annuity factor for the appropriate term to the expense provision, net of a prudent allowance for charges recoverable. The annuity factor is calculated at a rate of interest that allows for future inflation at an assumed rate. An extra reserve for any future fund based renewal commission is added, if appropriate.

Index Linked Business

Mathematical reserves have been determined using a gross premium method.

Property Linked Business

Mathematical reserves have been determined by valuing the units allocated to policies and adding a non-unit reserve for mortality and expenses.

The non-unit reserve is calculated using a discounted cashflow approach. Where the projected cashflows show no future shortfall in any year there is no recourse to additional finance and no sterling reserve is required. Where the projection produces a shortfall, the discounted value of the cashflows is calculated. This is the sterling reserve required to ensure that no recourse to additional finance is required.

(2) The valuation rates of interest are:

Product Group	2009	2008	Product Code
NPIL Life non profit	3.00%	3.43%	435, 440, 790, 800
NPIL Life sterling reserves	3.00%	2.60%	700, 715
NPIL Pension non profit	4.40%	4.30%	390, 400, 435, 440, 790, 800
NPIL Pension sterling reserves	3.70%	3.30%	725, 735, 750, 755, 790, 795, 800
NPIL Life unitised with profit	3.00%	2.60%	500, 610
NPIL Pension unitised with profit	4.30%	4.50%	525, 535, 570, 605
NPIL level annuities	4.40%	4.30%	395, 400
NPIL index linked annuities	3.60%	3.15%	905
PAUF sterling reserves	3.00%	2.60%	700, 710, 715, 720
PAULP sterling reserves	3.70%	3.30%	725
PAULP level annuities	4.55%	4.68%	400
PAULP index linked annuities	4.55%	4.68%	905
LLLA sterling reserves	3.00%	2.60%	700, 710

- (3) Yields on other fixed interest or variable yield securities were reduced to allow for the risk of default while retaining some margin over gilt yields for reduced liquidity of corporate bonds.

For corporate bonds, a deduction was applied to the yield on a stock by stock basis to allow for default risk. The risk margins were calculated as long-term average default rates plus allowances for short-term factors and expected deviations from the historic average.

Additional prudence was applied to all but the "already defaulted" stocks by increasing the risk margin deduction by 25%.

The long term average default rates (in basis points) thus obtained were:

Rating	5yr bps	10yr bps	20yr bps
AAASSR	-	-	-
AAA	-	-	-
AA	-	42	65.9
A	36.1	58.3	85.1
BAA	104.5	130.4	140.8
BA	321.3	91.5	-
B	-	-	-
BB	-	-	151.1
BBB	104.5	130.4	130.4

A number of different techniques were then employed to produce further adjustments:

- For bank subordinated debt, a higher risk is recognised by imposing nil recovery rates on the above default rates. For banks receiving state aid, there is some additional deduction depending on whether the coupons can be missed or deferred without interest.
- Subordinated debt attracts deductions based on the seniority rating of the issuer rather than the ratings of the bonds themselves.
- Stocks were then 'notched' downwards if the credit ratings were considered inappropriate (after analysis of the current market spread and other factors).

There are no significant equity or property holdings in NPI Limited other than those held in linked funds. Yields on equities are taken to be the same as those on the unit trust holdings.

(4) The mortality bases⁽¹⁾ are:

Product Group	2009		2008		Product Code
	Males	Females	Males	Females	
NPIL Pre-vesting					
All business	100% AM92	100% AF92	100% AM92	100% AF92	All
NPIL Post-vesting/In payment					
Pension annuities	85% RMV00 ⁽²⁾	104% RFV00 ⁽²⁾	107.5% RMV92 ⁽⁵⁾	107.5% RFV92 ⁽⁵⁾	390, 400, 905
Pensions deferred annuities	85% RMV00 ⁽²⁾	104% RFV00 ⁽²⁾	107.5% RMV92 ⁽⁵⁾	107.5% RFV92 ⁽⁵⁾	390
Group GAF annuities	85% RMV00 ⁽²⁾	104% RFV00 ⁽²⁾	107.5% RMV92 ⁽⁵⁾	107.5% RFV92 ⁽⁵⁾	395
Life/IRS/Individual GAF annuities	100% IML92 ⁽³⁾	100% IFL92 ⁽⁴⁾	100% IML92 ⁽³⁾	100% IFL92 ⁽⁴⁾	395,905
Life deferred annuities	100% IML92 ⁽³⁾	100% IFL92 ⁽⁴⁾	100% IML92 ⁽³⁾	100% IFL92 ⁽⁴⁾	390
PAUF Single Premium	95% AMC00	95% AFC00	95% AMC00	95% AFC00	700
PAUF Regular Premium	116% AMC00	116% AFC00	116% AMC00	116% AFC00	710, 715, 720
PAULP linked products	79% AMC00	79% AFC00	79% AMC00	79% AFC00	725
PAULP immediate annuities	104% RMV00 ⁽²⁾	118% RFV00 ⁽²⁾	102.5% RMV00 ⁽⁵⁾	115% RFV00 ⁽⁵⁾	400, 905
LLLA all business	100% A67/70	100% A67/70 rated down 4 years	100% A67/70	100% A67/70 rated down 4 years	700, 710

