

PHOENIX LIFE ASSURANCE LIMITED

Annual PRA Insurance Returns for the year ended

31 December 2015

IPRU(INS) Appendices 9.1, 9.3, 9.4, 9.4A, 9.6

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Statement of solvency - long-term insurance businessName of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2015**

Adjusted solo solvency calculation

Company registration number	GL/UK/CM	day	month	year	Units	
R2	1419	GL	31	12	2015	£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	1345164	1656853
Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund	12	482074	460854
Capital resources available to cover long-term insurance business capital resources requirement (11+12)	13	1827238	2117707

Guarantee fund

Guarantee fund requirement	21	163087	247254
Excess (deficiency) of available capital resources to cover guarantee fund requirement	22	1664151	1870453

Minimum capital requirement (MCR)

Long-term insurance capital requirement	31	481290	370137
Resilience capital requirement	32		
Base capital resources requirement	33	2657	2902
Individual minimum capital requirement	34	481290	370137
Capital requirements of regulated related undertakings	35	2657	123875
Minimum capital requirement (34+35)	36	483947	494012
Excess (deficiency) of available capital resources to cover 50% of MCR	37	1585265	1870701
Excess (deficiency) of available capital resources to cover 75% of MCR	38	1464278	1747198

Enhanced capital requirement

With-profits insurance capital component	39	900016	1189355
Enhanced capital requirement	40	1383963	1683367

Capital resources requirement (CRR)

Capital resources requirement (greater of 36 and 40)	41	1383963	1683367
Excess (deficiency) of available capital resources to cover long-term insurance business CRR (13-41)	42	443275	434340

Contingent liabilities

Quantifiable contingent liabilities in respect of long-term insurance business as shown in a supplementary note to Form 14	51		
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Components of capital resources

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2015**

R3	Company registration number	GL/UK/CM	day month year			Units
	1419	GL	31	12	2015	£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		342109	342109	342109
Profit and loss account and other reserves	12		480175	480175	457552
Share premium account	13		40716	40716	40716
Positive valuation differences	14		786598	786598	1189645
Fund for future appropriations	15		308857	308857	335098
Core tier one capital in related undertakings	16				25337
Core tier one capital (sum of 11 to 16)	19		1958456	1958456	2390457

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		1958456	1958456	2390457
Investments in own shares	32				
Intangible assets	33		16951	16951	
Amounts deducted from technical provisions for discounting	34				
Other negative valuation differences	35				
Deductions in related undertakings	36				94819
Deductions from tier one (32 to 36)	37		16951	16951	94819
Total tier one capital after deductions (31-37)	39		1941505	1941505	2295639

Components of capital resources

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2015**

	Company registration number	GL/ UK/ CM	day month year			Units
R3	1419	GL	31	12	2015	£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		183562	183562	233562	
Lower tier two capital in related undertakings	53					
Lower tier two capital (51+52+53)	59		183562	183562	233562	

Total tier two capital before restrictions (49+59)	61		183562	183562	233562	
Excess tier two capital	62					
Further excess lower tier two capital	63					
Total tier two capital after restrictions, before deductions (61-62-63)	69		183562	183562	233562	

Components of capital resources

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2015**

	Company registration number	GL/ UK/ CM	day month year			Units
R3	1419	GL	31	12	2015	£000
		General insurance business 1	Long-term insurance business 2	Total as at the end of this financial year 3		Total as at the end of the previous year 4

Total capital resources

Positive adjustments for regulated non-insurance related undertakings	71				
Total capital resources before deductions (39+69+71)	72		2125067	2125067	2529201
Inadmissible assets other than intangibles and own shares	73		97	97	5427
Assets in excess of market risk and counterparty limits	74		297732	297732	406067
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		1827238	1827238	2117707

Available capital resources for GENPRU/INSRU tests

Available capital resources for guarantee fund requirement	81		1827238	1827238	2117707
Available capital resources for 50% MCR requirement	82		1827238	1827238	2117707
Available capital resources for 75% MCR requirement	83		1827238	1827238	2117707

Financial engineering adjustments

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

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

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2015**

Long term insurance business

	Company registration number	GL/UK/CM	day	month	year	Units	
	R11	1419	GL	31	12	2015	£000
				This financial year		Previous year	
				1		2	
Gross premiums written			11			992	1049
Premiums taxes and levies (included in line 11)			12				
Premiums written net of taxes and levies (11-12)			13			992	1049
Premiums for classes 11, 12 or 13 (included in line 13)			14				
Premiums for "actuarial health insurance" (included in line 13)			15			933	994
Sub-total A (13 + 1/2 14 - 2/3 15)			16			370	386
Gross premiums earned			21			994	1052
Premium taxes and levies (included in line 21)			22				
Premiums earned net of taxes and levies (21-22)			23			994	1052
Premiums for classes 11, 12 or 13 (included in line 23)			24				
Premiums for "actuarial health insurance" (included in line 23)			25			935	997
Sub-total H (23 + 1/2 24 - 2/3 25)			26			371	387
Sub-total I (higher of sub-total A and sub-total H)			30			371	387
Adjusted sub-total I if financial year is not a 12 month period to produce an annual figure			31				
Division of gross adjusted premiums amount sub-total I (or adjusted sub-total I if appropriate)	x 0.18		32			67	70
	Excess (if any) over 61.3M EURO x 0.02		33				
Sub-total J (32-33)			34			67	70
Claims paid in period of 3 financial years			41			1799	1829
Claims outstanding carried forward at the end of the 3 year period	For insurance business accounted for on an underwriting year basis		42			796	1003
	For insurance business accounted for on an accident year basis		43			2490	2644
Claims outstanding brought forward at the beginning of the 3 year period	For insurance business accounted for on an underwriting year basis		44			2297	2742
	For insurance business accounted for on an accident year basis		45			2559	2316
Sub-total C (41+42+43-44-45)			46			229	418
Amounts recoverable from reinsurers in respect of claims included in Sub-total C			47				
Sub-total D (46-47)			48			229	418
Reinsurance Ratio (Sub-total D /sub-total C or, if more, 0.50 or, if less, 1.00)			49			1.00	1.00
Premiums amount (Sub-total J x reinsurance ratio)			50			67	70
Provision for claims outstanding (before discounting and net of reinsurance)			51			3407	3629
Provision for claims outstanding (before discounting and gross of reinsurance) if both 51.1 and 51.2 are zero, otherwise zero			52				
Brought forward amount (See instruction 4)			53			100	106
Greater of lines 50 and 53			54			100	106

Calculation of general insurance capital requirement - claims amount and result

 Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

 Financial year ended **31 December 2015**

Long term insurance business

		Company registration number	GL/ UK/ CM	day month year			Units	
		R12	1419	GL	31	12	2015	£000
					This financial year 1		Previous year 2	
Reference period (No. of months) See INSPRU 1.1.63R				11	36		36	
Claims paid in reference period				21	1799		1829	
Claims outstanding carried forward at the end of the reference period	For insurance business accounted for on an underwriting year basis			22	796		1003	
	For insurance business accounted for on an accident year basis			23	2490		2644	
Claims outstanding brought forward at the beginning of the reference period	For insurance business accounted for on an underwriting year basis			24	2297		2742	
	For insurance business accounted for on an accident year basis			25	2559		2316	
Claims incurred in reference period (21+22+23-24-25)				26	229		418	
Claims incurred for classes 11, 12 or 13 (included in 26)				27				
Claims incurred for "actuarial health insurance" (included in 26)				28	1076		1529	
Sub-total E (26 +1/2 27 - 2/3 28)				29	(488)		(601)	
Sub-total F - Conversion of sub-total E to annual figure (multiply by 12 and divide by number of months in the reference period)				31	(163)		(200)	
Division of sub-total F (gross adjusted claims amount)	x 0.26			32	(42)		(52)	
	Excess (if any) over 42.9M EURO x 0.03			33				
Sub-total G (32-33)				39	(42)		(52)	
Claims amount Sub-total G x reinsurance ratio (11.49)				41	(42)		(52)	
Higher of premiums amount and brought forward amount (11.54)				42	100		106	
General insurance capital requirement (higher of lines 41 and 42)				43	100		106	

Analysis of admissible assets

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2015**

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	1419	GL	31	12	2015	£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	1494	20935
	Debts and loans	22		50000
Other insurance dependants	Shares	23		
	Debts and loans	24		
Non-insurance dependants	Shares	25	250	250
	Debts and loans	26		
Other group undertakings	Shares	27		
	Debts and loans	28	154973	131369
Participating interests	Shares	29		
	Debts and loans	30		

Other financial investments

Equity shares	41	16777	12520
Other shares and other variable yield participations	42		
Holdings in collective investment schemes	43	370658	136806
Rights under derivative contracts	44	2711	6965
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 assets

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2015**

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	1419	GL	31	12	2015	£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	10202	11629
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	5792	2349
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	98	29
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86		3403

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	562954	376254
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Analysis of admissible assets

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2015**

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	1419	GL	31	12	2015	£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	562954	376254
Admissible assets in excess of market and counterparty limits	92	297732	406067
Inadmissible assets directly held	93		4287
Capital resources requirement deduction of regulated related undertakings	94	2657	123875
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	95		
Inadmissible assets of regulated related undertakings	96		23080
Book value of related ancillary services undertakings	97		
Other differences in the valuation of assets (other than for assets not valued above)	98	267	41154
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	294128	133751
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	1157738	1108468
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103		50001

Analysis of admissible assets

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2015**

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

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1419	GL	31	12	2015	£000	10
					As at end of this financial year	As at end of the previous year	
					1	2	
Land and buildings			11		78633	4575	

Investments in group undertakings and participating interests

UK insurance dependants	Shares	21		
	Debts and loans	22		39000
Other insurance dependants	Shares	23		
	Debts and loans	24		
Non-insurance dependants	Shares	25	11138	11324
	Debts and loans	26	671	614
Other group undertakings	Shares	27		
	Debts and loans	28		5875
Participating interests	Shares	29		
	Debts and loans	30		

Other financial investments

Equity shares	41	465244	608997	
Other shares and other variable yield participations	42			
Holdings in collective investment schemes	43	6496384	4613776	
Rights under derivative contracts	44	468207	1058773	
Fixed interest securities	Approved	45	3790179	4199717
	Other	46	1291784	1138970
Variable interest securities	Approved	47	556163	710843
	Other	48	273326	865133
Participation in investment pools	49			
Loans secured by mortgages	50	857		
Loans to public or local authorities and nationalised industries or undertakings	51			
Loans secured by policies of insurance issued by the company	52	8849	9479	
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	15864	16102
	Property linked	59	321846	335911

Analysis of admissible assets

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2015**

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

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1419	GL	31	12	2015	£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	553	250
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74		
	Ceded	75	271	1116
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	300384	426357
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	144255	49605
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	62843	70979
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86	52038	

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	14339490	14167395
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Analysis of admissible assets

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2015**

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

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1419	GL	31	12	2015	£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	14339490	14167395
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93	17048	994
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	1909	1040
Deferred acquisition costs excluded from line 89	99		
Reinsurers' share of technical provisions excluded from line 89	100	2941287	1678416
Other asset adjustments (may be negative)	101	(287218)	(119407)
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	17012516	15728438
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103		41122

Analysis of admissible assets

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2015**

Category of assets **0:100 Non Profit Fund**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1419	GL	31	12	2015	£000	12
					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		39000
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	15456	114989	
Other shares and other variable yield participations	42			
Holdings in collective investment schemes	43	143000	464155	
Rights under derivative contracts	44	14321	178813	
Fixed interest securities	Approved	45	306285	882315
	Other	46	912013	760233
Variable interest securities	Approved	47	51595	158142
	Other	48	42671	638466
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	15864	16102
	Property linked	59	320006	335887

Analysis of admissible assets

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2015**

Category of assets **0:100 Non Profit Fund**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1419	GL	31	12	2015	£000	12
					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	351	250
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74		
	Ceded	75	187	601
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	9174	7870
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	1540	19687
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	21856	33406
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86		

Deductions from the aggregate value of assets	87		
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Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	89	1854318	3649917
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Analysis of admissible assets

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2015**

Category of assets **0:100 Non Profit Fund**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1419	GL	31	12	2015	£000	12
					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	1854318	3649917
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93	8	15
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	1252	314
Deferred acquisition costs excluded from line 89	99		
Reinsurers' share of technical provisions excluded from line 89	100	1379125	1665799
Other asset adjustments (may be negative)	101	21	30
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	3234723	5316074
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103		41122

Analysis of admissible assets

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2015**

Category of assets **90:10 Pearl With-Profits Fund**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1419	GL	31	12	2015	£000	13
					As at end of this financial year	As at end of the previous year	
					1	2	
Land and buildings			11		5025	4575	

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	11138	11324
	Debts and loans	26	671	614
Other group undertakings	Shares	27		
	Debts and loans	28		5875
Participating interests	Shares	29		
	Debts and loans	30		

Other financial investments

Equity shares	41	441037	489138	
Other shares and other variable yield participations	42			
Holdings in collective investment schemes	43	3709783	3827712	
Rights under derivative contracts	44	362686	729160	
Fixed interest securities	Approved	45	1925729	2081724
	Other	46	7677	15889
Variable interest securities	Approved	47	504569	552700
	Other	48	195021	193915
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	6263	6779	
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	19	24

Analysis of admissible assets

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2015**

Category of assets **90:10 Pearl With-Profits Fund**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1419	GL	31	12	2015	£000	13
					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	50	
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74		
	Ceded	75	39	238
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	223197	394488
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	89966	27699
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	16204	19453
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86	51989	

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	7551061	8361307
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Analysis of admissible assets

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2015**

Category of assets **90:10 Pearl With-Profits Fund**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1419	GL	31	12	2015	£000	13
					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	7551061	8361307
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93		140
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	561	726
Deferred acquisition costs excluded from line 89	99		
Reinsurers' share of technical provisions excluded from line 89	100	6511	6917
Other asset adjustments (may be negative)	101		
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 101)	102	7558133	8369089
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103		

Analysis of admissible assets

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2015**

Category of assets **100:0 SERP Fund**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1419	GL	31	12	2015	£000	14
					As at end of this financial year	As at end of the previous year	
					1	2	
Land and buildings			11				

Investments in group undertakings and participating interests

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

Other financial investments

Equity shares	41		
Other shares and other variable yield participations	42		
Holdings in collective investment schemes	43	845363	181067
Rights under derivative contracts	44	57762	118367
Fixed interest securities	Approved	45	349796
	Other	46	6634
Variable interest securities	Approved	47	
	Other	48	13607
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 assets

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2015**

Category of assets **100:0 SERP Fund**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1419	GL	31	12	2015	£000	14
					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	49	116
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	1486	663
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	5134	11628
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86		

Deductions from the aggregate value of assets	87		
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Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	89	1266225	1412164
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Analysis of admissible assets

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2015**

Category of assets **100:0 SERP Fund**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1419	GL	31	12	2015	£000	14
					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	1266225	1412164
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93		
Capital resources requirement deduction of regulated related undertakings	94		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	95		
Inadmissible assets of regulated related 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	(90682)	(88916)
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	1175542	1323248
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103		

Analysis of admissible assets

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2015**

Category of assets **100:0 London Life With-Profits Fund**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1419	GL	31	12	2015	£000	15
					As at end of this financial year	As at end of the previous year	
					1	2	
Land and buildings			11				

Investments in group undertakings and participating interests

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

Other financial investments

Equity shares	41	4453	4869
Other shares and other variable yield participations	42		
Holdings in collective investment schemes	43	331934	140842
Rights under derivative contracts	44	26157	32433
Fixed interest securities	Approved	45	371201
	Other	46	140609
Variable interest securities	Approved	47	
	Other	48	19144
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	2448	2700
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 assets

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2015**

Category of assets **100:0 London Life With-Profits Fund**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1419	GL	31	12	2015	£000	15
					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	66	
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74		
	Ceded	75	46	277
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	40305	23883
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	2213	1556
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	2316	6493
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86		

Deductions from the aggregate value of assets	87		
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Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	89	640275	744008
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Analysis of admissible assets

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2015**

Category of assets **100:0 London Life With-Profits Fund**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1419	GL	31	12	2015	£000	15
					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	640275	744008
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93	89	839
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	4071	5700
Other asset adjustments (may be negative)	101	(5326)	(30520)
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	639109	720027
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103		

Analysis of admissible assets

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2015**

Category of assets **100:0 NPL With-Profits Fund**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1419	GL	31	12	2015	£000	16
					As at end of this financial year	As at end of the previous year	
					1	2	
Land and buildings			11	73608			

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	4298	
Other shares and other variable yield participations	42		
Holdings in collective investment schemes	43	1466303	
Rights under derivative contracts	44	7282	
Fixed interest securities	Approved	45	996815
	Other	46	348425
Variable interest securities	Approved	47	
	Other	48	33889
Participation in investment pools	49		
Loans secured by mortgages	50	857	
Loans to public or local authorities and nationalised industries or undertakings	51		
Loans secured by policies of insurance issued by the company	52	138	
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	1821

Analysis of admissible assets

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2015**

Category of assets **100:0 NPL With-Profits Fund**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1419	GL	31	12	2015	£000	16
					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	86
	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	27658
	due in more than 12 months	79	

Other assets

Tangible assets	80	
Deposits not subject to time restriction on withdrawal with approved institutions	81	49051
Cash in hand	82	
Other assets (particulars to be specified by way of supplementary note)	83	
Accrued interest and rent	84	17334
Deferred acquisition costs (general business only)	85	
Other prepayments and accrued income	86	49

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	3027612
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Analysis of admissible assets

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2015**

Category of assets **100:0 NPL With-Profits Fund**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1419	GL	31	12	2015	£000	16
					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	3027612	
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93	16951	
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	97	
Deferred acquisition costs excluded from line 89	99		
Reinsurers' share of technical provisions excluded from line 89	100	1551580	
Other asset adjustments (may be negative)	101	(191231)	
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	4405008	
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103		

Long term insurance business liabilities and margins

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2015**Total business/Sub fund **Summary**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	11924913	9245189	
Cash bonuses which had not been paid to policyholders prior to end of the financial year	12	135	135	
Balance of surplus/(valuation deficit)	13	131421	147421	
Long term insurance business fund carried forward (11 to 13)	14	12056470	9392746	
Claims outstanding	Gross	15	56306	36094
	Reinsurers' share	16		
	Net (15-16)	17	56306	36094
Provisions	Taxation	21		7494
	Other risks and charges	22	3175	2724
Deposits received from reinsurers	23		1800698	
Creditors	Direct insurance business	31	3268	383
	Reinsurance accepted	32		
	Reinsurance ceded	33	15524	238
Debenture loans	Secured	34		
	Unsecured	35	95	95
Amounts owed to credit institutions	36	67869		
Creditors	Taxation	37	22950	52522
	Other	38	860933	1330251
Accruals and deferred income	39	11300	6861	
Provision for "reasonably foreseeable adverse variations"	41	27859	27859	
Total other insurance and non-insurance liabilities (17 to 41)	49	1069278	3265219	
Excess of the value of net admissible assets	51	1213742	1509431	
Total liabilities and margins	59	14339490	14167395	

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61	54326	993
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62	321846	335911

Total liabilities (11+12+49)	71	12994327	12510543
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73	2941287	1678416
Other adjustments to liabilities (may be negative)	74	789937	1186464
Capital and reserves and fund for future appropriations	75	286965	353015
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	17012516	15728438

Long term insurance business liabilities and margins

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
Global business
Financial year ended **31 December 2015**
Total business/Sub fund **90:10 Pearl With-Profits Fund**
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	5527781	5667748	
Cash bonuses which had not been paid to policyholders prior to end of the financial year	12			
Balance of surplus/(valuation deficit)	13	107421	107421	
Long term insurance business fund carried forward (11 to 13)	14	5635202	5775169	
Claims outstanding	Gross	15	22364	20536
	Reinsurers' share	16		
	Net (15-16)	17	22364	20536
Provisions	Taxation	21		157
	Other risks and charges	22	1451	2474
Deposits received from reinsurers	23			
Creditors	Direct insurance business	31	1677	46
	Reinsurance accepted	32		
	Reinsurance ceded	33	6	6
Debenture loans	Secured	34		
	Unsecured	35	95	95
Amounts owed to credit institutions	36			
Creditors	Taxation	37	773	27987
	Other	38	640740	991796
Accruals and deferred income	39	7151	5751	
Provision for "reasonably foreseeable adverse variations"	41	27859	27859	
Total other insurance and non-insurance liabilities (17 to 41)	49	702116	1076707	
Excess of the value of net admissible assets	51	1213742	1509431	
Total liabilities and margins	59	7551061	8361307	