Notes:

1. Ultimate mortality has been used in all cases.
2. CMI 2009 improvements: 3.25% for ages up to age 60, reducing linearly to 0% at age 120.
3. Annual improvements: average of Medium and Long cohort improvements, with 1.5% floor.
4. Annual improvements: 75% of average of Medium and Long cohort improvements, with minimum of the CMI17 floor and 1.25%.
5. Maximum of the average of (Medium and Long cohort) improvements with a floor of 3% if aged 60 or less reducing linearly down to 0% aged 110.

For annuity contracts, life expectations in years for males are:

Product Group	Annuities in payment		Deferred annuities: life expectation at age 65	
	Age 65	Age 75	Age 45	Age 55
NPIL				
Pensioners annuities	24.7	15.4		
Group GAF annuities	24.7	15.4		
Life/IRS/Ind GAF annuities	23.7	14.7		
Life deferred annuities			26.5	25.1
Pensions deferred annuities			27.8	26.2
PAULP				
Immediate annuities	22.8	13.8		

For annuity contracts, life expectations in years for females are:

Product Group	Annuities in payment		Deferred annuities: life expectation at age 65	
	Age 65	Age 75	Age 45	Age 55
NPIL				
Pensioners annuities	26.0	16.1		
Group GAF annuities	26.0	16.1		
Life/IRS/Ind GAF annuities	25.2	15.8		
Life deferred annuities			27.4	26.3
Pensions deferred annuities			28.9	27.5
PAULP				
Immediate annuities	24.9	15.2		

- (5) There are no products representing a significant amount of business that require a morbidity basis.

(6) The expense bases (before allowance for 20% tax relief on Life business) are:

Product Group	£ Per Policy (p.a.)		% of Assets under Management (p.a.)		Product Code
	2009	2008	2009	2008	
NPIL					
UWP Life Bonds	49.98	49.50	n/a	n/a	500
UWP Pension Sing Prem	59.89	59.30	0.53	0.59	525
UWP Pension Reg Prem	32.67	32.34	0.53	0.59	535
UL Life Bonds	18.57	18.39	0.86	0.75	700
UL Life increments	18.57	18.39	0.60	0.50	700
UL Pension Sing Prem	24.05	23.80	0.44	0.44	725
UL Pension Reg Prem	24.05	23.80	0.44	0.44	725
UL Grp Pension Sing Prem	24.05	23.80	0.44	0.44	735
UL Grp Pension Reg Prem	24.05	23.80	0.44	0.44	735
UL Pensions increments	24.05	23.80	0.25	0.28	735
Immediate Annuities	26.17	25.91	0.08	0.08	400, 905
PAUF					
UL Life Reg Prem	20.84	20.30	0.85	0.77	710, 715, 720
UL Life Sing Prem	20.84	20.30	0.85	0.77	700
PAULP					
UL Pension Reg Prem	25.95	25.26	0.48	0.44	725
UL Pension Sing Prem	25.95	25.26	0.48	0.44	725
Immediate Annuities	24.01	24.73	0.14	0.14	400, 905
LLLA					
Unit Linked	40.48	39.42	0.51	0.46	700, 710

The "% of Assets under Management" figures above include investment management expenses.

The figures in the table above are before any tax relief, which is applied at 20% for non-annuity Life business. There is no tax relief applied to Life annuity business or Pension business.