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61	53147	467
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62	19	24

Total liabilities (11+12+49)	71	6229898	6744455
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73	6511	6917
Other adjustments to liabilities (may be negative)	74	1012867	1282620
Capital and reserves and fund for future appropriations	75	308857	335098
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	7558133	8369089

Long term insurance business liabilities and margins

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
Global business
Financial year ended **31 December 2015**
Total business/Sub fund **100:0 SERP Fund**
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	1179184	1285257	
Cash bonuses which had not been paid to policyholders prior to end of the financial year	12			
Balance of surplus/(valuation deficit)	13	5000	5000	
Long term insurance business fund carried forward (11 to 13)	14	1184184	1290257	
Claims outstanding	Gross	15	8210	5387
	Reinsurers' share	16		
	Net (15-16)	17	8210	5387
Provisions	Taxation	21		
	Other risks and charges	22		
Deposits received from reinsurers	23			
Creditors	Direct insurance business	31	947	308
	Reinsurance accepted	32		
	Reinsurance ceded	33		
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions	36			
Creditors	Taxation	37		
	Other	38	72158	115782
Accruals and deferred income	39	724	430	
Provision for "reasonably foreseeable adverse variations"	41			
Total other insurance and non-insurance liabilities (17 to 41)	49	82040	121907	
Excess of the value of net admissible assets	51			
Total liabilities and margins	59	1266224	1412164	

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

Total liabilities (11+12+49)	71	1261224	1407164
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73		
Other adjustments to liabilities (may be negative)	74	(85682)	(83916)
Capital and reserves and fund for future appropriations	75		
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (71 to 75)	76	1175542	1323248

Long term insurance business liabilities and margins

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
Global business
Financial year ended **31 December 2015**
Total business/Sub fund **100:0 London Life With-Profits Fund**
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	569561	665758	
Cash bonuses which had not been paid to policyholders prior to end of the financial year	12	135	135	
Balance of surplus/(valuation deficit)	13	11000	5000	
Long term insurance business fund carried forward (11 to 13)	14	580697	670893	
Claims outstanding	Gross	15	7048	6758
	Reinsurers' share	16		
	Net (15-16)	17	7048	6758
Provisions	Taxation	21		
	Other risks and charges	22		
Deposits received from reinsurers	23			
Creditors	Direct insurance business	31	157	9
	Reinsurance accepted	32		
	Reinsurance ceded	33	12	35
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions	36			
Creditors	Taxation	37	890	9581
	Other	38	51251	56424
Accruals and deferred income	39	221	307	
Provision for "reasonably foreseeable adverse variations"	41			
Total other insurance and non-insurance liabilities (17 to 41)	49	59578	73115	
Excess of the value of net admissible assets	51			
Total liabilities and margins	59	640275	744008	

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

Total liabilities (11+12+49)	71	629275	739008
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73	4071	5700
Other adjustments to liabilities (may be negative)	74	5763	(24681)
Capital and reserves and fund for future appropriations	75		
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (71 to 75)	76	639109	720027

Long term insurance business liabilities and margins

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
Global business
Financial year ended **31 December 2015**
Total business/Sub fund **100:0 NPL With-Profits Fund**
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	2886095	
Cash bonuses which had not been paid to policyholders prior to end of the financial year	12		
Balance of surplus/(valuation deficit)	13	8000	
Long term insurance business fund carried forward (11 to 13)	14	2894095	
Claims outstanding	Gross	15	14920
	Reinsurers' share	16	
	Net (15-16)	17	14920
Provisions	Taxation	21	
	Other risks and charges	22	1474
Deposits received from reinsurers	23		
Creditors	Direct insurance business	31	440
	Reinsurance accepted	32	
	Reinsurance ceded	33	5112
Debenture loans	Secured	34	
	Unsecured	35	
Amounts owed to credit institutions	36	67869	
Creditors	Taxation	37	2442
	Other	38	38587
Accruals and deferred income	39	2673	
Provision for "reasonably foreseeable adverse variations"	41		
Total other insurance and non-insurance liabilities (17 to 41)	49	133517	
Excess of the value of net admissible assets	51		
Total liabilities and margins	59	3027612	

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61	496	
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62	1821	

Total liabilities (11+12+49)	71	3019612	
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73	1551580	
Other adjustments to liabilities (may be negative)	74	(166184)	
Capital and reserves and fund for future appropriations	75		
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (71 to 75)	76	4405008	

Long term insurance business liabilities and margins

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
Global business
Financial year ended **31 December 2015**
Total business/Sub fund **0:100 Non Profit Fund**
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	1762291	1626426	
Cash bonuses which had not been paid to policyholders prior to end of the financial year	12			
Balance of surplus/(valuation deficit)	13		30000	
Long term insurance business fund carried forward (11 to 13)	14	1762291	1656426	
Claims outstanding	Gross	15	3764	3413
	Reinsurers' share	16		
	Net (15-16)	17	3764	3413
Provisions	Taxation	21		7337
	Other risks and charges	22	250	250
Deposits received from reinsurers	23		1800698	
Creditors	Direct insurance business	31	47	20
	Reinsurance accepted	32		
	Reinsurance ceded	33	10394	196
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions	36			
Creditors	Taxation	37	18845	14954
	Other	38	58196	166249
Accruals and deferred income	39	531	373	
Provision for "reasonably foreseeable adverse variations"	41			
Total other insurance and non-insurance liabilities (17 to 41)	49	92027	1993490	
Excess of the value of net admissible assets	51			
Total liabilities and margins	59	1854318	3649917	

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61	683	526
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62	320006	335887

Total liabilities (11+12+49)	71	1854318	3619917
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73	1379125	1665799
Other adjustments to liabilities (may be negative)	74	23172	12441
Capital and reserves and fund for future appropriations	75	(21892)	17917
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	3234723	5316074

Liabilities (other than long term insurance business)Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2015**

Company registration number	GL/UK/CM	day	month	year	Units	
R15	1419	GL	31	12	2015	£000
				As at end of this financial year	As at end of the previous year	
				1	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	4166	
	Foreseeable dividend	48		
	Other	49	77456	35216
Accruals and deferred income		51	773	2915
Total (19 to 51)		59	82395	38131
Provision for "reasonably foreseeable adverse variations"		61	1142	1142
Cumulative preference share capital		62		
Subordinated loan capital		63	250000	233562
Total (59 to 63)		69	333537	272836

Amounts included in line 69 attributable to liabilities to related insurers, other than those under contracts of insurance or reinsurance	71			
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Amounts deducted from technical provisions for discounting	82			
Other adjustments (may be negative)	83	(60691)		13173
Capital and reserves	84	884892		822459
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	1157738		1108468

Profit and loss account (non-technical account)Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2015**

		Company registration number	GL/ UK/ CM	day	month	year	Units	
		R16	1419	GL	31	12	2015	£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			99970	69293	
Investment income	Income		14			21688	92519	
	Value re-adjustments on investments		15			58320	34751	
	Gains on the realisation of investments		16			6923	378	
Investment charges	Investment management charges, including interest		17			10590	8940	
	Value re-adjustments on investments		18			54870	84453	
	Loss on the realisation of investments		19			44719	6027	
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			(6338)	(666)	
Profit or loss on ordinary activities before tax (11+12+13+14+15+16-17-18-19-20+21)			29			70385	96855	
Tax on profit or loss on ordinary activities			31			3197	(2896)	
Profit or loss on ordinary activities after tax (29-31)			39			67187	99751	
Extraordinary profit or loss (particulars to be specified by way of supplementary note)			41			118020		
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			185207	99751	
Dividends (paid or foreseeable)			51			100000	166117	
Profit or loss retained for the financial year (49-51)			59			85207	(66367)	

Analysis of derivative contractsName of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2015**Category of assets **Total other than long term insurance business assets**

		Company registration number	GL/ UK/ CM	day month year			Units	Category of assets	
		R17	1419	GL	31	12	2015	£000	1
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							
	Interest rates	12							
	Inflation	13	2514		171		129000		314815
	Credit index / basket	14			3554		88443		346401
	Credit single name	15							
	Equity index	16	184		3585				111123
	Equity stock	17							
	Land	18							
	Currencies	19	13		2565		950		99344
	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	2711		9876		218393		871683
Adjustment for variation margin		52							
Total (51 + 52)		53	2711		9876				

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.

Analysis of derivative contractsName of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2015**Category of assets **Total long term insurance business assets**

		Company registration number	GL/ UK/ CM	day month year			Units	Category of assets	
		R17	1419	GL	31	12	2015	£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	183				935	111161	
	Interest rates	12	315264			473174	5853387	2779598	
	Inflation	13	7464			13461	32020	155105	
	Credit index / basket	14							
	Credit single name	15							
	Equity index	16				2745		52603	
	Equity stock	17							
	Land	18							
	Currencies	19	1155			14536	80178	555528	
	Mortality	20							
	Other	21							
In the money options	Swaptions	31	143269				399030		
	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	872				493226		
	Equity index calls	42							
	Equity stock calls	43							
	Equity index puts	44							
	Equity stock puts	45							
	Other	46							
Total (11 to 46)		51	468207			503916	6858775	3653993	
Adjustment for variation margin		52							
Total (51 + 52)		53	468207			503916			

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Analysis of derivative contractsName of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2015**Category of assets **0:100 Non Profit Fund**

		Company registration number	GL/ UK/ CM	day month year			Units	Category of assets	
		R17	1419	GL	31	12	2015	£000	12
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	27						82746
	Interest rates	12	13651		17762		325950		374005
	Inflation	13	42		518		6000		16995
	Credit index / basket	14							
	Credit single name	15							
	Equity index	16							
	Equity stock	17							
	Land	18							
	Currencies	19	601		2718		42549		108348
	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	14321		20998		374499		582094
Adjustment for variation margin		52							
Total (51 + 52)		53	14321		20998				

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.

Analysis of derivative contractsName of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2015**Category of assets **90:10 Pearl With-Profits Fund**

		Company registration number	GL/ UK/ CM	day month year			Units	Category of assets	
		R17	1419	GL	31	12	2015	£000	13
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					935		
	Interest rates	12	264166		329225		2009665	1198373	
	Inflation	13	6758		10070		26020	39213	
	Credit index / basket	14							
	Credit single name	15							
	Equity index	16							
	Equity stock	17							
	Land	18							
	Currencies	19	554		11537		37060	435981	
	Mortality	20							
	Other	21							
In the money options	Swaptions	31	90535				291030		
	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	673				358786		
	Equity index calls	42							
	Equity stock calls	43							
	Equity index puts	44							
	Equity stock puts	45							
	Other	46							
Total (11 to 46)		51	362686		350833		2723495	1673567	
Adjustment for variation margin		52							
Total (51 + 52)		53	362686		350833				

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.

Analysis of derivative contractsName of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2015**Category of assets **100:0 SERP Fund**

		Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets	
		R17	1419	GL	31	12	2015	£000	14
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	6					1057	
	Interest rates	12	5021	70769			1413043	464850	
	Inflation	13	1	78				2547	
	Credit index / basket	14							
	Credit single name	15							
	Equity index	16							
	Equity stock	17							
	Land	18							
	Currencies	19		24			14	1195	
	Mortality	20							
	Other	21							
In the money options	Swaptions	31	52734				108000		
	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	57762	70871			1521057	469649	
Adjustment for variation margin		52							
Total (51 + 52)		53	57762	70871					

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.

Analysis of derivative contractsName of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2015**Category of assets **100:0 London Life With-Profits Fund**

		Company registration number	GL/ UK/ CM	day month year			Units	Category of assets	
		R17	1419	GL	31	12	2015	£000	15
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							
	Interest rates	12	25878		32998		722077		435370
	Inflation	13	79		229				8330
	Credit index / basket	14							
	Credit single name	15							
	Equity index	16							
	Equity stock	17							
	Land	18							
	Currencies	19				45		99	1698
	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	200				134440		
	Equity index calls	42							
	Equity stock calls	43							
	Equity index puts	44							
	Equity stock puts	45							
	Other	46							
Total (11 to 46)		51	26157		33272		856617		445398
Adjustment for variation margin		52							
Total (51 + 52)		53	26157		33272				

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.

Analysis of derivative contractsName of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2015**Category of assets **100:0 NPL With-Profits Fund**

		Company registration number	GL/ UK/ CM	day month year			Units	Category of assets	
		R17	1419	GL	31	12	2015	£000	16
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	149					27357	
	Interest rates	12	6547		22419		1382652		307000
	Inflation	13	584			2566			88020
	Credit index / basket	14							
	Credit single name	15							
	Equity index	16				2745			52603
	Equity stock	17							
	Land	18							
	Currencies	19		1		212		455	8305
	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	7282		27942		1383107		483285
Adjustment for variation margin		52							
Total (51 + 52)		53	7282		27942				

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

With-profits insurance capital component for the fundName of insurer **PHOENIX LIFE ASSURANCE LIMITED**With-profits fund **90:10 Pearl With-Profits Fund**Financial year ended **31 December 2015**Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Regulatory excess capital

Regulatory value of assets	Long-term admissible assets of the fund	11	7551061	8361307
	Implicit items allocated to the fund	12		
	Mathematical reserves in respect of the fund's non-profit insurance contracts	13	159834	156329
	Long-term admissible assets of the fund covering the LTICR of the fund's non-profit insurance contracts	14	6465	6287
	Long-term admissible assets of the fund covering the RCR of the fund's non-profit insurance contracts	15		
	Total (11+12-(13+14+15))	19	7384761	8198690
Regulatory value of liabilities	Mathematical reserves (after distribution of surplus) in respect of the fund's with-profits insurance contracts	21	5367947	5511418
	Regulatory current liabilities of the fund	22	702116	1076707
	Total (21+22)	29	6070063	6588125
Long-term insurance capital requirement in respect of the fund's with-profits insurance contracts		31	215395	221288
Resilience capital requirement in respect of the fund's with-profits insurance contracts		32		
Sum of regulatory value of liabilities, LTICR and RCR (29+31+32)		39	6285458	6809413
Regulatory excess capital (19-39)		49	1099303	1389277

Realistic excess capital

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

Excess (deficiency) of assets allocated to with-profits insurance business in fund (49-51)	61	1099303	1389277
Face amount of capital instruments attributed to the fund and included in capital resources (unstressed)	62		
Realistic amount of capital instruments attributed to the fund and included in capital resources (stressed)	63		
Present value of future shareholder transfers arising from distribution of surplus	64	199288	199922
Present value of other future internal transfers not already taken into account	65		
With-profits insurance capital component for fund (if 62 exceeds 63, greater of 61+62-63-64-65 and zero, else greater of 61-64-65 and zero)	66	900016	1189355

With-profits insurance capital component for the fundName of insurer **PHOENIX LIFE ASSURANCE LIMITED**With-profits fund **100:0 SERP Fund**Financial year ended **31 December 2015**Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Regulatory excess capital

Regulatory value of assets	Long-term admissible assets of the fund	11	1266225	1412164
	Implicit items allocated to the fund	12		
	Mathematical reserves in respect of the fund's non-profit insurance contracts	13		
	Long-term admissible assets of the fund covering the LTICR of the fund's non-profit insurance contracts	14		
	Long-term admissible assets of the fund covering the RCR of the fund's non-profit insurance contracts	15		
	Total (11+12-(13+14+15))	19	1266225	1412164
Regulatory value of liabilities	Mathematical reserves (after distribution of surplus) in respect of the fund's with-profits insurance contracts	21	1179184	1285257
	Regulatory current liabilities of the fund	22	82040	121907
	Total (21+22)	29	1261225	1407164
Long-term insurance capital requirement in respect of the fund's with-profits insurance contracts		31	47170	51415
Resilience capital requirement in respect of the fund's with-profits insurance contracts		32		
Sum of regulatory value of liabilities, LTICR and RCR (29+31+32)		39	1308395	1458579
Regulatory excess capital (19-39)		49	(42170)	(46415)

Realistic excess capital

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

Excess (deficiency) of assets allocated to with-profits insurance business in fund (49-51)	61	(42170)	(46415)
Face amount of capital instruments attributed to the fund and included in capital resources (unstressed)	62		
Realistic amount of capital instruments attributed to the fund and included in capital resources (stressed)	63		
Present value of future shareholder transfers arising from distribution of surplus	64		
Present value of other future internal transfers not already taken into account	65		
With-profits insurance capital component for fund (if 62 exceeds 63, greater of 61+62-63-64-65 and zero, else greater of 61-64-65 and zero)	66		

With-profits insurance capital component for the fund

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 With-profits fund **100:0 London Life With-Profits Fund**
 Financial year ended **31 December 2015**
 Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Regulatory excess capital

Regulatory value of assets	Long-term admissible assets of the fund	11	640275	744008
	Implicit items allocated to the fund	12		
	Mathematical reserves in respect of the fund's non-profit insurance contracts	13		
	Long-term admissible assets of the fund covering the LTICR of the fund's non-profit insurance contracts	14		
	Long-term admissible assets of the fund covering the RCR of the fund's non-profit insurance contracts	15		
	Total (11+12-(13+14+15))	19	640275	744008
Regulatory value of liabilities	Mathematical reserves (after distribution of surplus) in respect of the fund's with-profits insurance contracts	21	569697	665893
	Regulatory current liabilities of the fund	22	59578	73115
	Total (21+22)	29	629275	739008
Long-term insurance capital requirement in respect of the fund's with-profits insurance contracts		31	23018	26895
Resilience capital requirement in respect of the fund's with-profits insurance contracts		32		
Sum of regulatory value of liabilities, LTICR and RCR (29+31+32)		39	652293	765904
Regulatory excess capital (19-39)		49	(12018)	(21895)

Realistic excess capital

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

Excess (deficiency) of assets allocated to with-profits insurance business in fund (49-51)	61	(12018)	(21895)
Face amount of capital instruments attributed to the fund and included in capital resources (unstressed)	62		
Realistic amount of capital instruments attributed to the fund and included in capital resources (stressed)	63		
Present value of future shareholder transfers arising from distribution of surplus	64		
Present value of other future internal transfers not already taken into account	65		
With-profits insurance capital component for fund (if 62 exceeds 63, greater of 61+62-63-64-65 and zero, else greater of 61-64-65 and zero)	66		

With-profits insurance capital component for the fundName of insurer **PHOENIX LIFE ASSURANCE LIMITED**With-profits fund **100:0 NPL With-Profits Fund**Financial year ended **31 December 2015**Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Regulatory excess capital

Regulatory value of assets	Long-term admissible assets of the fund	11	3027612	
	Implicit items allocated to the fund	12		
	Mathematical reserves in respect of the fund's non-profit insurance contracts	13	117275	
	Long-term admissible assets of the fund covering the LTICR of the fund's non-profit insurance contracts	14		
	Long-term admissible assets of the fund covering the RCR of the fund's non-profit insurance contracts	15		
	Total (11+12-(13+14+15))	19	2910337	
Regulatory value of liabilities	Mathematical reserves (after distribution of surplus) in respect of the fund's with-profits insurance contracts	21	2768820	
	Regulatory current liabilities of the fund	22	133517	
	Total (21+22)	29	2902337	
Long-term insurance capital requirement in respect of the fund's with-profits insurance contracts		31	117290	
Resilience capital requirement in respect of the fund's with-profits insurance contracts		32		
Sum of regulatory value of liabilities, LTICR and RCR (29+31+32)		39	3019627	
Regulatory excess capital (19-39)		49	(109290)	

Realistic excess capital

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

Excess (deficiency) of assets allocated to with-profits insurance business in fund (49-51)	61	(109290)	
Face amount of capital instruments attributed to the fund and included in capital resources (unstressed)	62		
Realistic amount of capital instruments attributed to the fund and included in capital resources (stressed)	63		
Present value of future shareholder transfers arising from distribution of surplus	64		
Present value of other future internal transfers not already taken into account	65		
With-profits insurance capital component for fund (if 62 exceeds 63, greater of 61+62-63-64-65 and zero, else greater of 61-64-65 and zero)	66		