(7) Unit Growth, Expense Inflation, and Policy Fee inflation rates are:

Product Group	Gross Unit Growth Rate (% p.a.)		Expense Inflation Rate (% p.a.)		Policy Fee Inflation Rate (% p.a.)		Product Code
	2009	2008	2009	2008	2009	2008	
	NPIL						
UWP	n/a	n/a	4.6	3.0	3.2	1.6	500, 525, 535, 570
Unit Linked	4.9	4.2	4.6	3.0	3.2	1.6	700, 715, 725, 735, 750, 755, 795
Immediate Annuities	n/a	n/a	4.6	3.0	n/a	n/a	400, 905
PAUF							
Unit Linked	4.9	4.2	3.6	2.0	n/a	n/a	700, 710, 715, 720
PAULP							
Unit Linked	4.9	4.2	3.6	2.0	3.7	2.1	725
Immediate Annuities	n/a	n/a	3.9	3.1	n/a	n/a	400, 905
LLLA							
Unit Linked	4.9	4.2	3.6	2.0	n/a	n/a	700, 710

The unit growth rates for Life business are reduced to allow for tax at the nominal rate of 20%, adjusted to allow for franking of UK dividends and indexation relief on equity capital gains.

- (8) All with-profits business is reinsured, so the future bonus assumptions are not relevant. In calculating the gross and reinsurance ceded reserves the assumption is that existing unit values are accumulated at any guaranteed minimum bonus rates. Under Portfolio Bond 2 any guaranteed bonus payable at the first policy anniversary, if it has not been reached, and the additional bonus payable at each fifth policy anniversary are all taken into account. Under PPP Series 2 and FIP (nil bid-offer spread version) the number of existing units is increased by the loyalty bonus units due at retirement date.

(9) A summary of the lapse, surrender, and paid-up assumptions is:

Product Group	Decrement Type	Average lapse/ surrender/ paid-up rate for the policy years (% p.a)			
		1-5	6-10	11-15	16-20
NPIL					
Life					
• All business	Surrender	0	0	0	0
• All business	Automatic withdrawals	1.00	1.00	1.00	1.00
Pension					
• UWP indiv regular premium	Paid-Up	15.0	15.0	15.0	15.0
• UWP indiv regular premium	Surrender	0.0	0.0	0.0	0.0
• UWP indiv single premium	Surrender	0.0	0.0	0.0	0.0
• UL indiv regular premium	Paid-Up	15.0	15.0	15.0	15.0
• UL indiv regular premium	Surrender	3.8	3.8	3.8	3.8
• UL group regular premium	Paid-Up	33.0	33.0	33.0	33.0
• UL group regular premium	Surrender	4.3	4.3	4.3	4.3
• UL indiv single premium	Surrender	3.8	3.8	3.8	3.8
PAUF (all Life)					
UL savings endowment	Surrender	4.0	4.0	4.0	4.0
UL target cash endowment	Surrender	4.0	4.0	4.0	4.0
UL bond	Surrender	4.0	4.0	4.0	4.0
UL bond	Automatic withdrawals	2.2	2.2	2.2	2.2
PAULP (all Pension)					
UL indiv regular premium	Paid-Up	10.5	10.5	10.5	10.5
UL indiv regular premium	Surrender	1.5	1.5	1.5	1.5
UL indiv single premium	Surrender	1.0	1.0	1.0	1.0
LLLA (all Life)					
UL bond	Surrender	3.75	3.75	3.75	3.75
UL bond	Automatic withdrawals	0	0	0	0

(10) Other material basis assumptions:

(i) Tax rates on investment income are:

Type of business	2009	2008
UK Life – UK dividend income	0%	0%
UK Life – income from assets backing life annuities	0%	0%
UK Life – other income	20%	20%
UK Pensions – all income	0%	0%

(11) Derivative contracts may be held within some of the collective investment schemes in which the unit-linked funds invest. Their market value is reflected within the unit liabilities.

NPI Limited has purchased an inflation hedge to protect its realistic per policy expense cash flows (defined in terms of its Management Services Agreement with Pearl Group Services Limited). The derivation of the expense inflation assumptions allows for this hedge.

Derivatives were allowed for in determining the liability for guaranteed annuity options, as described below.

(12) Changes were shown at 31 December 2007.

Options and guarantees

5. (1) (a) The guaranteed annuity option reserve (which applies only to PAULP business written before 25 October 1985) is calculated by valuing a portfolio of swaptions whose payoffs replicate the excess of the guaranteed annuity payments over the expected annuity payments from the contracts that have this option.