Realistic balance sheet

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**

With-profits fund **90:10 Pearl With-Profits Fund**

Financial year ended **31 December 2015**

Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Realistic value of assets available to the fund

Regulatory value of assets	11	7384761	8198690
Implicit items allocated to the fund	12		
Value of shares in subsidiaries held in fund (regulatory)	13		
Excess admissible assets	21		
Present value of future profits (or losses) on non-profit insurance contracts written in the fund	22	63879	56635
Value of derivatives and quasi-derivatives not already reflected in lines 11 to 22	23		
Value of shares in subsidiaries held in fund (realistic)	24		
Prepayments made from the fund	25		
Realistic value of assets of fund (11+21+22+23+24+25-(12+13))	26	7448641	8255325
Support arrangement assets	27		
Assets available to the fund (26+27)	29	7448641	8255325

Realistic value of liabilities of fund

With-profits benefit reserve	31	4796736	4734154	
Future policy related liabilities	Past miscellaneous surplus attributed to with-profits benefits reserve	32	54814	55800
	Past miscellaneous deficit attributed to with-profits benefits reserve	33		
	Planned enhancements to with-profits benefits reserve	34	906777	1326673
	Planned deductions for the costs of guarantees, options and smoothing from with-profits benefits reserve	35		45461
	Planned deductions for other costs deemed chargeable to with-profits benefits reserve	36		
	Future costs of contractual guarantees (other than financial options)	41	241537	294254
	Future costs of non-contractual commitments	42	96952	110550
	Future costs of financial options	43	354382	372404
	Future costs of smoothing (possibly negative)	44	656	748
	Financing costs	45		
	Any other liabilities related to regulatory duty to treat customers fairly	46		
	Other long-term insurance liabilities	47	322528	357356
Total (32+34+41+42+43+44+45+46+47-(33+35+36))	49	1977646	2472323	
Realistic current liabilities of the fund	51	674258	1048848	
Realistic value of liabilities of fund (31+49+51)	59	7448641	8255325	

Realistic balance sheet

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 With-profits fund **90:10 Pearl With-Profits Fund**
 Financial year ended **31 December 2015**
 Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Realistic excess capital and additional capital available

Value of relevant assets before applying the most adverse scenario other than the present value of future profits arising from business outside with-profits funds	62	7448641	8255325
Amount of present value of future profits (or losses) on long-term insurance contracts written outside the fund included in the value of relevant assets before applying most adverse scenario	63		
Value of relevant assets before applying the most adverse scenario (62+63)	64	7448641	8255325
Risk capital margin for fund (62-59)	65		
Realistic excess capital for fund (26-(59+65))	66		
Realistic excess available capital for fund (29-(59+65))	67		
Working capital for fund (29-59)	68		
Working capital ratio for fund (68/29)	69		

Other assets potentially available if required to cover the fund's risk capital margin

Additional amount potentially available for inclusion in line 62	81	150000	200000
Additional amount potentially available for inclusion in line 63	82	82959	68817

Realistic balance sheet

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 With-profits fund **100:0 SERP Fund**
 Financial year ended **31 December 2015**
 Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Realistic value of assets available to the fund

Regulatory value of assets	11	1266225	1412164
Implicit items allocated to the fund	12		
Value of shares in subsidiaries held in fund (regulatory)	13		
Excess admissible assets	21		
Present value of future profits (or losses) on non-profit insurance contracts written in the fund	22		
Value of derivatives and quasi-derivatives not already reflected in lines 11 to 22	23		
Value of shares in subsidiaries held in fund (realistic)	24		
Prepayments made from the fund	25		
Realistic value of assets of fund (11+21+22+23+24+25-(12+13))	26	1266225	1412164
Support arrangement assets	27		
Assets available to the fund (26+27)	29	1266225	1412164

Realistic value of liabilities of fund

With-profits benefit reserve	31	418732	470894	
Future policy related liabilities	Past miscellaneous surplus attributed to with-profits benefits reserve	32		
	Past miscellaneous deficit attributed to with-profits benefits reserve	33		
	Planned enhancements to with-profits benefits reserve	34		
	Planned deductions for the costs of guarantees, options and smoothing from with-profits benefits reserve	35		
	Planned deductions for other costs deemed chargeable to with-profits benefits reserve	36		
	Future costs of contractual guarantees (other than financial options)	41	674448	729649
	Future costs of non-contractual commitments	42		
	Future costs of financial options	43		
	Future costs of smoothing (possibly negative)	44		
	Financing costs	45	90682	88916
	Any other liabilities related to regulatory duty to treat customers fairly	46		
	Other long-term insurance liabilities	47	322	799
Total (32+34+41+42+43+44+45+46+47-(33+35+36))	49	765452	819363	
Realistic current liabilities of the fund	51	82040	121907	
Realistic value of liabilities of fund (31+49+51)	59	1266225	1412164	

Realistic balance sheet

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 With-profits fund **100:0 SERP Fund**
 Financial year ended **31 December 2015**
 Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Realistic excess capital and additional capital available

Value of relevant assets before applying the most adverse scenario other than the present value of future profits arising from business outside with-profits funds	62	1266225	1412164
Amount of present value of future profits (or losses) on long-term insurance contracts written outside the fund included in the value of relevant assets before applying most adverse scenario	63		
Value of relevant assets before applying the most adverse scenario (62+63)	64	1266225	1412164
Risk capital margin for fund (62-59)	65		
Realistic excess capital for fund (26-(59+65))	66		
Realistic excess available capital for fund (29-(59+65))	67		
Working capital for fund (29-59)	68		
Working capital ratio for fund (68/29)	69		

Other assets potentially available if required to cover the fund's risk capital margin

Additional amount potentially available for inclusion in line 62	81	150000	200000
Additional amount potentially available for inclusion in line 63	82		

Realistic balance sheet

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 With-profits fund **100:0 London Life With-Profits Fund**
 Financial year ended **31 December 2015**
 Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Realistic value of assets available to the fund

Regulatory value of assets	11	640275	744008
Implicit items allocated to the fund	12		
Value of shares in subsidiaries held in fund (regulatory)	13		
Excess admissible assets	21		
Present value of future profits (or losses) on non-profit insurance contracts written in the fund	22		
Value of derivatives and quasi-derivatives not already reflected in lines 11 to 22	23		
Value of shares in subsidiaries held in fund (realistic)	24		
Prepayments made from the fund	25		
Realistic value of assets of fund (11+21+22+23+24+25-(12+13))	26	640275	744008
Support arrangement assets	27		
Assets available to the fund (26+27)	29	640275	744008

Realistic value of liabilities of fund

With-profits benefit reserve	31	443313	494082	
Future policy related liabilities	Past miscellaneous surplus attributed to with-profits benefits reserve	32		
	Past miscellaneous deficit attributed to with-profits benefits reserve	33		
	Planned enhancements to with-profits benefits reserve	34		
	Planned deductions for the costs of guarantees, options and smoothing from with-profits benefits reserve	35		
	Planned deductions for other costs deemed chargeable to with-profits benefits reserve	36		
	Future costs of contractual guarantees (other than financial options)	41	65606	72086
	Future costs of non-contractual commitments	42	3427	3351
	Future costs of financial options	43	60986	68815
	Future costs of smoothing (possibly negative)	44	(115)	949
	Financing costs	45	5237	29624
	Any other liabilities related to regulatory duty to treat customers fairly	46		
	Other long-term insurance liabilities	47	2242	1986
Total (32+34+41+42+43+44+45+46+47-(33+35+36))	49	137383	176811	
Realistic current liabilities of the fund	51	59578	73115	
Realistic value of liabilities of fund (31+49+51)	59	640275	744008	

Realistic balance sheet

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 With-profits fund **100:0 London Life With-Profits Fund**
 Financial year ended **31 December 2015**
 Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Realistic excess capital and additional capital available

Value of relevant assets before applying the most adverse scenario other than the present value of future profits arising from business outside with-profits funds	62	640275	744008
Amount of present value of future profits (or losses) on long-term insurance contracts written outside the fund included in the value of relevant assets before applying most adverse scenario	63		
Value of relevant assets before applying the most adverse scenario (62+63)	64	640275	744008
Risk capital margin for fund (62-59)	65		
Realistic excess capital for fund (26-(59+65))	66		
Realistic excess available capital for fund (29-(59+65))	67		
Working capital for fund (29-59)	68		
Working capital ratio for fund (68/29)	69		

Other assets potentially available if required to cover the fund's risk capital margin

Additional amount potentially available for inclusion in line 62	81	150000	200000
Additional amount potentially available for inclusion in line 63	82		

Realistic balance sheet

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**

With-profits fund **100:0 NPL With-Profits Fund**

Financial year ended **31 December 2015**

Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Realistic value of assets available to the fund

Regulatory value of assets	11	2910337	
Implicit items allocated to the fund	12		
Value of shares in subsidiaries held in fund (regulatory)	13		
Excess admissible assets	21		
Present value of future profits (or losses) on non-profit insurance contracts written in the fund	22	72168	
Value of derivatives and quasi-derivatives not already reflected in lines 11 to 22	23		
Value of shares in subsidiaries held in fund (realistic)	24		
Prepayments made from the fund	25		
Realistic value of assets of fund (11+21+22+23+24+25-(12+13))	26	2982505	
Support arrangement assets	27		
Assets available to the fund (26+27)	29	2982505	

Realistic value of liabilities of fund

With-profits benefit reserve	31	1522470	
Future policy related liabilities	Past miscellaneous surplus attributed to with-profits benefits reserve	32	
	Past miscellaneous deficit attributed to with-profits benefits reserve	33	
	Planned enhancements to with-profits benefits reserve	34	
	Planned deductions for the costs of guarantees, options and smoothing from with-profits benefits reserve	35	
	Planned deductions for other costs deemed chargeable to with-profits benefits reserve	36	72143
	Future costs of contractual guarantees (other than financial options)	41	1118098
	Future costs of non-contractual commitments	42	1489
	Future costs of financial options	43	5635
	Future costs of smoothing (possibly negative)	44	
	Financing costs	45	93008
	Any other liabilities related to regulatory duty to treat customers fairly	46	
	Other long-term insurance liabilities	47	180431
Total (32+34+41+42+43+44+45+46+47-(33+35+36))	49	1326518	
Realistic current liabilities of the fund	51	133517	
Realistic value of liabilities of fund (31+49+51)	59	2982505	

Realistic balance sheet

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 With-profits fund **100:0 NPL With-Profits Fund**
 Financial year ended **31 December 2015**
 Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Realistic excess capital and additional capital available

Value of relevant assets before applying the most adverse scenario other than the present value of future profits arising from business outside with-profits funds	62	2982505	
Amount of present value of future profits (or losses) on long-term insurance contracts written outside the fund included in the value of relevant assets before applying most adverse scenario	63		
Value of relevant assets before applying the most adverse scenario (62+63)	64	2982505	
Risk capital margin for fund (62-59)	65		
Realistic excess capital for fund (26-(59+65))	66		
Realistic excess available capital for fund (29-(59+65))	67		
Working capital for fund (29-59)	68		
Working capital ratio for fund (68/29)	69		

Other assets potentially available if required to cover the fund's risk capital margin

Additional amount potentially available for inclusion in line 62	81	150000	
Additional amount potentially available for inclusion in line 63	82		

Long-term insurance business : Revenue account

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **Summary**
 Financial year ended **31 December 2015**
 Units **£000**

Financial year 1	Previous year 2
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Income

Earned premiums	11	172068	110175
Investment income receivable before deduction of tax	12	348770	305638
Increase (decrease) in the value of non-linked assets brought into account	13	178285	1270919
Increase (decrease) in the value of linked assets	14	4081	10903
Other income	15	9723	2334
Total income	19	712928	1699970

Expenditure

Claims incurred	21	824086	602701
Expenses payable	22	75183	65476
Interest payable before the deduction of tax	23	4924	2641
Taxation	24	22746	48936
Other expenditure	25	(5010)	246054
Transfer to (from) non technical account	26	99970	69293
Total expenditure	29	1021899	1035102

Business transfers - in	31	2972696	
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	2663724	664868
Fund brought forward	49	9392746	8727878
Fund carried forward (39+49)	59	12056470	9392746

Long-term insurance business : Revenue account

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **90:10 Pearl With-Profits Fund**
 Financial year ended **31 December 2015**
 Units **£000**

Financial year	Previous year
1	2

Income

Earned premiums	11	45864	53448
Investment income receivable before deduction of tax	12	162696	138509
Increase (decrease) in the value of non-linked assets brought into account	13	323681	651121
Increase (decrease) in the value of linked assets	14	(3)	12
Other income	15	(314)	278
Total income	19	531925	843368

Expenditure

Claims incurred	21	507084	382029
Expenses payable	22	45914	46159
Interest payable before the deduction of tax	23	1495	2549
Taxation	24	4617	38090
Other expenditure	25		
Transfer to (from) non technical account	26	26209	17743
Total expenditure	29	585319	486570

Business transfers - in	31		
Business transfers - out	32	86573	106589
Increase (decrease) in fund in financial year (19-29+31-32)	39	(139967)	250209
Fund brought forward	49	5775169	5524960
Fund carried forward (39+49)	59	5635202	5775169

Long-term insurance business : Revenue account

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **100:0 SERP Fund**
 Financial year ended **31 December 2015**
 Units **£000**

Financial year	Previous year
1	2

Income

Earned premiums	11	4334	4847
Investment income receivable before deduction of tax	12	34901	39368
Increase (decrease) in the value of non-linked assets brought into account	13	(33060)	225914
Increase (decrease) in the value of linked assets	14		
Other income	15		
Total income	19	6176	270129

Expenditure

Claims incurred	21	107449	75681
Expenses payable	22	3284	3512
Interest payable before the deduction of tax	23	4	2
Taxation	24		
Other expenditure	25		
Transfer to (from) non technical account	26	(10339)	18828
Total expenditure	29	100397	98023

Business transfers - in	31		
Business transfers - out	32	11851	18902
Increase (decrease) in fund in financial year (19-29+31-32)	39	(106073)	153204
Fund brought forward	49	1290257	1137053
Fund carried forward (39+49)	59	1184184	1290257

Long-term insurance business : Revenue account

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **100:0 London Life With-Profits Fund**
 Financial year ended **31 December 2015**
 Units **£000**

Financial year	Previous year
1	2

Income

Earned premiums	11	11624	3432
Investment income receivable before deduction of tax	12	21578	24323
Increase (decrease) in the value of non-linked assets brought into account	13	(13310)	67077
Increase (decrease) in the value of linked assets	14		
Other income	15		
Total income	19	19892	94833

Expenditure

Claims incurred	21	49716	46341
Expenses payable	22	2851	2603
Interest payable before the deduction of tax	23	24	76
Taxation	24	(765)	5371
Other expenditure	25		
Transfer to (from) non technical account	26	42795	12210
Total expenditure	29	94622	66602

Business transfers - in	31	238	510
Business transfers - out	32	15704	18157
Increase (decrease) in fund in financial year (19-29+31-32)	39	(90197)	10584
Fund brought forward	49	670893	660310
Fund carried forward (39+49)	59	580697	670893

Long-term insurance business : Revenue account

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **100:0 NPL With-Profits Fund**
 Financial year ended **31 December 2015**
 Units **£000**

Financial year	Previous year
1	2

Income

Earned premiums	11	2892	
Investment income receivable before deduction of tax	12	29470	
Increase (decrease) in the value of non-linked assets brought into account	13	10265	
Increase (decrease) in the value of linked assets	14	(216)	
Other income	15	8710	
Total income	19	51121	

Expenditure

Claims incurred	21	76988	
Expenses payable	22	12924	
Interest payable before the deduction of tax	23	3398	
Taxation	24	(1534)	
Other expenditure	25		
Transfer to (from) non technical account	26	9750	
Total expenditure	29	101526	

Business transfers - in	31	2972828	
Business transfers - out	32	28327	
Increase (decrease) in fund in financial year (19-29+31-32)	39	2894096	
Fund brought forward	49		
Fund carried forward (39+49)	59	2894096	

Long-term insurance business : Revenue account

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **0:100 Non Profit Fund**
 Financial year ended **31 December 2015**
 Units **£000**

Financial year	Previous year
1	2

Income

Earned premiums	11	107353	48449
Investment income receivable before deduction of tax	12	100124	103437
Increase (decrease) in the value of non-linked assets brought into account	13	(109291)	326806
Increase (decrease) in the value of linked assets	14	4300	10892
Other income	15	1327	2055
Total income	19	103814	491639

Expenditure

Claims incurred	21	82849	98650
Expenses payable	22	10210	13202
Interest payable before the deduction of tax	23	3	13
Taxation	24	20429	5475
Other expenditure	25	(5010)	246054
Transfer to (from) non technical account	26	31554	20512
Total expenditure	29	140035	383906

Business transfers - in	31	149495	147718
Business transfers - out	32	7409	4580
Increase (decrease) in fund in financial year (19-29+31-32)	39	105865	250871
Fund brought forward	49	1656426	1405556
Fund carried forward (39+49)	59	1762291	1656426

Long-term insurance business : Analysis of premiums

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **Summary**
 Financial year ended **31 December 2015**
 Units **£000**

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

Gross

Regular premiums	11	42052	39100		81152	83586
Single premiums	12	125	8519		8644	30384

Reinsurance - external

Regular premiums	13	3580	22		3602	3647
Single premiums	14	(9258)	1345819		1336562	

Reinsurance - intra-group

Regular premiums	15	141	3391		3532	148
Single premiums	16	43	(1426010)		(1425967)	

Net of reinsurance

Regular premiums	17	38331	35687		74018	79791
Single premiums	18	9340	88710		98050	30384

Total

Gross	19	42177	47619		89796	113970
Reinsurance	20	(5494)	(76778)		(82272)	3795
Net	21	47671	124396		172068	110175

Long-term insurance business : Analysis of premiums

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **90:10 Pearl With-Profits Fund**
 Financial year ended **31 December 2015**
 Units **£000**

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

Gross

Regular premiums	11	20510	25403		45913	53271
Single premiums	12		120		120	359

Reinsurance - external

Regular premiums	13	71			71	75
Single premiums	14					

Reinsurance - intra-group

Regular premiums	15	98			98	107
Single premiums	16					

Net of reinsurance

Regular premiums	17	20341	25403		45744	53089
Single premiums	18		120		120	359

Total

Gross	19	20510	25523		46033	53630
Reinsurance	20	169			169	182
Net	21	20341	25523		45864	53448

Long-term insurance business : Analysis of premiums

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **100:0 SERP Fund**
 Financial year ended **31 December 2015**
 Units **£000**

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

Gross

Regular premiums	11		4334		4334	4847
Single premiums	12					

Reinsurance - external

Regular premiums	13					
Single premiums	14					

Reinsurance - intra-group

Regular premiums	15					
Single premiums	16					

Net of reinsurance

Regular premiums	17		4334		4334	4847
Single premiums	18					

Total

Gross	19		4334		4334	4847
Reinsurance	20					
Net	21		4334		4334	4847

Long-term insurance business : Analysis of premiums

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **100:0 London Life With-Profits Fund**
 Financial year ended **31 December 2015**
 Units **£000**

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

Gross

Regular premiums	11	2684	793		3477	3973
Single premiums	12		(111)		(111)	(325)

Reinsurance - external

Regular premiums	13	137	10		147	175
Single premiums	14	(8447)			(8447)	

Reinsurance - intra-group

Regular premiums	15	43			43	41
Single premiums	16					

Net of reinsurance

Regular premiums	17	2504	784		3288	3757
Single premiums	18	8447	(111)		8336	(325)

Total

Gross	19	2684	682		3366	3648
Reinsurance	20	(8267)	10		(8257)	216
Net	21	10951	673		11624	3432

Long-term insurance business : Analysis of premiums

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **100:0 NPL With-Profits Fund**
 Financial year ended **31 December 2015**
 Units **£000**

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

Gross

Regular premiums	11	126	6128		6254	
Single premiums	12	43	17		60	

Reinsurance - external

Regular premiums	13	1			1	
Single premiums	14	(120)			(120)	

Reinsurance - intra-group

Regular premiums	15	1	3391		3392	
Single premiums	16	43	106		149	

Net of reinsurance

Regular premiums	17	124	2737		2861	
Single premiums	18	121	(90)		31	

Total

Gross	19	170	6145		6315	
Reinsurance	20	(75)	3498		3423	
Net	21	245	2647		2892	

Long-term insurance business : Analysis of premiums

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
Total business / subfund **0:100 Non Profit Fund**
Financial year ended **31 December 2015**
Units **£000**

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

Gross

Regular premiums	11	18732	2441		21173	21494
Single premiums	12	82	8493		8575	30351

Reinsurance - external

Regular premiums	13	3370	12		3383	3396
Single premiums	14	(691)	1345819		1345128	

Reinsurance - intra-group

Regular premiums	15					
Single premiums	16		(1426116)		(1426116)	

Net of reinsurance

Regular premiums	17	15362	2429		17790	18098
Single premiums	18	773	88790		89563	30351

Total

Gross	19	18814	10934		29748	51845
Reinsurance	20	2679	(80285)		(77605)	3396
Net	21	16134	91219		107353	48449

Long-term insurance business : Analysis of claims

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **Summary**
 Financial year ended **31 December 2015**
 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	79551	23071		102622	83092
Disability periodic payments	12	415			415	634
Surrender or partial surrender	13	56381	341197		397578	285847
Annuity payments	14	155	200825		200980	212519
Lump sums on maturity	15	129034	211215		340248	160729
Total	16	265536	776307		1041843	742821

Reinsurance - external

Death or disability lump sums	21	1903			1903	2408
Disability periodic payments	22	50			50	6
Surrender or partial surrender	23	493			493	429
Annuity payments	24		21601		21601	
Lump sums on maturity	25	28			28	6
Total	26	2473	21601		24074	2850

Reinsurance - intra-group

Death or disability lump sums	31	2405	1829		4234	874
Disability periodic payments	32					
Surrender or partial surrender	33	3396	45887		49283	991
Annuity payments	34	(2226)	118526		116300	135218
Lump sums on maturity	35	627	23239		23866	188
Total	36	4203	189481		193683	137270

Net of reinsurance

Death or disability lump sums	41	75243	21242		96485	79810
Disability periodic payments	42	366			366	628
Surrender or partial surrender	43	52493	295310		347802	284427
Annuity payments	44	2380	60698		63078	77301
Lump sums on maturity	45	128379	187975		316354	160535
Total	46	258861	565225		824086	602701

Long-term insurance business : Analysis of claims

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **90:10 Pearl With-Profits Fund**
 Financial year ended **31 December 2015**
 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	59668	12197		71866	61054
Disability periodic payments	12					
Surrender or partial surrender	13	42380	156491		198871	187561
Annuity payments	14		4012		4012	4230
Lump sums on maturity	15	115969	116683		232652	129850
Total	16	218017	289384		507401	382695

Reinsurance - external

Death or disability lump sums	21					77
Disability periodic payments	22					
Surrender or partial surrender	23					
Annuity payments	24					
Lump sums on maturity	25					
Total	26					77

Reinsurance - intra-group

Death or disability lump sums	31	271			271	92
Disability periodic payments	32					
Surrender or partial surrender	33	224	(805)		(581)	308
Annuity payments	34					
Lump sums on maturity	35	627			627	188
Total	36	1122	(805)		317	589

Net of reinsurance

Death or disability lump sums	41	59397	12197		71595	60885
Disability periodic payments	42					
Surrender or partial surrender	43	42156	157296		199452	187252
Annuity payments	44		4012		4012	4230
Lump sums on maturity	45	115342	116683		232025	129662
Total	46	216895	290189		507084	382029

Long-term insurance business : Analysis of claims

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **100:0 SERP Fund**
 Financial year ended **31 December 2015**
 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		3506		3506	3604
Disability periodic payments	12					
Surrender or partial surrender	13		80165		80165	60997
Annuity payments	14					
Lump sums on maturity	15		23777		23777	11080
Total	16		107449		107449	75681

Reinsurance - external

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

Reinsurance - intra-group

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

Net of reinsurance

Death or disability lump sums	41		3506		3506	3604
Disability periodic payments	42					
Surrender or partial surrender	43		80165		80165	60997
Annuity payments	44					
Lump sums on maturity	45		23777		23777	11080
Total	46		107449		107449	75681

Long-term insurance business : Analysis of claims

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **100:0 London Life With-Profits Fund**
 Financial year ended **31 December 2015**
 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	6854	898		7752	7372
Disability periodic payments	12					
Surrender or partial surrender	13	5814	10836		16650	18143
Annuity payments	14		5654		5654	6150
Lump sums on maturity	15	10515	11148		21662	16887
Total	16	23183	28535		51718	48551

Reinsurance - external

Death or disability lump sums	21	132			132	309
Disability periodic payments	22					
Surrender or partial surrender	23	491			491	431
Annuity payments	24					
Lump sums on maturity	25	28			28	6
Total	26	652			652	746

Reinsurance - intra-group

Death or disability lump sums	31	818			818	781
Disability periodic payments	32					
Surrender or partial surrender	33	533			533	682
Annuity payments	34					
Lump sums on maturity	35					
Total	36	1351			1351	1464

Net of reinsurance

Death or disability lump sums	41	5904	898		6802	6281
Disability periodic payments	42					
Surrender or partial surrender	43	4790	10836		15626	17030
Annuity payments	44		5654		5654	6150
Lump sums on maturity	45	10487	11148		21634	16881
Total	46	21181	28535		49716	46341

Long-term insurance business : Analysis of claims

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **100:0 NPL With-Profits Fund**
 Financial year ended **31 December 2015**
 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	4100	5121		9222	
Disability periodic payments	12	2			2	
Surrender or partial surrender	13	6667	79120		85787	
Annuity payments	14	297			297	
Lump sums on maturity	15	596	54574		55170	
Total	16	11662	138816		150478	

Reinsurance - external

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

Reinsurance - intra-group

Death or disability lump sums	31	1316	1829		3145	
Disability periodic payments	32					
Surrender or partial surrender	33	2640	46692		49331	
Annuity payments	34	(2226)			(2226)	
Lump sums on maturity	35		23239		23239	
Total	36	1730	71760		73490	

Net of reinsurance

Death or disability lump sums	41	2784	3293		6077	
Disability periodic payments	42	2			2	
Surrender or partial surrender	43	4027	32428		36455	
Annuity payments	44	2523			2523	
Lump sums on maturity	45	596	31335		31931	
Total	46	9932	67056		76988	

Long-term insurance business : Analysis of claims

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **0:100 Non Profit Fund**
 Financial year ended **31 December 2015**
 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	8928	1348		10276	11062
Disability periodic payments	12	414			414	634
Surrender or partial surrender	13	1521	14583		16104	19147
Annuity payments	14	(143)	191160		191017	202139
Lump sums on maturity	15	1955	5032		6987	2913
Total	16	12674	212124		224798	235894

Reinsurance - external

Death or disability lump sums	21	1771			1771	2022
Disability periodic payments	22	50			50	6
Surrender or partial surrender	23	1			1	(2)
Annuity payments	24		21601		21601	
Lump sums on maturity	25					
Total	26	1821	21601		23423	2026

Reinsurance - intra-group

Death or disability lump sums	31					
Disability periodic payments	32					
Surrender or partial surrender	33					
Annuity payments	34		118526		118526	135218
Lump sums on maturity	35					
Total	36		118526		118526	135218

Net of reinsurance

Death or disability lump sums	41	7157	1348		8505	9040
Disability periodic payments	42	364			364	628
Surrender or partial surrender	43	1520	14583		16103	19149
Annuity payments	44	(143)	51033		50890	66921
Lump sums on maturity	45	1955	5032		6987	2913
Total	46	10853	71996		82849	98650

Long-term insurance business : Analysis of expenses

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **Summary**
 Financial year ended **31 December 2015**
 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	(17)	181		164	310
Management - acquisition	13					
Management - maintenance	14	22412	56304		78716	63735
Management - other	15	(959)	(2739)		(3698)	1431
Total	16	21436	53746		75183	65476

Reinsurance - external

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

Reinsurance - intra-group

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

Net of reinsurance

Commission - acquisition	41					
Commission - other	42	(17)	181		164	310
Management - acquisition	43					
Management - maintenance	44	22412	56304		78716	63735
Management - other	45	(959)	(2739)		(3698)	1431
Total	46	21436	53746		75183	65476

Long-term insurance business : Analysis of expenses

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **90:10 Pearl With-Profits Fund**
 Financial year ended **31 December 2015**
 Units **£000**

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

Gross

Commission - acquisition	11					
Commission - other	12					
Management - acquisition	13					
Management - maintenance	14	14587	33911		48498	45987
Management - other	15	(1226)	(1359)		(2585)	172
Total	16	13361	32553		45914	46159

Reinsurance - external

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

Reinsurance - intra-group

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

Net of reinsurance

Commission - acquisition	41					
Commission - other	42					
Management - acquisition	43					
Management - maintenance	44	14587	33911		48498	45987
Management - other	45	(1226)	(1359)		(2585)	172
Total	46	13361	32553		45914	46159

Long-term insurance business : Analysis of expenses

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **100:0 SERP Fund**
 Financial year ended **31 December 2015**
 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		(34)	(34)	64
Management - acquisition	13				
Management - maintenance	14		3277	3277	3395
Management - other	15		41	41	54
Total	16		3284	3284	3512

Reinsurance - external

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

Reinsurance - intra-group

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

Net of reinsurance

Commission - acquisition	41				
Commission - other	42		(34)	(34)	64
Management - acquisition	43				
Management - maintenance	44		3277	3277	3395
Management - other	45		41	41	54
Total	46		3284	3284	3512

Long-term insurance business : Analysis of expenses

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **100:0 London Life With-Profits Fund**
 Financial year ended **31 December 2015**
 Units **£000**

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

Gross

Commission - acquisition	11					
Commission - other	12					
Management - acquisition	13					
Management - maintenance	14	975	2005		2980	2476
Management - other	15	(42)	(86)		(128)	127
Total	16	933	1919		2851	2603

Reinsurance - external

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

Reinsurance - intra-group

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

Net of reinsurance

Commission - acquisition	41					
Commission - other	42					
Management - acquisition	43					
Management - maintenance	44	975	2005		2980	2476
Management - other	45	(42)	(86)		(128)	127
Total	46	933	1919		2851	2603

Long-term insurance business : Analysis of expenses

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **100:0 NPL With-Profits Fund**
 Financial year ended **31 December 2015**
 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	(17)	72	55	
Management - acquisition	13				
Management - maintenance	14	2109	10274	12383	
Management - other	15	358	128	486	
Total	16	2450	10474	12924	

Reinsurance - external

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

Reinsurance - intra-group

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

Net of reinsurance

Commission - acquisition	41				
Commission - other	42	(17)	72	55	
Management - acquisition	43				
Management - maintenance	44	2109	10274	12383	
Management - other	45	358	128	486	
Total	46	2450	10474	12924	

Long-term insurance business : Analysis of expenses

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **0:100 Non Profit Fund**
 Financial year ended **31 December 2015**
 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		143	143	247
Management - acquisition	13				
Management - maintenance	14	4742	6838	11579	11877
Management - other	15	(49)	(1463)	(1512)	1078
Total	16	4692	5517	10210	13202

Reinsurance - external

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

Reinsurance - intra-group

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

Net of reinsurance

Commission - acquisition	41				
Commission - other	42		143	143	247
Management - acquisition	43				
Management - maintenance	44	4742	6838	11579	11877
Management - other	45	(49)	(1463)	(1512)	1078
Total	46	4692	5517	10210	13202

Long-term insurance business : Linked funds balance sheet

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business
 Financial year ended **31 December 2015**
 Units **£000**

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

Internal linked funds (excluding cross investment)

Directly held assets (excluding collective investment schemes)	11	2799	2097
Directly held assets in collective investment schemes of connected companies	12		
Directly held assets in other collective investment schemes	13	317228	333820
Total assets (excluding cross investment) (11+12+ 13)	14	320027	335916
Provision for tax on unrealised capital gains	15	14	15
Secured and unsecured loans	16		
Other liabilities	17	7	14
Total net assets (14-15-16-17)	18	320006	335887

Directly held linked assets

Value of directly held linked assets	21	1840	24
--------------------------------------	----	------	----

Total

Value of directly held linked assets and units held (18+21)	31	321846	335911
Surplus units	32		
Deficit units	33		
Net unit liability (31-32+33)	34	321846	335911

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

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business
 Financial year ended **31 December 2015**
 Units **£000**

Financial year	Previous year
1	2

Income

Value of total creation of units	11	980	390
Investment income attributable to the funds before deduction of tax	12	8589	8804
Increase (decrease) in the value of investments in the financial year	13	4300	10499
Other income	14		
Total income	19	13870	19693

Expenditure

Value of total cancellation of units	21	27028	18618
Charges for management	22	2703	2709
Charges in respect of tax on investment income	23	7	14
Taxation on realised capital gains	24		
Increase (decrease) in amount set aside for tax on capital gains not yet realised	25	13	15
Other expenditure	26		
Total expenditure	29	29750	21356

Increase (decrease) in funds in financial year (19-29)	39	(15881)	(1662)
Internal linked fund brought forward	49	335887	337549
Internal linked funds carried forward (39+49)	59	320006	335887

Long-term insurance business : Summary of new business

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business
 Financial year ended **31 December 2015**
 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				
Single premium business	12				
Total	13				

**Amount of new regular
premiums**

Direct insurance business	21	26	90		117	113
External reinsurance	22					
Intra-group reinsurance	23					
Total	24	26	90		117	113

**Amount of new single
premiums**

Direct insurance business	25	82	8413		8495	(278)
External reinsurance	26					
Intra-group reinsurance	27	43	106		149	30662
Total	28	125	8519		8644	30384

Long-term insurance business : Analysis of new business

Name of insurer

PHOENIX LIFE ASSURANCE LIMITED

Total business

Financial year ended

31 December 2015

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
100	Conventional whole life with-profits OB		1		
365	Income protection non-profit (reviewable premiums)		17		
435	Miscellaneous non-profit		8		82
505	Life UWP whole life regular premium		1		

Long-term insurance business : Analysis of new business

Name of insurer

PHOENIX LIFE ASSURANCE LIMITED

Total business

Financial year ended

31 December 2015

Units

£000

UK Life / Reinsurance accepted intra-group

Product code number 1	Product description 2	Regular premium business		Single premium business	
		Number of policyholders / scheme members 3	Amount of premiums 4	Number of policyholders / scheme members 5	Amount of premiums 6
435	Miscellaneous non-profit				43

Long-term insurance business : Analysis of new business

Name of insurer

PHOENIX LIFE ASSURANCE LIMITED

Total business

Financial year ended

31 December 2015

Units

£000

UK Pension / Direct Insurance Business

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
155	Conventional pensions endowment with-profits		2		
400	Annuity non-profit (CPA)				8455
435	Miscellaneous non-profit				(43)
525	Individual pensions UWP		22		0
725	Individual pensions property linked		66		0

Long-term insurance business : Analysis of new business

Name of insurer

PHOENIX LIFE ASSURANCE LIMITED

Total business

Financial year ended

31 December 2015

Units

£000

UK Pension / Reinsurance accepted intra-group

Product code number 1	Product description 2	Regular premium business		Single premium business	
		Number of policyholders / scheme members 3	Amount of premiums 4	Number of policyholders / scheme members 5	Amount of premiums 6
400	Annuity non-profit (CPA)				106

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

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Category of assets **10 Total long term insurance business assets**
 Financial year ended **31 December 2015**
 Units **£000**

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

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

Land and buildings	11					
Approved fixed interest securities	12	394132	398266	13791	2.64	
Other fixed interest securities	13	928838	939012	43099	3.35	
Variable interest securities	14	95057	95070	216	(0.15)	
UK listed equity shares	15	15456	15641			
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18	366700	352194	449	0.40	
Total	19	1800183	1800183	57555	2.40	

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

Land and buildings	21	78633	367137	4199	1.14	11.74
Approved fixed interest securities	22	3429938	3672220	117941	2.26	0.44
Other fixed interest securities	23	387926	1998208	62522	3.44	(0.01)
Variable interest securities	24	736340	797883	16964	2.57	0.73
UK listed equity shares	25	249033	483351		3.20	2.77
Non-UK listed equity shares	26	5721	703722		1.90	2.76
Unlisted equity shares	27	206173	256683	2	0.75	18.13
Other assets	28	7107833	3922393	36206	0.71	0.99
Total	29	12201597	12201597	237834	1.93	1.50

Overall return on with-profits assets

Post investment costs but pre-tax	31					0.97
Return allocated to non taxable 'asset shares'	32					2.48
Return allocated to taxable 'asset shares'	33					2.16

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

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Category of assets **12 0:100 Non Profit Fund**
 Financial year ended **31 December 2015**
 Units **£000**

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

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

Land and buildings	11					
Approved fixed interest securities	12	310237	314370	10807	2.75	
Other fixed interest securities	13	928838	939012	43099	3.35	
Variable interest securities	14	95057	95070	216	(0.15)	
UK listed equity shares	15	15456	15641			
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18	168860	154355	308	0.20	
Total	19	1518448	1518448	54430	2.65	

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 : Assets not held to match linked liabilities

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Category of assets **13 90:10 Pearl With-Profits Fund**
 Financial year ended **31 December 2015**
 Units **£000**

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

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

Land and buildings	11					
Approved fixed interest securities	12	83895	83895	2984	2.22	
Other fixed interest securities	13					
Variable interest securities	14					
UK listed equity shares	15					
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18	82385	82385	140	0.52	
Total	19	166280	166280	3124	1.38	

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

Land and buildings	21	5025	287291	865	0.30	12.29
Approved fixed interest securities	22	1856690	2097236	63062	2.22	0.83
Other fixed interest securities	23	7677	1234780	39680	3.56	0.83
Variable interest securities	24	700233	708286	13789	2.58	0.83
UK listed equity shares	25	240490	466295		3.23	2.84
Non-UK listed equity shares	26	5512	677543		1.90	2.84
Unlisted equity shares	27	206173	256683	2	0.75	18.13
Other assets	28	4362961	1656647	7253	0.52	0.47
Total	29	7384761	7384761	124650	2.01	2.10

Overall return on with-profits assets

Post investment costs but pre-tax	31					1.66
Return allocated to non taxable 'asset shares'	32					4.17
Return allocated to taxable 'asset shares'	33					3.58

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

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Category of assets **14 100:0 SERP Fund**
 Financial year ended **31 December 2015**
 Units **£000**

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

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

Land and buildings	11					
Approved fixed interest securities	12					
Other fixed interest securities	13					
Variable interest securities	14					
UK listed equity shares	15					
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18					
Total	19					

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

Land and buildings	21					
Approved fixed interest securities	22	353083	353083	11913	2.40	(2.43)
Other fixed interest securities	23	8219	290657	340	3.31	(4.89)
Variable interest securities	24					
UK listed equity shares	25					
Non-UK listed equity shares	26					
Unlisted equity shares	27					
Other assets	28	904922	622484	26019	1.02	0.64
Total	29	1266225	1266225	38272	1.93	(1.49)

Overall return on with-profits assets

Post investment costs but pre-tax	31					(0.39)
Return allocated to non taxable 'asset shares'	32					(0.48)
Return allocated to taxable 'asset shares'	33					

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

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Category of assets **15 100:0 London Life With-Profits Fund**
 Financial year ended **31 December 2015**
 Units **£000**

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

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

Land and buildings	11					
Approved fixed interest securities	12					
Other fixed interest securities	13					
Variable interest securities	14					
UK listed equity shares	15					
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18					
Total	19					

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

Land and buildings	21		2605			(0.10)
Approved fixed interest securities	22	212920	212920	8122	2.13	0.17
Other fixed interest securities	23	17589	17789	817	3.19	0.94
Variable interest securities	24	1776	1776	97	5.29	0.94
UK listed equity shares	25	4453	7558		1.99	2.90
Non-UK listed equity shares	26		14485		2.40	2.90
Unlisted equity shares	27					
Other assets	28	403536	383142	488	0.51	0.81
Total	29	640275	640275	9525	1.19	0.67