The expected annuity rate takes into account the annuity pricing basis and choices of retirement age, tax free cash percentages, escalation rate and guarantee period; it is also calculated using interest rates derived from a properly calibrated model of future risk free yields from the gilts market.

The valuation is calculated at individual policy level and allows for the take up rate of the guarantee and the terms of the guarantee.

- (b) The reserve for the annuity rate guarantee reinsured into Pearl Assurance plc has been determined in accordance with the basis set out below:

Assumption	2009	2008
Surrender Rate	2% single premium 0.88% regular premium	2% single premium 0.88% regular premium
Take up Rate	100%	100%
Rate of interest	Min (Gilts, LIBOR)	BoE Gilts spot curve
Mortality in payment	104.0% RMV00 ⁽¹⁾ 118.0% RFV00 ⁽¹⁾	102.5% RMV00 ⁽¹⁾ 115.0% RFV00 ⁽¹⁾
Expected annuity guarantee periods	0 years 55% 5 years 10% 10 years 35%	0 years 50% 5 years 15% 10 years 35%
Tax free lump sum	10% decreasing at 0.25% p.a. to 5% after 20 years	10% decreasing at 0.25% p.a. to 5% after 20 years
Retirement Rates	See below	See below

Notes:

1. CMI 2009 improvements: 3.25% for ages up to age 60, reducing linearly to 0% at age 120.

Retirement Rates

The following proportions of policyholders retiring at each possible retirement age have been assumed:

Age Attained	2009	2008
60	27%	15%
61	7%	2%
62	6%	2%
63	6%	2%
64	12%	2%
65	67%	40%
66	18%	10%
67	12%	2%
68	12%	2%
69	11%	2%
70	16%	5%
71	11%	5%
72	6%	2%
73	5%	2%
74	24%	2%
75	100%	100%

Note:

1. Or current age, if older

Details of the products concerned are summarised below:

Product Names	Retirement Bonds, Retirement Plans
Product Code	725
Basic Reserve	£59.0 million
Spread of outstanding durations	Gradual run-off, mean term of 12 years
Guarantee Reserve	£27.6 million
GAR (% of fund for 65 year old male)	10%
Increments Allowed?	No
Form of Annuity	Single life, monthly in advance, level annuity, 0, 5 or 10 year guarantee period
Retirement Ages	60-75

- (2) The only unit linked investment performance guarantee is that the value of units invested in any of the NPIL or LLLA Deposit funds is guaranteed not to fall. No explicit additional provision has been established as the cost of the guarantee has been assessed as immaterial.

There are no other guaranteed surrender or maturity unit-linked values.

- (3) There are no guaranteed insurability options.
- (4) (a) Additional provision has been made of £1.9 million for guaranteed minimum pension (GMP) guarantees in respect of transfers from contracted out schemes.
- (b) A reserve has been made for guaranteeing benefits in respect of certain PAULP Personal Pension policyholders where failure to adhere to the best advice rules may have occurred.

The following method is used to determine the reserve:

- (1) For cases that have been given a guarantee: on a case by case basis using the actual information available to calculate or estimate the liability period, current salary, policy value offsets and thus calculate the overall liability. All the calculations assume a model pension scheme benefit rather than the actual scheme benefits of the fund of which the policyholder was or could have been a member.

- (2) For other cases which have not been given a guarantee, or where the guarantee has been satisfied but where the internal accounting on the case is not yet finally complete: by allocating a notional settlement cost as necessary to each case on the basis of a potential liability period, or if this is unknown, an appropriate average liability period. The notional settlement cost per year of liability period is appropriately determined from recent settlement statistics.

This reserve has been determined in accordance with the basis set out below:

Assumption	2009	2008
Real rate of interest	-0.60% p.a.	-0.50% p.a.
Real rate of salary inflation (including an allowance for salary progression)	1.85% p.a.	1.5% p.a.
Expense loading for annuity in payment	15.0%.	15.0%.
Mortality in deferment	79% AM/AFC00 ultimate	79% AM/AFC00 ultimate
Mortality in payment	104.0% RMV00 ⁽¹⁾ 118.0% RFV00 ⁽¹⁾	102.5% RMV00 ⁽¹⁾ 115.0% RFV00 ⁽¹⁾
Percentage assumed married	100%	100%
Allowance for future service	Up to 14 years for those unable to rejoin their pension scheme	Up to 14 years for those unable to rejoin their pension scheme

Notes:

1. CMI 2009 improvements: 3.25% for ages up to age 60, reducing linearly to 0% at age 120.

50% of the cost of this reserve is reinsured to Pearl Assurance plc. The liability (net of reinsurance) is £23 million, including an allowance for future expenses and policies where the compensation process is yet to be completed. The basic reserve to which this additional amount applies is £191 million.