Overall return on with-profits assets

Post investment costs but pre-tax	31					0.95
Return allocated to non taxable 'asset shares'	32					0.38
Return allocated to taxable 'asset shares'	33					1.91

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

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Category of assets **16 100:0 NPL With-Profits Fund**
 Financial year ended **31 December 2015**
 Units **£000**

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

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

Land and buildings	11					
Approved fixed interest securities	12					
Other fixed interest securities	13					
Variable interest securities	14					
UK listed equity shares	15					
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18	115455	115455	1	0.59	
Total	19	115455	115455	1	0.59	

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

Land and buildings	21	73608	77241	3334	4.32	10.08
Approved fixed interest securities	22	1007245	1008980	34844	2.31	0.71
Other fixed interest securities	23	354441	454982	21684	3.20	0.79
Variable interest securities	24	34332	87821	3077	2.45	
UK listed equity shares	25	4090	9498		2.74	(0.46)
Non-UK listed equity shares	26	208	11695		1.16	(1.60)
Unlisted equity shares	27					
Other assets	28	1436414	1260120	2447	0.87	1.90
Total	29	2910337	2910337	65387	1.88	1.45

Overall return on with-profits assets

Post investment costs but pre-tax	31					0.57
Return allocated to non taxable 'asset shares'	32					(1.36)
Return allocated to taxable 'asset shares'	33					(1.45)

Long-term insurance business : Fixed and variable interest assets

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Category of assets **10 Total long term insurance business assets**
 Financial year ended **31 December 2015**
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	11	3244281	13.03	2.23	2.23
Other approved fixed interest securities	21	826204	10.65	2.55	2.50
Other fixed interest securities					
AAA/Aaa	31	333264	13.44	2.11	2.06
AA/Aa	32	469777	11.33	3.32	3.19
A/A	33	914470	9.27	3.45	3.18
BBB/Baa	34	943951	8.13	3.87	3.44
BB/Ba	35	67420	7.65	5.49	3.80
B/B	36	36551	7.46	7.86	5.12
CCC/Caa	37	7097	8.52	10.18	5.19
Other (including unrated)	38	164691	2.47	1.34	1.27
Total other fixed interest securities	39	2937221	9.26	3.41	3.07
Approved variable interest securities	41	572472	18.27	1.50	1.59
Other variable interest securities	51	320480	14.95	3.66	3.21
Total (11+21+39+41+51)	61	7900659	11.84	2.71	2.57

Long-term insurance business : Fixed and variable interest assets

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Category of assets **12 0:100 Non Profit Fund**
 Financial year ended **31 December 2015**
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	11	312857	15.86	2.75	2.75
Other approved fixed interest securities	21	1514	3.60	2.33	2.30
Other fixed interest securities					
AAA/Aaa	31	85553	7.40	2.74	2.72
AA/Aa	32	103611	9.54	3.51	3.47
A/A	33	347405	8.63	3.45	3.41
BBB/Baa	34	302999	7.23	3.74	3.66
BB/Ba	35	4157	8.85	5.61	5.37
B/B	36				
CCC/Caa	37				
Other (including unrated)	38	95286	4.18	2.00	1.89
Total other fixed interest securities	39	939012	7.72	3.35	3.29
Approved variable interest securities	41	57196	14.78	(1.25)	(1.25)
Other variable interest securities	51	37874	17.70	1.51	1.44
Total (11+21+39+41+51)	61	1348453	10.18	2.96	2.92

Long-term insurance business : Fixed and variable interest assets

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Category of assets **13 90:10 Pearl With-Profits Fund**
 Financial year ended **31 December 2015**
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	11	1918136	13.52	2.23	2.23
Other approved fixed interest securities	21	262995	6.78	2.20	2.13
Other fixed interest securities					
AAA/Aaa	31	100623	18.79	1.70	1.66
AA/Aa	32	63174	11.51	2.92	2.75
A/A	33	360036	9.33	3.42	3.07
BBB/Baa	34	545842	8.19	3.91	3.36
BB/Ba	35	52191	6.56	5.53	3.86
B/B	36	36551	7.46	7.86	5.12
CCC/Caa	37	7097	8.52	10.18	5.19
Other (including unrated)	38	69267	0.13	0.43	0.43
Total other fixed interest securities	39	1234780	9.01	3.56	3.02
Approved variable interest securities	41	515277	18.66	1.81	1.91
Other variable interest securities	51	193010	12.78	4.62	4.03
Total (11+21+39+41+51)	61	4124198	12.35	2.68	2.50

Long-term insurance business : Fixed and variable interest assets

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Category of assets **14 100:0 SERP Fund**
 Financial year ended **31 December 2015**
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	11	353083	13.60	2.40	2.40
Other approved fixed interest securities	21				
Other fixed interest securities					
AAA/Aaa	31	52279	11.83	2.98	2.87
AA/Aa	32	237388	12.61	3.39	3.27
A/A	33	990	1.11	1.53	1.34
BBB/Baa	34				
BB/Ba	35				
B/B	36				
CCC/Caa	37				
Other (including unrated)	38				
Total other fixed interest securities	39	290657	12.43	3.31	3.19
Approved variable interest securities	41				
Other variable interest securities	51				
Total (11+21+39+41+51)	61	643740	13.07	2.81	2.76

Long-term insurance business : Fixed and variable interest assets

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Category of assets **15 100:0 London Life With-Profits Fund**
 Financial year ended **31 December 2015**
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	11	185142	11.65	2.06	2.06
Other approved fixed interest securities	21	27779	10.04	2.57	2.53
Other fixed interest securities					
AAA/Aaa	31	2703	8.39	2.67	2.60
AA/Aa	32	2216	7.06	3.40	3.12
A/A	33	10254	8.31	3.34	2.86
BBB/Baa	34	2478	6.05	3.14	2.33
BB/Ba	35				
B/B	36				
CCC/Caa	37				
Other (including unrated)	38	138			
Total other fixed interest securities	39	17789	7.79	3.19	2.76
Approved variable interest securities	41				
Other variable interest securities	51	1776	12.47	5.29	4.61
Total (11+21+39+41+51)	61	232485	11.17	2.24	2.19

Long-term insurance business : Fixed and variable interest assets

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Category of assets **16 100:0 NPL With-Profits Fund**
 Financial year ended **31 December 2015**
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	11	475063	9.34	1.85	1.85
Other approved fixed interest securities	21	533917	12.60	2.72	2.69
Other fixed interest securities					
AAA/Aaa	31	92106	14.29	1.46	1.41
AA/Aa	32	63388	9.47	3.14	2.83
A/A	33	195785	10.38	3.50	3.03
BBB/Baa	34	92632	10.78	4.06	3.21
BB/Ba	35	11072	12.38	5.31	2.96
B/B	36				
CCC/Caa	37				
Other (including unrated)	38				
Total other fixed interest securities	39	454982	11.17	3.20	2.71
Approved variable interest securities	41				
Other variable interest securities	51	87821	18.57	2.45	2.13
Total (11+21+39+41+51)	61	1551783	11.52	2.58	2.41

Long-term insurance business : Summary of mathematical reserves

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **Summary**
 Financial year ended **31 December 2015**
 Units **£000**

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

Gross

Form 51 - with-profits	11	711162	3539493		4250656	4198447
Form 51 - non-profit	12	107142	2812290		2919432	2968270
Form 52	13	556710	5051264		5607974	3255447
Form 53 - linked	14	92925	1789841		1882766	354339
Form 53 - non-linked	15	921	93133		94054	34157
Form 54 - linked	16	2231	82697		84928	96846
Form 54 - non-linked	17	6	979		985	1081
Total	18	1471098	13369698		14840796	10908588

Reinsurance - external

Form 51 - with-profits	21					5695
Form 51 - non-profit	22	(4087)	1303965		1299879	(5378)
Form 52	23					
Form 53 - linked	24					
Form 53 - non-linked	25					
Form 54 - linked	26	1722	67342		69064	1722
Form 54 - non-linked	27					
Total	28	(2365)	1371307		1368943	2039

Reinsurance - intra-group

Form 51 - with-profits	31					
Form 51 - non-profit	32					1573940
Form 52	33	8597	14556		23153	
Form 53 - linked	34	84409	1476511		1560920	18428
Form 53 - non-linked	35	177	9902		10080	188
Form 54 - linked	36					79022
Form 54 - non-linked	37					
Total	38	93183	1500970		1594153	1671578

Net of reinsurance

Form 51 - with-profits	41	711162	3539493		4250656	4192751
Form 51 - non-profit	42	111229	1508324		1619553	1399708
Form 52	43	548113	5036708		5584821	3255447
Form 53 - linked	44	8517	313330		321846	335911
Form 53 - non-linked	45	744	83231		83975	33969
Form 54 - linked	46	509	15355		15864	16102
Form 54 - non-linked	47	6	979		985	1081
Total	48	1380280	10497420		11877700	9234970

Long-term insurance business : Summary of mathematical reserves

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **90:10 Pearl With-Profits Fund**
 Financial year ended **31 December 2015**
 Units **£000**

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

Gross

Form 51 - with-profits	11	504731	1652825		2157556	2258695
Form 51 - non-profit	12	21143	116072		137215	129634
Form 52	13	394378	2773003		3167381	3243645
Form 53 - linked	14	5738			5738	6959
Form 53 - non-linked	15	151	22600		22751	26854
Form 54 - linked	16					
Form 54 - non-linked	17					
Total	18	926141	4564500		5490642	5665788

Reinsurance - external

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

Reinsurance - intra-group

Form 51 - with-profits	31					
Form 51 - non-profit	32					
Form 52	33					
Form 53 - linked	34	5719			5719	6935
Form 53 - non-linked	35	151			151	183
Form 54 - linked	36					
Form 54 - non-linked	37					
Total	38	5870			5870	7118

Net of reinsurance

Form 51 - with-profits	41	504731	1652825		2157556	2258695
Form 51 - non-profit	42	21143	116072		137215	129634
Form 52	43	394378	2773003		3167381	3243645
Form 53 - linked	44	19			19	24
Form 53 - non-linked	45		22600		22600	26671
Form 54 - linked	46					
Form 54 - non-linked	47					
Total	48	920271	4564500		5484771	5658670

Long-term insurance business : Summary of mathematical reserves

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **100:0 SERP Fund**
 Financial year ended **31 December 2015**
 Units **£000**

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

Gross

Form 51 - with-profits	11		1179184		1179184	1285257
Form 51 - non-profit	12					
Form 52	13					
Form 53 - linked	14					
Form 53 - non-linked	15					
Form 54 - linked	16					
Form 54 - non-linked	17					
Total	18		1179184		1179184	1285257

Reinsurance - external

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

Reinsurance - intra-group

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

Net of reinsurance

Form 51 - with-profits	41		1179184		1179184	1285257
Form 51 - non-profit	42					
Form 52	43					
Form 53 - linked	44					
Form 53 - non-linked	45					
Form 54 - linked	46					
Form 54 - non-linked	47					
Total	48		1179184		1179184	1285257

Long-term insurance business : Summary of mathematical reserves

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **100:0 London Life With-Profits Fund**
 Financial year ended **31 December 2015**
 Units **£000**

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

Gross

Form 51 - with-profits	11	193133	363450		556583	654494
Form 51 - non-profit	12		526		526	478
Form 52	13	4541	4439		8980	11803
Form 53 - linked	14					
Form 53 - non-linked	15	6	2296		2302	3542
Form 54 - linked	16					
Form 54 - non-linked	17					
Total	18	197680	370711		568391	670317

Reinsurance - external

Form 51 - with-profits	21					5695
Form 51 - non-profit	22					
Form 52	23					
Form 53 - linked	24					
Form 53 - non-linked	25					
Form 54 - linked	26					
Form 54 - non-linked	27					
Total	28					5695

Reinsurance - intra-group

Form 51 - with-profits	31					
Form 51 - non-profit	32					
Form 52	33					
Form 53 - linked	34					
Form 53 - non-linked	35	6			6	5
Form 54 - linked	36					
Form 54 - non-linked	37					
Total	38	6			6	5

Net of reinsurance

Form 51 - with-profits	41	193133	363450		556583	648799
Form 51 - non-profit	42		526		526	478
Form 52	43	4541	4439		8980	11803
Form 53 - linked	44					
Form 53 - non-linked	45		2296		2296	3537
Form 54 - linked	46					
Form 54 - non-linked	47					
Total	48	197674	370711		568386	664617

Long-term insurance business : Summary of mathematical reserves

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **100:0 NPL With-Profits Fund**
 Financial year ended **31 December 2015**
 Units **£000**

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

Gross

Form 51 - with-profits	11	13298	344034		357332	
Form 51 - non-profit	12	98	58230		58328	
Form 52	13	157791	2273822		2431613	
Form 53 - linked	14	70018	1476511		1546530	
Form 53 - non-linked	15	739	66287		67026	
Form 54 - linked	16					
Form 54 - non-linked	17					
Total	18	241945	4218884		4460829	

Reinsurance - external

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

Reinsurance - intra-group

Form 51 - with-profits	31					
Form 51 - non-profit	32					
Form 52	33	8597	14556		23153	
Form 53 - linked	34	68198	1476511		1544709	
Form 53 - non-linked	35	(3)	9902		9900	
Form 54 - linked	36					
Form 54 - non-linked	37					
Total	38	76792	1500970		1577762	

Net of reinsurance

Form 51 - with-profits	41	13298	344034		357332	
Form 51 - non-profit	42	98	58230		58328	
Form 52	43	149194	2259266		2408460	
Form 53 - linked	44	1821			1821	
Form 53 - non-linked	45	742	56384		57126	
Form 54 - linked	46					
Form 54 - non-linked	47					
Total	48	165153	2717914		2883067	

Long-term insurance business : Summary of mathematical reserves

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **0:100 Non Profit Fund**
 Financial year ended **31 December 2015**
 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	85901	2637462	2723363	2838158
Form 52	13				
Form 53 - linked	14	17168	313330	330498	347380
Form 53 - non-linked	15	25	1950	1975	3760
Form 54 - linked	16	2231	82697	84928	96846
Form 54 - non-linked	17	6	979	985	1081
Total	18	105331	3036418	3141749	3287226

Reinsurance - external

Form 51 - with-profits	21				
Form 51 - non-profit	22	(4087)	1303965	1299879	(5378)
Form 52	23				
Form 53 - linked	24				
Form 53 - non-linked	25				
Form 54 - linked	26	1722	67342	69064	1722
Form 54 - non-linked	27				
Total	28	(2365)	1371307	1368943	(3656)

Reinsurance - intra-group

Form 51 - with-profits	31				
Form 51 - non-profit	32				1573940
Form 52	33				
Form 53 - linked	34	10492		10492	11493
Form 53 - non-linked	35	23		23	
Form 54 - linked	36				79022
Form 54 - non-linked	37				
Total	38	10515		10515	1664455

Net of reinsurance

Form 51 - with-profits	41				
Form 51 - non-profit	42	89987	1333497	1423484	1269596
Form 52	43				
Form 53 - linked	44	6676	313330	320006	335887
Form 53 - non-linked	45	2	1950	1952	3760
Form 54 - linked	46	509	15355	15864	16102
Form 54 - non-linked	47	6	979	985	1081
Total	48	97181	1665110	1762291	1626426

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

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **90:10 Pearl With-Profits Fund**
 Financial year ended **31 December 2015**
 Units **£000**
 UK Life / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
100	Conventional whole life with-profits OB	17699	82160	3076				54833
105	Conventional whole life with-profits IB	331957	109372	147				82699
120	Conventional endowment with-profits OB savings	9659	62698	1508				56684
125	Conventional endowment with-profits OB target cash	11388	174228	5249				260531
130	Conventional endowment with-profits IB	1087	1565	45				1468
155	Conventional pensions endowment with-profits	1315	32178					30702
205	Miscellaneous conventional with-profits	128	4807	79				3185
215	Additional reserves with-profits IB							14629
300	Regular premium non-profit WL/EA OB	3236	8079					7657
310	Non-profit IB	434780	6650					13309
435	Miscellaneous non-profit	27	597	8				177

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

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **90:10 Pearl With-Profits Fund**
 Financial year ended **31 December 2015**
 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
155	Conventional pensions endowment with-profits	50401	1108437	3072				1596047
165	Conventional deferred annuity with-profits	107	348	10				505
200	Annuity with-profits (CPA)							56273
300	Regular premium non-profit WL/EA OB	5320	63193					87879
305	Single premium non-profit WL/EA OB	1						2
390	Deferred annuity non-profit	732	806	0				5710
400	Annuity non-profit (CPA)							22481

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

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **100:0 SERP Fund**
 Financial year ended **31 December 2015**
 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
165	Conventional deferred annuity with-profits	31275	75785	4080				1179184

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

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **100:0 London Life With-Profits Fund**
 Financial year ended **31 December 2015**
 Units **£000**
 UK Life / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
100	Conventional whole life with-profits OB	9862	147502	1353				155950
120	Conventional endowment with-profits OB savings	4053	36640	539				33659
165	Conventional deferred annuity with-profits	127	3674	6				3524
205	Miscellaneous conventional with-profits	4	61	1				0

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

Name of insurer	PHOENIX LIFE ASSURANCE LIMITED
Total business / subfund	100:0 London Life With-Profits Fund
Financial year ended	31 December 2015
Units	£000
UK Life / Reinsurance ceded external	

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
100	Conventional whole life with-profits OB							

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

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **100:0 London Life With-Profits Fund**
 Financial year ended **31 December 2015**
 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
155	Conventional pensions endowment with-profits	11733	223926	286				277840
165	Conventional deferred annuity with-profits	97	1520	5				10659
175	Group conventional deferred annuity with-profits		2021	0				2050
200	Annuity with-profits (CPA)	2012	5300					70211
205	Miscellaneous conventional with-profits	37	460					2690
400	Annuity non-profit (CPA)		10					526

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

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **100:0 NPL With-Profits Fund**
 Financial year ended **31 December 2015**
 Units **£000**
 UK Life / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
100	Conventional whole life with-profits OB	684	11788	69				8042
120	Conventional endowment with-profits OB savings	428	3877	77				5249
165	Conventional deferred annuity with-profits	14	4					7
390	Deferred annuity non-profit							2
435	Miscellaneous non-profit							97

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

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **100:0 NPL With-Profits Fund**
 Financial year ended **31 December 2015**
 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
155	Conventional pensions endowment with-profits	5898	313495	216				344023
165	Conventional deferred annuity with-profits	13	7					8
205	Miscellaneous conventional with-profits	8	4					3
390	Deferred annuity non-profit	1432	2846					51752
435	Miscellaneous non-profit	4835	120804	361				6477

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

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **0:100 Non Profit Fund**
 Financial year ended **31 December 2015**
 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
300	Regular premium non-profit WL/EA OB	26064	64963	735				79743
305	Single premium non-profit WL/EA OB	20	6					7
325	Level term assurance	37502	3347768	19521				(28887)
330	Decreasing term assurance	1184	78679	476				(380)
350	Stand-alone critical illness (guaranteed premiums)	36	1451	10				(9)
360	Income protection non-profit (guaranteed premiums)	150	1650	34				48
365	Income protection non-profit (reviewable premiums)		1603	32				(43)
385	Income protection claims in payment	3	44					24
390	Deferred annuity non-profit	323	3408	0				3475
395	Annuity non-profit (PLA)	2452	2917					28240
425	Group income protection claims in payment	3	59					775
435	Miscellaneous non-profit	244	94392	50				1083
440	Additional reserves non-profit OB							1824

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

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **0:100 Non Profit Fund**
 Financial year ended **31 December 2015**
 Units **£000**
 UK Life / Reinsurance ceded external

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
325	Level term assurance		355502	2108				(4810)
365	Income protection non-profit (reviewable premiums)		1603	32				708
395	Annuity non-profit (PLA)	2						15

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

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **0:100 Non Profit Fund**
 Financial year ended **31 December 2015**
 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
300	Regular premium non-profit WL/EA OB	377						482
325	Level term assurance	4031	269686	1568				(1558)
330	Decreasing term assurance	32	250	2				2
390	Deferred annuity non-profit	1177	1061					24570
400	Annuity non-profit (CPA)	155546	189008					2593504
410	Group Life	15	10469	253				(168)
435	Miscellaneous non-profit		383	12				16127
440	Additional reserves non-profit OB							4502