Expense reserves

6. (1) The aggregate amounts of expense loadings, grossed up for taxation where appropriate, expected to arise during the 12 months from the "valuation date" are:

Homogeneous Risk Group	Implicit Allowances £M	Explicit Allowances (Investment) £M	Explicit Allowances (Other) £M	Non-attributable Expenses £M	Total £M
NPIL					
Non-unitised business	0.791	0.000	2.733	0.397	3.921
Unitised business	0.004	5.641	2.485	0.433	8.563
PAUF					
Direct business	0.189	1.082	1.114	0.158	2.543
Reinsured In business	0.007	0.042	0.041	0.006	0.096
PAULP					
Direct business	0.340	1.495	1.630	0.283	3.748
LLLA					
Direct business	0.108	0.551	0.191	0.090	0.940
Reinsured In business	0.013	0.066	0.013	0.011	0.103
Total	1.452	8.877	8.207	1.378	19.914

- (2) Non-linked, non-profit business has been valued using the net premium method of valuation. The implicit allowance for expenses has been taken as the difference between the office premium and the net premium calculated on the valuation basis. Where the net premium on the valuation basis is greater than the actual office premium, the premium valued is the office premium. For classes of business where the difference between the office premium and the net premium is considered insufficient to cover future expenses an additional reserve has been established. Investment expense allowances are implicitly calculated by a margin in the valuation interest rate.
- (3) There is no significant difference between the allowance for maintenance expenses shown above and those shown in Form 43.
- (4) NPI Limited has ceased to write new business, except for annuities arising from maturing policies and annuity business and incremental linked business reassured from National Provident Life Limited, Pearl Assurance plc, and London Life Limited. No new business expense overrun reserve is held owing to the management services agreement in place with Pearl Group Services Limited.
- (5) The company is largely closed to new business and the future volume of business will be significantly less than that assumed when the expense charges were agreed with Pearl Group Services Limited. There is a risk the unit costs will be higher than that expected and this cost could be passed on to NPI Limited. A 5% prudent margin is applied to the contractual per policy expenses agreed with Pearl Group Services Limited to cover this risk.
- (6) The reserve for non-attributable expenses was determined by expressing a prudent estimate of future non-attributable expenses as a percentage of funds under management for each homogeneous risk group and verifying, for each homogenous risk group, that:
- if negative reserves were permitted, and
 - the non-unit reserve with allowance for non-attributable expenses for each homogeneous risk group was negative;
- and therefore the non-attributable expenses need not be explicitly allowed for in setting the reserves for that homogeneous risk group.

Accordingly, the reserve for non-attributable expenses for each homogenous risk group in the table in 6(1) above is nil.

Mismatching reserves

7. (1) All liabilities and assets are denominated in sterling.
- (3) No currency mismatch reserve is held.
- (4) The more onerous scenario under INSPRU 3.1.16R for assets invested in the United Kingdom and other assets that fall under this rule for the purposes of calculating the resilience capital requirement is described below:
- (i) a fall in the market value of equities of at least 10% or, if greater, the lower of:
- (a) a percentage fall in the market value of equities which would produce an earnings yield on the FTSE Actuaries All Share Index equal to 4/3rds of the long-term gilt yield; and
 - (b) a fall in the market value of equities of 25% less the equity market adjustment ratio;
- This resulted in a fall of 20.3%.
- (ii) a fall in real estate values of 20% less the real estate market adjustment ratio for an appropriate real estate index;
- This resulted in a fall of 10.7%.
- (iii) a fall in yields on all fixed interest securities by a percentage point amount equal to 20% of the long-term gilt yield.
- This resulted in a fall of 89 basis points.
- (5) All assets invested outside the UK were fixed-interest securities denominated in sterling so the United Kingdom fall in fixed interest yields was used as the nearest equivalent.
- (6) (a) The amount of the resilience capital requirement is £5.1 million.
- (b) Under the more onerous scenario the long term insurance liabilities rose by £48.1 million.
- (c) Under this scenario, the value of assets allocated to match these liabilities rose by £43.0 million.
- (7) No further reserve is held as a result of the test on assets in INSPRU 1.1.34R(2).

Other significant special reserves

8. Provision for reasonably foreseeable adverse variations

This provision is for "shared reversion" assets refinanced to a subsidiary of Abbey National Group plc ("Abbey National"). NPI Limited has undertaken to indemnify Abbey National against losses arising from mortality or surrender experience which differs from the basis used to determine the terms of the refinancing. NPIL is also liable for the first 7% of any underperformance relative to the regional Halifax house price indices on property sales. The best estimate mortality basis has changed since the refinancing began, and so an accounting provision is first calculated using surrender and mortality assumptions which are intended to be slightly more prudent than the best estimate assumptions. The amount of this accounting provision is £25.8 million.

The provision is then recalculated using the regulatory valuation assumptions together with a more prudent (higher) projection rate and greater assumed underperformance compared with the Halifax regional price index. The difference between the recalculated provision and the accounting provision described above is shown in Form 14 as a provision for reasonably foreseeable adverse deviation. The amount of this additional provision is £7.0 million.

Reinsurance counterparty risk

A reserve of £8.4 million has been made to cover the counterparty risk associated with Opal Reassurance Limited.

INSPRU 1.2.80G requires a margin to be held against the risk of default by a reinsurer i.e. the risk that Opal Reassurance Limited will be unable to make its reinsurance payments. The reserve is calculated by applying a probability of default on the difference between mathematical reserves ceded reduced by liquidity premium calculated on a prudent basis and the Opal collateral assets.

Reinsurance

9. (1) There were no reinsurance arrangements on a facultative basis in force at any time during the period of the report with any company not authorised to carry on insurance business in the United Kingdom.

(2) (a) – (k) The material treaty reinsurances in force at the valuation date are summarised below.

Reinsurer	Nature and Extent of the Cover	Premium	Premium Withheld	Closed to New Business?	Amount of any Un-discharged Obligation	Math-ematical Reserves Ceded	Retention by the Insurer
		£M	£M			£M	
Pearl Assurance plc	NPIL Life unitised with profit fully reinsured on original terms except for MVRs on Portfolio Bond 1 switches from unitised with profit to unit-linked	Nil	Nil	Yes	Nil	116.5	Nil
Pearl Assurance plc	NPIL Pensions unitised with-profit and capital account fully reinsured on original terms	0.5	Nil	Yes	Nil	74.0	Nil
Pearl Assurance plc	PAULP Personal Pensions Guarantees	Nil	Nil	No	Nil	22.7	Nil
Pearl Assurance plc	PAULP Immediate Annuities in payment and Guaranteed Annuity Rates	7.4	Nil	No	Nil	92.6	Nil
Opal Reassurance Limited	NPIL Pension Immediate Annuities in payment	Nil	513.7	Yes	Nil	538.0	Nil

- (l) Pearl Assurance plc is authorised to carry on insurance business in the United Kingdom. Opal Reassurance Limited is not authorised to carry on insurance business in the United Kingdom.
- (m) NPI Limited, Pearl Assurance plc, and Opal Reassurance Limited are part of The Pheonix Group of companies.
- (n) No treaty is subject to any material contingencies such as credit or legal risk.
- (o) No reinsurance commission is payable on any of the treaties above.
- (p) No treaty is a "financing arrangement".

Reversionary (or annual) bonus

10. (1) The following table sets out the annual bonus rates for each class of business:

Bonus Series	31 Dec 2009 Basic mathematical reserve £000	31 Dec 2009 Reversionary bonus %	31 Dec 2008 Reversionary bonus %	31 Dec 2009 Total guaranteed bonus %	Product Code
WP09L, WP10L (Portfolio Bond 1b & 2)	8,955	1.00%	1.00%	-	500
WP11L EWP1L Series 1 (Investment Bond)	107,520	1.00%	1.00%	-	500
WP05P, CA05P, EWP1P Series 2 (PPP (Series 2), Flexible PPP FSAVC, FIP, FIP (nil bid-offer spread version), PRA and PTP)	26,428	1.50% ⁽¹⁾ 3.25% ⁽²⁾	1.50% ⁽¹⁾ 3.25% ⁽²⁾	-	525, 570
WP07P, CA07P, EWP1P Series 4 (FIP and Flexible PPP (AMC only versions))	273	1.76% ⁽¹⁾ 3.51% ⁽²⁾	1.76% ⁽¹⁾ 3.51% ⁽²⁾	-	525, 570
WP06P, CA06P, EWP1P Series 3 (New Approach PPP, FSAVC and EPP)	765	2.37% ⁽¹⁾ 4.14% ⁽²⁾	2.37% ⁽¹⁾ 4.14% ⁽²⁾	-	525
Funds 19, 20 and 35 (with underlying AMC of 1%) (GMP, VGPP, GAVC and TTP)	45,199	1.50% ⁽¹⁾ 3.25% ⁽²⁾	1.50% ⁽¹⁾ 3.25% ⁽²⁾	-	535

Notes:

1. Bonus rates suffixed with (1) applied to units invested in the unitised with-profit account (e.g. WP05P) and the socially responsible with-profit account (e.g. EWP1P) where applicable.
2. Bonus rates suffixed by (2) applied to units invested in the unitised capital account (e.g. CA05P).
3. All bonus rates are the compound increases in unit price during the year.
4. For GMP, VGPPP, GAVC, TTP, and PTP unitised with-profit accounts and capital accounts with other rates of underlying annual management charge (AMC), the bonus rate was determined by the following formulae:

$$(1.015 / 0.99) \times (1 - a) - 1 \text{ for unitised with-profit accounts}$$

$$(1.0325 / 0.99) \times (1 - a) - 1 \text{ for capital accounts}$$

where "a" was the level of AMC and the result was rounded to a percentage with two decimal places.

The basic mathematical reserves in the above tables are the gross mathematical reserves calculated in accordance with paragraph 4 and exclude the special reserves and capital requirements detailed in paragraphs 5 to 8.

Returns under the Accounts and Statements Rules

Statement of information on the actuary who has been appointed to perform the with-profits actuary function as required by rule 9.36

NPI LIMITED

Global Business

Financial year ended 31 December 2009

The with-profits actuary throughout the period was D Addison. In accordance with rule 9.36 of the Accounts and Statements Rules, the following information relating to Mr D Addison is in respect of the year 2009:

1. a) Mr Addison held no shares or share options in 2009.
b) Mr Addison had no transactions with the insurer throughout 2009.
c) The aggregate of the remuneration and value of other benefits receivable by Watson Wyatt Limited (Towers Watson Limited with effect from 31 March 2010), (the employer of Mr Addison), from the insurer during the period specified was £4,715,458 exclusive of VAT.
d) Mr Addison was not a member of any Pearl Staff Pension Scheme (NPI Limited being a subsidiary of Pearl Group Holdings (No. 2) Limited) in 2009 and was not entitled to any benefits under the rules of such scheme. Mr Addison did not therefore accrue pension benefits in such scheme throughout 2009.
2. The insurer has made a request to Mr Addison to furnish it the particulars specified in rule 9.36(1) of the Accounts and Statements Rules. The above particulars were obtained with the agreement of Mr Addison.

Note 1

Under rule 9.36(4) of the Accounts and Statements Rules, reference to the insurer includes reference to any body corporate which is the insurer's subsidiary undertaking or parent undertaking and to other subsidiary undertakings of its parent undertaking.

Note 2

Regarding Section 1(c) the remuneration details supplied relate to the contractual sums paid to Watson Wyatt Limited (Towers Watson Limited with effect from 31 March 2010) for the provision of actuarial services. These services include the performance of the with-profits actuary function by Mr D Addison.

Returns under the Accounts and Statements Rules

Certificate required by rule 9.34(1)

NPI LIMITED

Global Business

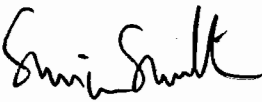
Financial year ended 31 December 2009

We certify that: -

1. (a) the return has been properly prepared in accordance with the requirements in IPRU(INS), GENPRU and INSPRU; and
(b) we are satisfied that:
 - (i) throughout the financial year in question, the insurer has complied in all material respects with the requirements in SYSC and PRIN as well as the provisions of IPRU(INS), GENPRU and INSPRU; and
 - (ii) it is reasonable to believe that the insurer has continued so to comply subsequently, and will continue so to comply in future.