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

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
Total business / subfund **0:100 Non Profit Fund**
Financial year ended **31 December 2015**
Units **£000**
UK Pension / Reinsurance ceded external

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
400	Annuity non-profit (CPA)	89452						1303965

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

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **90:10 Pearl With-Profits Fund**
 Financial year ended **31 December 2015**
 Units **£000**
 UK Life / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
500	Life UWP single premium	21969	245075		245075	216924	18144	235068
505	Life UWP whole life regular premium	1124	7020	907	7020	6859	161	7020
506	Life UWP whole life regular premium (ISA)	20009	100797	6787	115172	99789	15383	115172
515	Life UWP endowment regular premium – target cash	2508	69418	1684	37118	28268	8850	37118

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

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **90:10 Pearl With-Profits Fund**
 Financial year ended **31 December 2015**
 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
506	Life UWP whole life regular premium (ISA)		31		31	31		31
525	Individual pensions UWP	325860	2646519	21651	2646519	2062201	657894	2720095
535	Group money purchase pensions UWP	1	50068	157	50068	47993	1233	49227
575	Miscellaneous UWP	310	2820	107	2820	2820		2820
605	Miscellaneous protection rider	5922	59058	256		831		831

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

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **100:0 London Life With-Profits Fund**
 Financial year ended **31 December 2015**
 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
505	Life UWP whole life regular premium	402	4521	88	4521	4295	226	4521
575	Miscellaneous UWP	1	20		20	20		20

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

Name of insurer	PHOENIX LIFE ASSURANCE LIMITED
Total business / subfund	100:0 London Life With-Profits Fund
Financial year ended	31 December 2015
Units	£000
UK Pension / Gross	

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
525	Individual pensions UWP	771	6741	66	4439	3960	479	4439

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

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **100:0 NPL With-Profits Fund**
 Financial year ended **31 December 2015**
 Units **£000**
 UK Life / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
500	Life UWP single premium	6872	138728		138728	146300	3546	149846
610	Additional reserves UWP						7945	7945

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

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **100:0 NPL With-Profits Fund**
 Financial year ended **31 December 2015**
 Units **£000**
 UK Life / Reinsurance ceded intra-group

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
500	Life UWP single premium		8574		8574	4027	4570	8597

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

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **100:0 NPL With-Profits Fund**
 Financial year ended **31 December 2015**
 Units **£000**
 UK Pension / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
525	Individual pensions UWP	94787	1786211	7800	1786211	2094544	(9955)	2084589
535	Group money purchase pensions UWP	6049	101671	1293	101671	113799	8701	122500
545	Individual deposit administration with-profits	249	2468		2468	2468	2893	5361
555	Group deposit administration with-profits	249	8618	32	8618	8618	7166	15784
570	Income drawdown UWP	9	1324		1324	1122	219	1341
610	Additional reserves UWP						44248	44248

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

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **100:0 NPL With-Profits Fund**
 Financial year ended **31 December 2015**
 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						11535	11535
535	Group money purchase pensions UWP						3022	3022

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

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
Total business / subfund **90:10 Pearl With-Profits Fund**
Financial year ended **31 December 2015**
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
795	Miscellaneous property linked	528	5719	127	5719	5738	151	5890

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

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **90:10 Pearl With-Profits Fund**
 Financial year ended **31 December 2015**
 Units **£000**
 UK Life / Reinsurance ceded intra-group

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
795	Miscellaneous property linked	528	5719	127	5719	5719	151	5870

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

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **90:10 Pearl With-Profits Fund**
 Financial year ended **31 December 2015**
 Units **£000**
 UK Pension / Gross

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
725	Individual pensions property linked						22600	22600

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

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **100:0 London Life With-Profits Fund**
 Financial year ended **31 December 2015**
 Units **£000**
 UK Life / Gross

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

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

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **100:0 London Life With-Profits Fund**
 Financial year ended **31 December 2015**
 Units **£000**
 UK Life / Reinsurance ceded intra-group

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

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

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **100:0 London Life With-Profits Fund**
 Financial year ended **31 December 2015**
 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	258					2296	2296

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

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **100:0 NPL With-Profits Fund**
 Financial year ended **31 December 2015**
 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	4206	64123		64123	64123	701	64824
715	Life property linked endowment regular premium - savings	99	4075		4075	4075	41	4116
795	Miscellaneous property linked	54	1810	2	1821	1821	(3)	1818

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

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **100:0 NPL With-Profits Fund**
 Financial year ended **31 December 2015**
 Units **£000**
 UK Life / Reinsurance ceded intra-group

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
700	Life property linked single premium		64123		64123	64123	(3)	64120
715	Life property linked endowment regular premium - savings		4075		4075	4075	(0)	4075

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

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **100:0 NPL With-Profits Fund**
 Financial year ended **31 December 2015**
 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	93715	1371624	8216	1344035	1371624	60039	1431663
735	Group money purchase pensions property linked	8678	98909	1089	98909	98909	3030	101938
750	Income drawdown property linked	116	5979		5979	5979	88	6067
790	Miscellaneous protection rider	80	7393	19			1519	1519
800	Additional reserves property linked						1611	1611

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

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **100:0 NPL With-Profits Fund**
 Financial year ended **31 December 2015**
 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		1371624	8216	1344035	1371624	9904	1381528
735	Group money purchase pensions property linked		98909	1089	98909	98909	(1)	98907
750	Income drawdown property linked		5979		5979	5979	0	5979

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

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **0:100 Non Profit Fund**
 Financial year ended **31 December 2015**
 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	130	11354		11336	11336	23	11359
710	Life property linked whole life regular premium	113	5145	59	1671	1671	0	1671
715	Life property linked endowment regular premium - savings	296	8069	157	4161	4161	2	4163

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

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **0:100 Non Profit Fund**
 Financial year ended **31 December 2015**
 Units **£000**
 UK Life / Reinsurance ceded intra-group

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
700	Life property linked single premium		9834		9834	9834	23	9858
710	Life property linked whole life regular premium		658		658	658	0	658

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

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **0:100 Non Profit Fund**
 Financial year ended **31 December 2015**
 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	3240	111372	925	102900	102900	1729	104629
745	DWP National Insurance rebates property linked	15986	201335		211846	210430	117	210547
800	Additional reserves property linked						104	104

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

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **0:100 Non Profit Fund**
 Financial year ended **31 December 2015**
 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 (CPA)	14	47			509	6	515
910	Miscellaneous index linked					1722		1722

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

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
Total business / subfund **0:100 Non Profit Fund**
Financial year ended **31 December 2015**
Units **£000**
UK Life / Reinsurance ceded external

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
910	Miscellaneous index linked					1722		1722

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

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **0:100 Non Profit Fund**
 Financial year ended **31 December 2015**
 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 (CPA)	1323	7450			81368	972	82340
910	Miscellaneous index linked	79	77			1329	6	1335

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

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **0:100 Non Profit Fund**
 Financial year ended **31 December 2015**
 Units **£000**
 UK Pension / Reinsurance ceded external

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
905	Index linked annuity (CPA)	939				67342		67342

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

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business
 Financial year ended **31 December 2015**
 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
LL Pensions Mixed	12 - individual pension - balanced managed fund	39233	Series S	0.75	4.9616	5.1083	2.96
LL (ex-AMP) Pensions Managed	12 - individual pension - balanced managed fund	227726	Accumulation	0.75	10.6535	10.9914	3.17

Long-term insurance business: Analysis of valuation interest rateName of insurer **PHOENIX LIFE ASSURANCE LIMITED**Subfund **90:10 Pearl With-Profits Fund**Financial year ended **31 December 2015**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
100 Conventional whole life withprofits OB Life	54833	1.51	1.89	1.99
105 Conventional whole life withprofits IB Life	82699	1.04	1.30	1.40
120 Conventional endowment withprofits OB savings Life	56684	1.61	2.02	2.63
125 Conventional endowment withprofits OB target cash Life	260531	1.55	1.93	2.03
500 Life UWP single premium Life	236605	0.65	0.81	2.63
506 Life UWP whole life regular premium (ISA) Life	115445	0.62	0.77	2.48
155 Conventional pensions endowment withprofits Pensions	1596047	1.53	1.53	1.53
200 Annuity withprofits (CPA) Pensions	58466	1.97	1.97	2.07
300 Regular premium nonprofit WL/EA OB Pensions	87879	1.58	1.58	1.68
525 Individual pensions UWP Pensions	2275255	1.66	1.66	1.76
525 Individual pensions UWP Pensions	481877	2.27	2.27	2.70
535 Group money purchase pensions UWP Pensions	51002	0.97	0.97	2.63
Miscellaneous	170437	n/a	n/a	n/a
Total	5527762			

Long-term insurance business: Analysis of valuation interest rate

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Subfund **100:0 SERP Fund**

Financial year ended **31 December 2015**

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
165 Conventional deferred annuity withprofits Pensions	1179184	2.53	2.53	2.60
Total	1179184			

Long-term insurance business: Analysis of valuation interest rate

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
Subfund **100:0 London Life With-Profits Fund**
Financial year ended **31 December 2015**
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
100 Conventional whole life withprofits OB Life	156085	1.80	2.26	2.39
120 Conventional endowment withprofits OB savings Life	33659	2.00	2.50	2.63
155 Conventional pensions endowment withprofits Pensions	278111	2.11	2.11	2.16
165 Conventional deferred annuity withprofits Pensions	10734	2.45	2.45	2.58
200 Annuity withprofits (CPA) Pensions	70705	2.42	2.45	2.58
Miscellaneous	20403	n/a	n/a	n/a
Total	569697			

Long-term insurance business: Analysis of valuation interest rateName of insurer **PHOENIX LIFE ASSURANCE LIMITED**Subfund **100:0 NPL With-Profits Fund**Financial year ended **31 December 2015**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
100 Conventional whole life withprofits OB Life	8042	1.39	1.74	1.83
120 Conventional endowment withprofits OB savings Life	5249	1.05	1.31	1.40
500 Life UWP single premium Life	141249	1.11	1.39	1.48
700 Life property linked single premium Life	703	0.82	1.02	1.11
155 Conventional pensions endowment withprofits Pensions	344023	3.25	3.25	3.34
390 Deferred annuity nonprofit Pensions	51752	3.48	3.48	3.57
435 Miscellaneous nonprofit Pensions	6477	1.86	1.86	1.95
525 Individual pensions UWP Pensions	2075444	2.06	2.06	2.15
535 Group money purchase pensions UWP Pensions	119616	1.86	1.86	1.95
555 Group deposit administration withprofits Pensions	15784	2.63	2.63	2.72
570 Income drawdown UWP Pensions	1343	1.09	1.09	1.18
610 Additional reserves UWP Pensions	44248	1.37	1.37	1.46
725 Individual pensions property linked Pensions	50135	1.02	1.02	1.11
735 Group money purchase pensions property linked Pensions	3031	1.02	1.02	1.11
790 Miscellaneous protection rider Pensions	1519	3.42	3.42	3.51
Miscellaneous	15659	n/a	n/a	n/a
Total	2884275			

Long-term insurance business: Analysis of valuation interest rate

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**Subfund **0:100 Non Profit Fund**Financial year ended **31 December 2015**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 390	3475	1.75	2.20	2.26
UKP NP code 390	24570	2.20	2.20	2.26
UKP NP code 400	1289539	2.87	2.87	2.95
UKP NP code 300/325/330/410/435	15053	2.10	2.10	2.16
UKP NP code 440	4502	2.20	2.20	2.26
UKP NP code 905	972	2.45	2.45	2.51
Miscellaneous	88310	n/a	n/a	n/a
Total	1426421			

Long-term insurance business : Distribution of surplus

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **Summary**
 Financial year ended **31 December 2015**
 Units **£000**

Financial year 1	Previous year 2
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Valuation result

Fund carried forward	11	12056470	9392746
Bonus payments in anticipation of a surplus	12	200303	157164
Transfer to non-technical account	13	57764	38255
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	12314536	9588165
Mathematical reserves	21	11877700	9234970
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	436836	353195

Composition of surplus

Balance brought forward	31	147421	147421
Transfer from non-technical account	32	(42207)	(31038)
Transfer from other funds / parts of fund	33	45348	
Surplus arising since the last valuation	34	286274	236812
Total	39	436836	353195

Distribution of surplus

Bonus paid in anticipation of a surplus	41	200303	157164
Cash bonuses	42	135	135
Reversionary bonuses	43	47213	10219
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	247652	167518
Net transfer out of fund / part of fund	47	57764	38255
Total distributed surplus (46+47)	48	305415	205774
Surplus carried forward	49	131421	147421
Total (48+49)	59	436836	353195

Percentage of distributed surplus allocated to policyholders

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

Long-term insurance business : Distribution of surplus

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
Total business / subfund **90:10 Pearl With-Profits Fund**
Financial year ended **31 December 2015**
Units **£000**

Financial year 1	Previous year 2
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Valuation result

Fund carried forward	11	5635202	5775169
Bonus payments in anticipation of a surplus	12	197968	155968
Transfer to non-technical account	13	26209	17743
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	5859380	5948880
Mathematical reserves	21	5484771	5658670
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	374609	290210

Composition of surplus

Balance brought forward	31	107421	107421
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	267188	182789
Total	39	374609	290210

Distribution of surplus

Bonus paid in anticipation of a surplus	41	197968	155968
Cash bonuses	42		
Reversionary bonuses	43	43010	9078
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	240978	165046
Net transfer out of fund / part of fund	47	26209	17743
Total distributed surplus (46+47)	48	267188	182789
Surplus carried forward	49	107421	107421
Total (48+49)	59	374609	290210

Percentage of distributed surplus allocated to policyholders

Current year	61	90.19	90.29
Current year - 1	62	90.29	90.34
Current year - 2	63	90.34	90.39
Current year - 3	64	90.39	90.44

Long-term insurance business : Distribution of surplus

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **100:0 SERP Fund**
 Financial year ended **31 December 2015**
 Units **£000**

Financial year 1	Previous year 2
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Valuation result

Fund carried forward	11	1184184	1290257
Bonus payments in anticipation of a surplus	12	9	3
Transfer to non-technical account	13		
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	1184193	1290260
Mathematical reserves	21	1179184	1285257
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	5009	5003

Composition of surplus

Balance brought forward	31	5000	5000
Transfer from non-technical account	32	10339	(18828)
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	(10330)	18831
Total	39	5009	5003

Distribution of surplus

Bonus paid in anticipation of a surplus	41	9	3
Cash bonuses	42		
Reversionary bonuses	43		
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	9	3
Net transfer out of fund / part of fund	47		
Total distributed surplus (46+47)	48	9	3
Surplus carried forward	49	5000	5000
Total (48+49)	59	5009	5003

Percentage of distributed surplus allocated to policyholders

Current year	61	100.00	100.00
Current year - 1	62	100.00	100.00
Current year - 2	63	100.00	100.00
Current year - 3	64	100.00	0.09

Long-term insurance business : Distribution of surplus

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **100:0 London Life With-Profits Fund**
 Financial year ended **31 December 2015**
 Units **£000**

Financial year 1	Previous year 2
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Valuation result

Fund carried forward	11	580697	670893
Bonus payments in anticipation of a surplus	12	1363	1192
Transfer to non-technical account	13		
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	582060	672086
Mathematical reserves	21	568386	664617
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	13674	7469

Composition of surplus

Balance brought forward	31	5000	5000
Transfer from non-technical account	32	(42795)	(12210)
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	51469	14679
Total	39	13674	7469

Distribution of surplus

Bonus paid in anticipation of a surplus	41	1363	1192
Cash bonuses	42	135	135
Reversionary bonuses	43	1176	1141
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	2674	2469
Net transfer out of fund / part of fund	47		
Total distributed surplus (46+47)	48	2674	2469
Surplus carried forward	49	11000	5000
Total (48+49)	59	13674	7469

Percentage of distributed surplus allocated to policyholders

Current year	61	100.00	100.00
Current year - 1	62	100.00	100.00
Current year - 2	63	100.00	100.00
Current year - 3	64	100.00	

Long-term insurance business : Distribution of surplus

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **100:0 NPL With-Profits Fund**
 Financial year ended **31 December 2015**
 Units **£000**

Financial year 1	Previous year 2
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Valuation result

Fund carried forward	11	2894095	
Bonus payments in anticipation of a surplus	12	963	
Transfer to non-technical account	13		
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	2895058	
Mathematical reserves	21	2883067	
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	11991	

Composition of surplus

Balance brought forward	31		
Transfer from non-technical account	32	(9750)	
Transfer from other funds / parts of fund	33	45348	
Surplus arising since the last valuation	34	(23606)	
Total	39	11991	

Distribution of surplus

Bonus paid in anticipation of a surplus	41	963	
Cash bonuses	42		
Reversionary bonuses	43	3028	
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	3991	
Net transfer out of fund / part of fund	47		
Total distributed surplus (46+47)	48	3991	
Surplus carried forward	49	8000	
Total (48+49)	59	11991	

Percentage of distributed surplus allocated to policyholders

Current year	61	100.00	
Current year - 1	62		
Current year - 2	63		
Current year - 3	64		

Long-term insurance business : Distribution of surplus

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **0:100 Non Profit Fund**
 Financial year ended **31 December 2015**
 Units **£000**

Financial year 1	Previous year 2
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Valuation result

Fund carried forward	11	1762291	1656426
Bonus payments in anticipation of a surplus	12		
Transfer to non-technical account	13	31554	20512
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	1793845	1676939
Mathematical reserves	21	1762291	1626426
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	31554	50512

Composition of surplus

Balance brought forward	31	30000	30000
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	1554	20512
Total	39	31554	50512

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	31554	20512
Total distributed surplus (46+47)	48	31554	20512
Surplus carried forward	49	(0)	30000
Total (48+49)	59	31554	50512

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 **PHOENIX LIFE ASSURANCE LIMITED**
Original insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**
Date of maturity value / open market option **01 March 2016**

Category of with-profits policy 1	Original term (years) 2	Maturity value / open market option 3	Terminal bonus 4	MVA 5	CWP / UWP 6	MVA permitted? 7	Death benefit 8
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	19148	6826	n/a	CWP	N	19148
Endowment assurance	25	30554	11167	n/a	CWP	N	30554
Regular premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Regular premium pension	10	n/a	n/a	n/a	n/a	n/a	n/a
Regular premium pension	15	n/a	n/a	n/a	n/a	n/a	n/a
Regular premium pension	20	70952	17868	n/a	UWP	N	70952
Single premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	10	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	15	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	20	24652	8905	n/a	UWP	N	24652

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

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
Original insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**
Date of surrender value **01 March 2016**

Category of with-profits policy 1	Duration at surrender (years) 2	Surrender value 3	Terminal bonus 4	MVA 5	CWP / UWP 6	MVA permitted? 7	Death benefit 8
Endowment assurance	5	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	10	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	15	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	20	20313	n/a	n/a	CWP	n/a	24444
With-profits bond	2	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	3	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	5	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	10	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	2	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	3	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	10	n/a	n/a	n/a	n/a	n/a	n/a

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

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
Original insurer **LONDON LIFE LIMITED**
Date of maturity value / open market option **01 March 2016**

Category of with-profits policy 1	Original term (years) 2	Maturity value / open market option 3	Terminal bonus 4	MVA 5	CWP / UWP 6	MVA permitted? 7	Death benefit 8
Endowment assurance	10	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	15	9138	1233	0	CWP	N	9138
Endowment assurance	20	14565	1966	0	CWP	N	14565
Endowment assurance	25	21930	3025	0	CWP	N	21930
Regular premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Regular premium pension	10	n/a	n/a	n/a	n/a	n/a	n/a
Regular premium pension	15	53596	9277	0	UWP	N	53596
Regular premium pension	20	75877	12010	0	UWP	N	75877
Single premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	10	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	15	17325	1817	0	UWP	N	17325
Single premium pension	20	26462	6510	0	UWP	N	26462

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

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
Original insurer **LONDON LIFE LIMITED**
Date of surrender value **01 March 2016**