2. (a) in our opinion, premiums for contracts of long-term business entered into during the financial year and the resulting income earned are sufficient, under reasonable actuarial methods and assumptions, and taking into account the other financial resources of the insurer that are available for the purpose, to enable the insurer to meet its obligations in respect of those contracts and, in particular, to establish adequate mathematical reserves;
(b) the sum of the mathematical reserves and the deposits received from reinsurers as shown in Form 14, constitute proper provision at the end of the financial year for the long-term insurance business liabilities (including all liabilities arising from deposit back arrangements, but excluding other liabilities which had fallen due before the end of the financial year) including any increase in those liabilities arising from a distribution of surplus as a result of an actuarial investigation as at that date into the financial condition of the long-term insurance business; and
(d) we have, in preparing the return, taken and paid due regard to-
 - (i) advice from every actuary appointed by the insurer to perform the actuarial function in accordance with SUP 4.3.13R; and
 - (ii) advice from every actuary appointed by the insurer to perform the with-profits actuary function in accordance with SUP 4.3.16AR.


M J Merrick
Chief Executive


J S B Smith
Director


J P Evans
Director

Date: 25 March 2010

Returns under the Accounts and Statements Rules

Certificate required by rule 9.34(1)

NPI LIMITED

Global Business

Financial year ended 31 December 2009

Note to the Directors' Certificate

1. Principles and Practices of Financial Management

Paragraph 2(c) which relates to the management of the with-profits fund in accordance with the Principles and Practices of Financial Management ("PPFM"), has been omitted from the Return due to certain minor instances where the management of the fund differed from the PPFM but these have not resulted in the unfair treatment of policyholders

Returns under the Accounts and Statements Rules

Independent auditors' report to the directors pursuant to rule 9.35

NPI LIMITED

Global Business

Financial year ended 31 December 2009

We have examined the following documents prepared by the insurer pursuant to the Accounts and Statements Rules set out in Chapter 9 of IPRU(INS) the Interim Prudential Sourcebook for Insurers, GENPRU the General Prudential Sourcebook and INSPRU the Prudential Sourcebook for Insurers ("the Rules") made by the Financial Services Authority under section 138 of the Financial Services and Markets Act 2000.

- Forms 2, 3, 13 to 17, 40 to 45, 48, 49, 58 and 60 (including the supplementary notes) ("the Forms");
- the statement required by IPRU(INS) rule 9.29 ("the statement"); and
- the report required by IPRU(INS) rule 9.31(a) ("the valuation report");

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

- Forms 46, 47, 50 to 55, 57, 59A and 59B (including the supplementary notes);
- the statements required by IPRU(INS) rules 9.30 and 9.36; and
- the certificate signed in accordance with IPRU(INS) rule 9.34(1).

This report is made solely to the insurer's directors, in accordance with IPRU(INS) rule 9.35. Our examination has been undertaken so that we might state to the insurer's directors those matters we are required by the Rules to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the insurer for our examination, for this report, or for the opinions we have formed.

Respective responsibilities of the insurer and its auditors

The insurer is responsible for the preparation of an annual return (including the Forms, the statement and the valuation report) under the provisions of the Rules. The requirements of the Rules have been modified by the directions referred to in supplementary note 0201. Under IPRU(INS) rule 9.11 the Forms, the statement and the valuation report are required to be prepared in the manner set out in the Rules and to state fairly the information provided on the basis required by the Rules. The methods and assumptions determined by the insurer and used to perform the actuarial investigation as set out in the valuation report prepared in accordance with IPRU(INS) rule 9.31(a) are required to reflect appropriately the requirements of INSPRU 1.2.

It is our responsibility to form an independent opinion as to whether the Forms, the statement and the valuation report meet these requirements and to report our opinion to you. We also report to you if, in our opinion, the insurer has not kept adequate accounting records or if we have not received all the information we require for our examination.

Returns under the Accounts and Statements Rule

Independent auditors' report to the directors pursuant to rule 9.35 (continued)

NPI LIMITED

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 and the valuation report. The evidence included that previously obtained by us relating to the audit of the financial statements of the insurer for the financial year on which we reported on 29 March 2010. It also included an assessment of the significant estimates and judgements made by the insurer in the preparation of the Forms, the statement and the valuation report.

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

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

Opinion

In our opinion:

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



Ernst & Young LLP
Registered Auditor
London

Date: 29 March 2010