Category of with-profits policy 1	Duration at surrender (years) 2	Surrender value 3	Terminal bonus 4	MVA 5	CWP / UWP 6	MVA permitted? 7	Death benefit 8
Endowment assurance	5	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	10	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	15	6054	0	0	CWP	N	13657
Endowment assurance	20	13307	403	0	CWP	N	15772
With-profits bond	2	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	3	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	5	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	10	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	2	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	3	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	10	n/a	n/a	n/a	n/a	n/a	n/a

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

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Original insurer **AMP UK**
 Date of maturity value / open market option **01 March 2016**

Category of with-profits policy 1	Original term (years) 2	Maturity value / open market option 3	Terminal bonus 4	MVA 5	CWP / UWP 6	MVA permitted? 7	Death benefit 8
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	22783	0	0	CWP	N	22783
Regular premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Regular premium pension	10	n/a	n/a	n/a	n/a	n/a	n/a
Regular premium pension	15	n/a	n/a	n/a	n/a	n/a	n/a
Regular premium pension	20	59063	0	0	CWP	N	59063
Single premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	10	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	15	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	20	25416	0	0	CWP	N	25416

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

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Original insurer **AMP UK**
 Date of surrender value **01 March 2016**

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

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

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
Original insurer **NATIONAL PROVIDENT LIFE LIMITED**
Date of maturity value / open market option **01 March 2016**

Category of with-profits policy 1	Original term (years) 2	Maturity value / open market option 3	Terminal bonus 4	MVA 5	CWP / UWP 6	MVA permitted? 7	Death benefit 8
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	18407	0	n/a	CWP	N	18407
Regular premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Regular premium pension	10	n/a	n/a	n/a	n/a	n/a	n/a
Regular premium pension	15	n/a	n/a	n/a	UWP	N	n/a
Regular premium pension	20	52345	2996	0	UWP	N	52345
Single premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	10	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	15	n/a	n/a	n/a	UWP	N	n/a
Single premium pension	20	15793	1102	0	UWP	N	15793

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

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Original insurer **NATIONAL PROVIDENT LIFE LIMITED**
 Date of surrender value **01 March 2016**

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

Long-term insurance capital requirementName of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2015**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%	58781	58781	0.90	53	70
Classes I (other), II and IX	13	0.15%					
Classes I (other), II and IX	14	0.3%	3808147	3420576		10279	10093
Classes III, VII and VIII	15	0.3%	15447	15171	0.98	46	
Total	16		3882375	3494528		10378	10163

Insurance health risk and life protection reinsurance capital component

Class IV supplementary classes 1 and 2 and life protection reinsurance	21					100	106
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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%	12792585	11470052	0.90	114701	88450
Classes III, VII and VIII (investment risk)	33	1%	250214	143194	0.85	2127	1434
Classes III, VII and VIII (expenses fixed 5 yrs +)	34	1%	20120	17655	0.88	177	205
Classes III, VII and VIII (other)	35	25%				3241	87
Class IV (other)	36	1%	2517	2011	0.85	21	10
Class V	37	1%					
Class VI	38	1%					
Total	39					120267	90186

Insurance market risk capital component

Life protection and permanent health reinsurance	41	0%					
Classes I (other), II and IX	42	3%	12792585	11470052	0.90	344102	265349
Classes III, VII and VIII (investment risk)	43	3%	250214	143194	0.85	6380	4303
Classes III, VII and VIII (expenses fixed 5 yrs +)	44	0%	20120	17655			
Classes III, VII and VIII (other)	45	0%	1822709	292136			
Class IV (other)	46	3%	2517	2011	0.85	64	31
Class V	47	0%					
Class VI	48	3%					
Total	49		14888145	11925049		350546	269682

Long term insurance capital requirement	51					481290	370137
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Returns under the Accounts and Statements Rules

Supplementary Notes

PHOENIX LIFE ASSURANCE LIMITED

Global Business

Financial year ended 31 December 2015

Appendix 9.1

0000 Capital support provided to the Long-Term Fund

There are agreements in place for the Company's Shareholder Fund ("SHF") and Non-Profit Fund ("NPF") to provide capital support to the Company's With-Profits ("WP") funds. At 31 December 2015, the SHF provided support of £806m (2014: £850m) to the SERP Fund, £62m (2014: £99m) to the London Life With-Profits Fund ("LL WP Fund") and £246m (2014: £nil) to the National Provident Life With-Profits Fund ("NPL WP Fund"). At 31 December 2015 the NPF provided support of £107m (2014: £93m) to the LL WP Fund.

0201 Modification to the Return in respect of long-term insurance business

- a) The Financial Services Authority, on the application of the firm, made a direction under section 148 of the Financial Services and Markets Act 2000 in December 2012. 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.
- b) The Prudential Regulation Authority, on the application of the firm, issued to the firm in May 2015, a direction, under section 138A of the Financial Services and Markets Act 2000. The effect of the direction was to permit the firm to waive the notification period required for an insurer to notify the appropriate regulator of their intention to redeem a tier one instrument before it became committed to the proposed redemption. This waiver expired on 30 June 2015.
- c) The Prudential Regulation Authority, on the application of the firm, issued to the firm in May 2015, a direction, under section 138A of the Financial Services and Markets Act 2000. The effect of the direction was to permit the firm to waive the notification period required for an insurer to notify the appropriate regulator of their intention to repay relevant tier two instruments before becoming committed to the proposed repayment. This waiver expired on 30 June 2015.

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

	2015 £'000	2014 £'000
Form 13 line 89 (total other than long term insurance business assets)	562,954	376,254
Form 13 line 89 (total long term insurance business assets)	14,339,490	14,167,395
Less Form 14 line 71	(12,994,327)	(12,510,543)
Less Form 15 line 69	(267,099)	(272,836)
Net admissible assets	1,641,018	1,760,270
Subordinated debt – Form 3 line 52	250,000	233,562
Write down of subordinated debt	(66,438)	-
Capital resources requirement of regulated related undertakings	2,657	123,875
Roundings	1	-
Form 3 line 79 – Total capital resources	1,827,238	2,117,707

Returns under the Accounts and Statements Rules**Supplementary Notes****PHOENIX LIFE ASSURANCE LIMITED****Global Business****Financial year ended 31 December 2015****Appendix 9.1 (continued)*****0310* Valuation differences shown in Form 3 Line 14**

Net positive valuation differences represent:

	2015	2014
	£'000	£'000
Actuarial valuation differences between IFRS and Peak 1	789,898	1,196,151
Fair value adjustment of inter company loans	-	5,393
Deferred tax	25,701	17,102
Provision for "reasonably foreseeable adverse variations"	(29,001)	(29,001)
Net positive valuation differences	<u>786,598</u>	<u>1,189,645</u>

***0313* Reconciliation of profit and loss account and other reserves**

	2015
	£'000
Profit and loss account and other reserves - Form 3 line 12 column 3	480,175
Profit and loss account and other reserves - Form 3 line 12 column 4	<u>457,552</u>
Movement	<u>22,623</u>
Other than long term fund:	
Profit retained for the financial year - Form 16 line 59	85,207
Movement in valuation difference of subsidiary undertakings	39,441
Movement in deferred tax	7,978
Part VII transfer of NPL WP	(69,285)
Long term fund:	
Non-Profit fund IFRS loss for the financial year	(8,256)
Transfer of surplus from Non-Profit fund to Shareholder fund	(31,554)
Supported With-Profit fund IFRS profit for the financial year	41,298
Transfer of capital support from supported With-Profit fund to Shareholder Fund	(42,206)
	<u>22,623</u>

***1301* Unlisted and listed investments**

	2015	2014
	£'000	£'000
Unlisted investments valued in accordance with the rules in GENPRU 1.3	16,777	12,520
Units or other beneficial interests in collective investment schemes as specified in instruction 5 to Form 13	9,393	14,839
Total	<u>26,170</u>	<u>27,359</u>

The above amounts in respect of unlisted investments that are not readily realisable fall within any of lines 41, 42, 43, 46, or 48 of Form 13 Total other than long term insurance business assets.

Returns under the Accounts and Statements Rules

Supplementary Notes

PHOENIX LIFE ASSURANCE LIMITED

Global Business

Financial year ended 31 December 2015

Appendix 9.1 (continued)

1304 & *1310* Set off

In accordance with Appendix 9.1 paragraph 8 of the Interim Prudential Sourcebook for Insurers, amounts shown in Forms 13, 14 and 15 have been calculated by netting amounts due to any one person against amounts due from that person, to the extent permitted by generally accepted accounting principles.

Interfund balances, which exist between the shareholder fund and life funds, have been adjusted by allocating appropriate collective investment scheme balances.

1305 & *1319* Counterparty limits

- (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 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 exceptions to this are in respect of:
- Strategic investment opportunities, where, in order to achieve target mix or diversification, excess exposures may be permitted for the short duration. Where these exposures persist for the longer term, modifications may be sought.
 - Loans to other companies in the same group, where application of these guidelines is just one of the factors considered in determining the most appropriate allocation of capital within the group.
- (c) In accordance with these investment guidelines, during 2015, there were no breaches (2014: £nil).

1308 Unlisted and listed investments

	2015	2014
	£'000	£'000
Unlisted Investments valued in accordance with the rules in GENPRU 1.3	400,624	584,110
Listed Investments valued in accordance with the rules in GENPRU 1.3 and which are not readily realisable	210,853	15,641
Units or other beneficial interests in collective investment schemes as specified in instruction 5 to Form 13	304,487	568,608
	<hr/>	<hr/>
	915,964	1,168,359

The above amounts in respect of unlisted investments and listed investments that are not readily realisable fall within any of lines 41, 42, 43, 46, or 48 of Form 13 Total long term insurance business assets. Units or other beneficial interests in collective investment schemes (as specified in instruction 5 to Form 13) are reported within Form 13 line 43 alongside other collective investment schemes.

Returns under the Accounts and Statements Rules

Supplementary Notes

PHOENIX LIFE ASSURANCE LIMITED

Global Business

Financial year ended 31 December 2015

Appendix 9.1 (continued)

1309 Hybrid securities

The aggregate value of Hybrid Securities held by the insurer is £12.2m.

1318 Other asset adjustments

Included within line 101 of Form 13 for each subfund are:

	Total other than long term	Total long term	100:0 SERP	100:0 London Life With- Profits	100:0 National Provident With-Profits	0:100 Non Profit Fund
<u>2015</u>	£'000	£'000	£'000	£'000	£'000	£'000
Value of support	287,239	(287,239)	(90,682)	(5,326)	(191,231)	-
Reclassification of assets backing linked liabilities	-	21	-	-	-	21
Settlement of internal swap	6,889	-	-	-	-	-
Reclassification of other creditors	-	(443)	-	-	-	(443)
	<u>294,128</u>	<u>(287,661)</u>	<u>(90,682)</u>	<u>(5,326)</u>	<u>(191,231)</u>	<u>(422)</u>

	Total other than long term	Total long term	100:0 SERP	100:0 London Life With-Profits	0:100 Non Profit Fund
<u>2014</u>	£'000	£'000	£'000	£'000	£'000
Value of support	119,436	(119,436)	(88,916)	(30,520)	-
Reclassification of assets backing linked liabilities	-	30	-	-	30
Settlement of internal swap	14,315	-	-	-	-
Roundings	-	(1)	-	-	-
	<u>133,751</u>	<u>(119,407)</u>	<u>(88,916)</u>	<u>(30,520)</u>	<u>30</u>

Returns under the Accounts and Statements Rules

Supplementary Notes

PHOENIX LIFE ASSURANCE LIMITED

Global Business

Financial year ended 31 December 2015

Appendix 9.1 (continued)

1321 & *1512* Settlement of inter fund balances

At the valuation date, an internal inflation swap arrangement between the Non Profit and 90:10 Funds and the Shareholder Fund was deemed to have been closed out and a transfer of assets totalling £7 million (2014: £14 million) has been reflected on Form 13 line 44 of the long term fund and Form 15 line 49 of the other than long term fund with an equal and opposite entry in Form 13 line 43 of both the long term and other than long term funds.

<u>2015</u>	Total other than long term £'000	Total long term £'000	0:100 Non Profit Fund £'000	90:10 Pearl With-Profits £'000
Settlement of internal swap	6,889	(6,889)	(3,472)	(3,417)

<u>2014</u>	Total other than long term £'000	Total long term £'000	0:100 Non Profit Fund £'000	90:10 Pearl With-Profits £'000
Settlement of internal swap	14,315	(14,315)	(6,093)	(8,222)

1322 Entity reconciliation to Statutory Accounts

	2015 £'000	2014 £'000
Form 13 line 102 Total long term insurance business assets	17,012,516	15,728,438
Form 13 line 102 Total other than long term insurance business assets	1,157,738	1,108,468
Entity adjustments in statutory accounts	(10,354)	(7,674)
Total IFRS Assets	<u>18,159,900</u>	<u>16,829,232</u>

The entity adjustment in the statutory accounts is to offset assets and liabilities when considered at the entity level. It is not attributable to any specific fund.

Returns under the Accounts and Statements Rules

Supplementary Notes

PHOENIX LIFE ASSURANCE LIMITED

Global Business

Financial year ended 31 December 2015

Appendix 9.1 (continued)

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

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 or is valued using an internal model. These assets are subject to the rules set out in GENPRU 1.3.30R to GENPRU 1.3.33R which 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.

Consideration of valuation adjustments takes into account liquidity, the time to hedge out of a position / risk, the average and volatility of bid/offer spreads, the availability of market quotes and the average and volatility of trading volumes, amongst other items. Based on the above considerations the following investments are concluded to be less liquid:

- Private equity
- Hedge fund investments
- Specific fixed and variable interest securities

A provision of £29.0m has been established in respect of these investments. The calculation adjustment is applied considering the volatility in prices over the period it is expected to take to liquidate the particular asset class.

As at 31 December 2015, 77% of the investment assets were classified as investments that are traded using quoted market prices in active markets (level 1). An active market is characterised by regular market transactions in identical assets on an arm's length basis. This includes listed equities, listed debt securities and quoted unit trusts in active markets.

The balance of the investment assets are valued using models with significant observable market parameters (level 2), or valued using models with significant unobservable market parameters (level 3).

For level 2 investment assets these are measured on a fair value basis from inputs other than quoted prices that are observable either directly or indirectly for the asset.

Level 3 investment assets have little, if any, market activity so that there are no observable inputs available. In such cases unobservable inputs reflect the insurer's own assumptions about the inputs that market participants would use in pricing the asset.

Returns under the Accounts and Statements Rules

Supplementary Notes

PHOENIX LIFE ASSURANCE LIMITED

Global Business

Financial year ended 31 December 2015

Appendix 9.1 (continued)

1402 Liabilities

- (a) A reinsurance treaty between the insurer and 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 was withheld by the insurer as collateral and Opal had a fixed charge over the assets. On 9 November 2015 the insurer cancelled this reinsurance arrangement. The aggregate value of the assets which were subject to the charge is £nil (2014: £1,800m) (see table below).

Assets which are subject to the charge	2015 £000	2014 £000
<u>Form 13</u>		
Line 22 – UK insurance dependants – debts and loans	-	39,000
Line 41 – Equity shares	-	114,989
Line 43 – Holdings in collective investment schemes	-	423,041
Line 44 – Rights under derivative contracts	-	156,536
Line 45 – Approved fixed interest securities	-	242,374
Line 46 – Other fixed interest securities	-	330,236
Line 47 – Approved variable interest securities	-	103,250
Line 48 – Other variable interest securities	-	494,662
Line 81 – Deposits not subject to time restriction on withdrawal with approved institutions	-	16,557
Line 84 – Accrued interest and rent	-	14,710
<u>Less Form 14</u>		
Line 23 – Deposits received from reinsurers	-	804
Line 38 – Creditors – Other	-	134,618
Line 39 – Accruals and deferred income	-	39
Total	-	<u>1,799,894</u>

- (b) There is no total potential liability to taxation on capital gains, which might arise if the insurer were to dispose of its long term insurance business assets.

Returns under the Accounts and Statements Rules

Supplementary Notes

PHOENIX LIFE ASSURANCE LIMITED

Global Business

Financial year ended 31 December 2015

Appendix 9.1 (continued)

1402 Liabilities (continued)

(c) In common with other life insurers 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 both from detailed file reviews of specific cases and from a statistical review of other outstanding cases, are included in the mathematical reserves. The insurer has used the guidelines referred to in the paragraph below to determine reasonable estimates on information available to date.

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 cases is £461m (2014: £522m).

In addition, in 1999 the Financial Services Authority (FSA) and PIA issued guidelines on the next phase of the review and redress programme dealing with Phase 2 cases. In June 2000 the guidance on Phase 2 transfers, less loss calculations was finalised. This guidance has been used to set the current provision. The provision for possible redress included in the mathematical reserves for Phase 2 cases is £14m (2014: £16m).

Included in the Peak 1 mathematical reserves are also provisions for additional associated costs of £7m (2014: £8m).

Following consultation with the head of actuarial function, the Directors are of the opinion that the provisions will not impact on the reasonable expectations of policyholders.

(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 liabilities adjustments

Other adjustments to liabilities shown on Form 14 line 74 represent:

	2015	2014
	£'000	£'000
Valuation differences between Peak 1 and IFRS liabilities	789,898	1,196,152
Provision for "reasonably foreseeable adverse variations"	(27,859)	(27,859)
Reclassification of assets backing linked liabilities	21	30
Deferred tax	27,877	18,141
Total	<u>789,937</u>	<u>1,186,464</u>

Returns under the Accounts and Statements Rules

Supplementary Notes

PHOENIX LIFE ASSURANCE LIMITED

Global Business

Financial year ended 31 December 2015

Appendix 9.1 (continued)

1412 Entity Reconciliation to Statutory Accounts

	2015 £'000	2014 £'000
Form 14 line 76 Total liabilities	(17,012,516)	(15,728,438)
Form 15 line 85 Total liabilities	(1,157,738)	(1,108,468)
Entity adjustments in statutory accounts	10,354	7,674
Total IFRS liabilities	<u>(18,159,900)</u>	<u>(16,829,232)</u>

The entity adjustment in the statutory accounts is to offset assets and liabilities when considered at the entity level. It is not attributable to any specific fund.

1502 Liabilities

- (a) There are no charges over assets.
- (b) There is no potential liability to taxation on capital gains for the other than long term insurance business fund if the insurer disposed of its assets (2014: £nil).
- (c) The insurer has no forward commitments in respect of group undertakings (2014: £nil). 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.

In the opinion of the directors, there are no other fundamental uncertainties affecting the financial position of the insurer.

1507 Other liabilities adjustments

	2015 £'000	2014 £'000
Provision for reasonably foreseeable adverse variations	(1,142)	(1,142)
Write down of subordinated debt	(66,438)	-
Settlement of internal swap	6,889	14,315
Form 15 line 83	<u>(60,691)</u>	<u>13,173</u>

1601 Basis of conversion of foreign currency

Assets and liabilities denominated in foreign currencies are translated into sterling at rates ruling at the year end. Transactions denominated in foreign currencies are translated at the prevailing rate at the date of the transaction. For monetary assets and liabilities within the long term funds, the resulting exchange adjustments are included within the technical account – long term business. For assets and liabilities held outside the long term funds, the resulting exchange adjustments are taken to the non-technical account.

Returns under the Accounts and Statements Rules

Supplementary Notes

PHOENIX LIFE ASSURANCE LIMITED

Global Business

Financial year ended 31 December 2015

Appendix 9.1 (continued)

1603 Other income and charges

The total of other income and charges for 2015 comprises:

	2015	2014
	£'000	£'000
Professional fees	(1,532)	(810)
Commission received	113	104
Projects	(160)	40
Part VII costs	(4,759)	-
Total other income/(charges)	<u>(6,338)</u>	<u>(666)</u>

1604 Extraordinary profit or loss

The gain shown on Form 16 line 41 of £118.0m represents the gain on the transfer under the Part VII scheme of majority of the shareholders' fund of National Provident Life Limited ("NPLL") as detailed in note 4004.

1701 Variation margin

The practice of the insurer is to seek "variation margin" (which includes collateral on over the counter derivatives), for derivative asset positions from counterparties to mitigate exposure to credit risk. Variation margin on derivative positions are settled on the basis of "net" exposure from derivative assets and liabilities with each counterparty. Variation margin is received in the form of cash or approved fixed interest securities. The table below presents the net exposure to derivative counterparties and total variation margin received and pledged.

Gross Derivatives	Assets	Liabilities	Net
	£'000	£'000	£'000
Other than Long term fund	2,711	9,876	(7,165)
Long term Fund (excluding assets held to match linked liabilities)	468,207	503,917	(35,710)
Total	<u>470,918</u>	<u>513,793</u>	<u>(42,875)</u>
"Net" Exposure by counterparty			
Exchange trade derivatives	-	5,964	(5,964)
Over the counter derivatives	252,242	289,153	(36,911)
	<u>252,242</u>	<u>295,117</u>	<u>(42,875)</u>
Variation Margin			
	Received	Pledged	
On Exchange trade derivatives	-	5,964	
On OTC derivatives	254,844	261,247	
Total	<u>254,844</u>	<u>267,211</u>	

Returns under the Accounts and Statements Rules

Supplementary Notes

PHOENIX LIFE ASSURANCE LIMITED

Global Business

Financial year ended 31 December 2015

Appendix 9.1 (continued)

***1701* Variation margin (continued)**

As per the requirements of IAS 39, the insurer recognises variation margin received in the form of cash on balance sheet, and any variation margin received in the form of securities off balance sheet. This is due to the transfer of risk and return. In the case of cash – it is in the control of the insurer and can be reinvested in other investment classes if considered appropriate. Securities received as variation margin are not deemed to transfer the risk and return of the assets to the insurer, and as such are not held on balance sheet, but shown for disclosure purposes only.

As a result, no variation margin is included in Form 17 Line 52 to remove undue reconciling entries between the Prudential Regulation Authority forms and published statutory accounts.

On OTC derivatives, variation margin received in the form of cash amounting to £234m is included within Form 13 Line 43 and a corresponding liability to repay this balance is included within Form 14 Line 38 or Form 15 Line 49. Variation margin received in the form of approved fixed interest securities amounts to £21m and is not reported as an asset in Form 13 or a liability in Form 14.

***1702* Contracts which have the effect of derivatives (long-term business)**

Contracts which have the effect of derivative contracts, excluded from Form 17, but were included in Form 14 are as follows:

Loan liabilities with a total value of £67.9m contain embedded derivatives and were included in Form 14 Line 36 (Amounts owed to credit institutions).

Returns under the Accounts and Statements Rules

Supplementary Notes

PHOENIX LIFE ASSURANCE LIMITED

Global Business

Financial year ended 31 December 2015

Appendix 9.3

4002 Other income and expenditure

2015

The total of other income of £9.7m shown on Form 40 line 15 represents:

	Total	90:10 Pearl With- Profits	100:0 National Provident Life With-Profits	0:100 Non Profit Fund
	£000	£000	£000	£000
Commission received	312	143	-	169
Management charges	9,032	(457)	8,710	779
Transfer of management charge	379	-	-	379
	<u>9,723</u>	<u>(314)</u>	<u>8,710</u>	<u>1,327</u>

The total of other expenditure of £(4.9)m shown on Form 40 line 25 represents the change in Deposits received from reinsurers under a reinsurance agreement with Opal Reassurance Limited ("Opal").

2014

The total of other income of £2.3m shown on Form 40 line 15 represents:

	Total	90:10 Pearl With- Profits	0:100 Non Profit Fund
	£000	£000	£000
Commission received	661	247	414
Management charges	1,299	32	1,267
Transfer of management charge	374	-	374
	<u>2,334</u>	<u>278</u>	<u>2,055</u>

The total of other expenditure of £246.1m shown on Form 40 line 25 represents the change in value of Deposits received from reinsurers under a reinsurance agreement with Opal Reassurance Limited ("Opal").

Returns under the Accounts and Statements Rules

Supplementary Notes

PHOENIX LIFE ASSURANCE LIMITED

Global Business

Financial year ended 31 December 2015

Appendix 9.3

4004 Transfers of contracts

Business transfers in are split by fund as follows:

	2015 £'000	2014 £'000
<i>Business Transfers</i>		
100:0 London Life With-Profits	238	510
0:100 Non Profit Fund	149,495	147,718
100:0 NPL With-Profits	131	-
<i>Long term fund transfers</i>		
100:0 NPL With-Profits	2,972,696	-
Total	<u>3,122,560</u>	<u>148,228</u>

Business transfers out are split by fund as follows:

90:10 Pearl With-Profits	(86,573)	(106,589)
100:0 London Life With-Profits	(15,704)	(18,157)
0:100 Non Profit Fund	(7,409)	(4,580)
100:0 SERP	(11,851)	(18,902)
100:0 NPL With-Profits	(28,327)	-
Total	<u>(149,864)</u>	<u>(148,228)</u>
Net total	<u>2,972,696</u>	<u>-</u>

The business transfers between the funds consist of vesting annuities. The vesting annuities have not been recognised as part of premiums and claims on Form 41 and Form 42 respectively, but in business transfers-in and business transfers-out instead. As these amounts are not single premiums on Form 41 they have not been included in the new business Form 46 and Form 47.

Long Term Fund Transfers

The business transfers also include transfers in of £2,972.7m, which represents the brought forward fund value of NPLL. With effect from 1 July 2015, all of the long term business and the majority of the shareholders' funds of NPLL were transferred to the Company for £nil consideration in accordance with the terms of a scheme under Part VII of the Financial Services and Markets Act 2000 ("The Scheme") approved by the High Court on 1 May 2015.

4006 Apportionments between long term funds

The insurer maintains more than one long term insurance business fund. Separate portfolios of investments are maintained for and are directly attributable to each fund. Investment income and the increase or decrease in the value of the assets is determined by the assets held in each fund. Expenses which are incurred directly for the purpose of an element of the fund are allocated to that element. Other expenses are allocated having regards to such measures as policy volumes or time spent as considered appropriate.

Returns under the Accounts and Statements Rules

Supplementary Notes

PHOENIX LIFE ASSURANCE LIMITED

Global Business

Financial year ended 31 December 2015

Appendix 9.3

***4008* Provision of management services**

Policy administration is outsourced to Pearl Group Services Limited ("PGS"). PGS has, in turn, outsourced all administration to Diligenta Limited. Under the agreements with PGS, the majority of costs are levied on a per policy basis thereby mitigating the Company's expense risk.

HSBC Bank plc have provided custody, accounting, transition management and associated services for certain managed assets of the insurer during the financial year.

Ignis Investment Services Management Limited and Henderson Global Investors Limited have provided investment services during the financial year to the insurer.

***4009* Material connected-party transactions**

With effect from 1 July 2015 all of the long term business and the majority of the shareholders' funds of National Provident Life Limited ("NPLL") were transferred to the Company. Further details of the transfer are provided in note 4004.

As a result of the Scheme, loans to NPLL from the Company of £39m and £50m were eliminated.

On 9 November 2015 the Company cancelled the reinsurance of annuity liabilities to Opal Re, a fellow group company. In order to effect this, the Company received a commutation premium of £1,426m.

On 7 December 2015, the Company agreed a renegotiated Management Services Agreement ("MSA") with PGS to replace the previous MSA with effect from 31 December 2015. As part of the harmonisation, the Company transferred the risk associated with evergreen pricing and regulatory change related to particular blocks of business to PGS and accepted selected other risks for consideration payable of £52m which is treated as a prepayment and amortised over the expected life of the contracts.

At 31 December 2015 there were £453m (2014: £532m) in loans made to its holding company, Pearl Group Holdings (No. 2) Limited ("PGH2"). Interest of £21m was capitalised during the year (2014: £21m). During the year the Company paid a dividend in specie of £100m to PGH2 settled by the transfer of part of the loan balances. The loans are all repayable on 31 December 2018.

At 31 December 2015 there was a £250m (2014: £250m) loan to the insurer by a fellow group company Phoenix Life Holdings Limited. This loan is interest bearing and is repayable on 2 September 2019.

On 30 September 2015, the Company's long-term fund repaid £11m of the limited recourse bonds to Mutual Securitisation plc, the results of which are consolidated into the accounts of Phoenix Group Holdings, the Company's ultimate parent undertaking.

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4009 Material connected-party transactions (continued)

On 30 September 2015, £111m of loans secured by mortgages were transferred to Phoenix Life Limited ("PLL") from the Company at fair value.

The Company paid capital contributions to its subsidiary NPLH of £20m in the year (2014: £nil).

During the year the insurer paid £52m (2014: £52m) to Pearl Group Services Limited.

4401 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 fair value, which is considered to be equivalent to cost;
- other investments are shown at directors' estimates of bid market value.

4500 & *5500* Internal linked funds

The insurer's internal linked funds are wholly reinsured to PLL and all amounts required to be shown would be zero. These Forms have, therefore, not been included in the Return.

4801 Asset mix for assets share portfolio

90:10 Pearl With-Profits

The largest asset share portfolio is for all Ordinary Branch With-Profits business other than Ordinary Branch Reinsured Socially Responsible With-Profits business and Ordinary Branch Reinsured Capital Account Pension business.

The asset share mix of this portfolio at 31 December 2015 was:

Asset	Proportion
Land and buildings	8%
Approved fixed interest securities	28%
Other fixed interest securities	22%
Variable interest securities	0%
UK listed equity shares	12%
Non-UK listed equity shares	22%
Unlisted equity shares	0%
Other assets	8%

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***4801* Asset mix for assets share portfolio (continued)**

SERP Fund

The asset share mix of this portfolio at 31 December 2015 was:

Asset	Proportion
Approved fixed interest securities	15%
Other fixed interest securities	38%
Other assets	47%

100:0 London Life With-Profits

The asset share for each of the five separate asset portfolios are shown below:

Asset	Active Block		Passive Block		UWP Block
	Excluding AMP	AMP	Cash Bonus	Pension	
Land and Buildings	8%	0%	0%	0%	0%
Approved Fixed Interest	30%	49%	19%	33%	21%
Other Fixed Interest	15%	25%	0%	7%	10%
Variable interest securities	0%	1%	5%	0%	0%
UK listed equity shares	12%	0%	0%	0%	47%
Non UK listed equity shares	17%	0%	0%	0%	11%
Unlisted equity shares	0%	0%	0%	0%	0%
Other assets	18%	25%	76%	60%	11%

National Provident Life With-Profits Fund

The asset share for each of the five separate asset portfolios are shown below:

Asset	0% EBR	25% EBR	50% EBR
	WP	CA/DA	0GB%
Land and Buildings	0%	3%	6%
Approved Fixed Interest	7%	4%	1%
Other Fixed Interest	94%	65%	45%
Variable interest securities	0%	0%	0%
UK listed equity shares	0%	8%	16%
Non UK listed equity shares	0%	13%	26%
Unlisted equity shares	0%	0%	0%
Other assets	-1%	7%	6%

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***4802* Defaulted Assets**

The following assets have defaulted on payment of interest. Values are in £.

Pearl With-Profits Fund

Asset	Market Value	Expected Income
Lehman Bros 3.875% VRN Perp	420	0
Lehman Brothers UK Cap 5.75% Pref Perp	379	0

London Life With-Profits Fund

Asset	Market Value	Expected Income
LetInvest 11.25% 03/03/2012	136,200	0

Non-Profit Fund

Asset	Market Value	Expected Income
Cattles 6.875% 17/01/2014	91,100	0
LAMBAY CAPITAL 2005 6.25%(F/R) PERP	1,790	0
LAMBAY CAPITAL 2005 6.25%(F/R) PERP	7,790	0
WASHINGTON MUTUAL 2006 5 1/2% 10/06/19 DEFAULT	100	0
LEHMAN BROS.HDG. 2007 4.625% (F/R)03/19 DEFAULT	1327	0
CATTLES 2007 7 1/8% 05/07/17	3600	0
GLITNIR BANKI HF 2007 6% 05/03/12	0	0

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4803 Assumptions regarding redemption dates

90:10 Pearl With-Profits

For assets that may be redeemed over a period at the option of the guarantor or the issuer, the yields supplied assume that the bond will be called on the latest date, except for step-ups where the first callable date is used. The value of these assets at the valuation date was £16.2m.

100:0 London Life-With Profits

For assets that may be redeemed over a period at the option of the guarantor or the issuer, the yields supplied assume that the bond will be called on the latest date, except for call-ups where the first callable date is used. The value of these assets at the valuation date was £2.4m.

National Provident Life With-Profits Fund

For assets that may be redeemed in full at the option of the guarantor or the issuer on specified dates, the assumed maturity date has been at the first call date. The value of callable corporate bonds at the valuation date was £40m. It has been assumed the sinking bonds will be redeemed according to schedules of planned redemptions provided by the investment manager. The value of sinking bonds was £93m at the valuation date.

Non-Profit Fund

For assets that may be redeemed over a period at the option of the guarantor or the issuer, appropriate redemption date is calculated based on the type of the callable bond and the yield on the bond. The value of these assets at the valuation date was £34m.

4806 Assets used to calculate investment returns in column 5 Form 48

90:10 Pearl With-Profits

The assets used to calculate the investment returns shown in Form 48 line 21 to line 29 column 5 are the portfolio of assets used to back asset shares. The asset mix for these assets is shown in Note 4801.

100:0 SERP With-Profits

The assets used to calculate the investment returns shown in Form 48 line 21 to line 29 column 5 are the portfolio of assets used to back asset shares. The asset mix for these assets is shown in Note 4801.

100:0 London Life With-Profits

The assets used to calculate column 5 of Form 48 are those shown for the Passive (Pensions) block of assets, except for equity and property assets for which only Active (Life) returns are available. The asset mix for these assets is shown in Note 4801.

National Provident Life With-Profits

The assets used to calculate the investment returns shown in Form 48 line 21 to line 29 column 5 are the portfolio of assets used to back asset shares. The asset mix for these assets is shown in Note 4801.

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***4807* Allocation of assets to column 2 of Form 48**

A number of reallocations are made between columns 1 and 2 according to instructions 2, 3 and 4.

***4808* Non Linked Assets**

All funds

The Company holds a number of derivatives in connection with its assets, including fixed interest swaps and equity futures. The net value of these derivatives is included in Line 28, column 1 and Line 18, column 1 and then for the purposes of column 2 re-allocated across lines relating to the relevant asset class, as described in Appendix 9.4 paragraph 4 (11), in proportion to the market value of the underlying asset classes. The yield shown in column 4 shows the yield on the relevant asset class excluding the impact of apportioning out the derivatives. For fixed interest securities the expected income relates to the fixed interest assets shown in column 1.

***4901* Credit rating agency**

Ratings shown are the lower of ratings provided by Moody's Investors Services and Standard & Poor's Corporation sourced from Bloomberg.

***4902* Fixed Interest Assets**

All funds

Derivatives have been apportioned as described in note 4808 although for Form 49, the yields in columns 3 and 4 exclude the economic effect of the derivative apportionment.

***5101* Group Scheme Business**

The following group schemes exist on Form 51:

Fund	Number schemes	of	Product Code
Non-Profit Fund		15	410

***5103* Miscellaneous product codes**

All Funds

Policies assigned to product codes 205 and 435 do not meet the definitions of any other product codes.

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PHOENIX LIFE ASSURANCE LIMITED

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Appendix 9.3*5104* & *5204* & *5304* Number of policyholders / scheme members

National Provident Life With-Profits Fund

Where a policy can have a combination of profit sharing (conventional with profit code 155), capital account/unitised with profit (unitised with profit code 525 or 535) or unit linked (code 725 or 735) elements, it has been counted as a unit linked policy and included in column 3 for Form 53 if there is a unit linked element. Otherwise, it has been included in column 3 for Form 51 if there is a profit sharing element or in column 3 of Form 52 if there is only capital account/unitised with profit.

***5600* Index Linked Business**

Form 56, long term insurance business: index linked business, has not been included in the return as the insurer satisfies the de minimis limit.

***5701* Negative Mathematical Reserve Offsets**

Non-Profit Fund

Miscellaneous.

These have been combined as a single line entry in Form 57. This grouping of product codes has negative net reserves of £(25.2)m in respect of protection business. All other product codes in this group have positive net mathematical reserves.

***5702* Risk adjusted yield**

(a) As referred to in note 0201, the PRA, on the application of the firm, made a direction under section 148 of the Financial Services and Market Act 2000 in December 2012. 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.

(b) SERP With-Profits Fund

The risk-adjusted yield is calculated as the arithmetic mean of the risk-adjusted yield on each asset weighted by that asset's market value.

Product group	Risk adjusted yield on matching assets	Adjustment	Risk adjusted yield on matching assets using PRA Waiver
UK Pension With Profit	2.37%	0.23%	2.60%

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5702 Risk adjusted yield (continued)

National Provident Life With-Profits Fund

Product group	Risk adjusted yield on matching assets	Adjustment	Risk adjusted yield on matching assets using PRA Waiver
UK Life With Profit	1.09%	0.40%	1.49%
UK Pension Non Profit	3.13%	0.26%	3.39%
UK Pension With Profit	1.76%	0.50%	2.26%

Non-Profit Fund

Product group	Risk adjusted yield on matching assets	Adjustment	Risk adjusted yield on matching assets using PRA Waiver
UKL NP code 390	1.75%	0.51%	2.26%
UKP NP code 390	2.20%	0.06%	2.26%
UKP NP code 400	2.87%	0.07%	2.94%
UKP NP code 440	2.20%	0.06%	2.26%
UKP NP code 905	2.45%	0.06%	2.51%

5802 Transfer to non-technical account

Pearl With-Profits Fund

Line 13 represents the transfer of the shareholders share of With-Profits bonuses of £26.2m.

SERP With-Profits Fund

Line 32 represents an increase of capital support from the shareholder fund of £10.4m.

London Life With-Profits Fund

Line 32 represents the repayment of capital support to the shareholder fund of £42.8m.

National Provident Life With-Profits Fund

Line 32 represents the repayment of capital support to the shareholder fund of £9.7m.

Non-Profit Fund

Line 13 represents the transfer of the Non-Profit fund surplus of £31.6m.

Returns under the Accounts and Statements Rules

Statement of additional information on derivative contracts required by rule 9.29

PHOENIX LIFE ASSURANCE LIMITED

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- (a) During the financial year the insurer operated a 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 as an alternative to taking positions in 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 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. Risk management systems are employed to enable exposures, risks and sensitivities to be analysed on a total portfolio basis, providing for greater control. Credit risk is 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 investment policy does not explicitly prohibit the use of contracts where any rights or obligations were not, at the time when the contract was entered into, reasonably likely to be exercised. However the requirement that contracts are used for the purposes of efficient portfolio management means that such occurrences are unlikely.

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.

- (c) During the financial year the insurer did not buy or sell options where, at outset, the strike price of a call option was above the price of the underlying instrument or the strike price on a put option was below the price of the underlying instrument.

The total nominal value of payer swaptions where the fixed rate equals or exceeds 8% p.a., and hence which would require a significant market movement to become 'in the money' options was £359m.

Returns under the Accounts and Statements Rules

Statement of additional information on derivative contracts required by rule 9.29

PHOENIX LIFE ASSURANCE LIMITED

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Financial year ended 31 December 2015

- (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. No inadmissible derivatives were held during 2015.
- (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

Phoenix Life Assurance Limited

Global Business

Financial year ended 31 December 2015

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

- a) Pearl Group Holdings (No. 2) Limited
- b) Phoenix Life Holdings Limited
- c) PGH (LCA) Limited
- d) PGH (LCB) Limited
- e) Phoenix Group Holdings

In relation to each such person, the information required to be disclosed pursuant to rule 9.30 (b) is as follows:

1. Pearl Group Holdings (No. 2) Limited

As at 31 December 2015, Pearl Group Holdings (No. 2) Limited held 100% of the issued share capital of Phoenix Life Assurance Limited and, to the knowledge of the insurer, was entitled at the end of the financial year to exercise 100% of the voting power at any general meeting of Phoenix Life Assurance Limited.

2. Phoenix Life Holdings Limited

As at 31 December 2015, Phoenix Life Holdings Limited held 100% of the issued share capital of Pearl Group Holdings (No. 2) Limited, a company of which Phoenix Life Assurance Limited is a subsidiary undertaking, and, to the knowledge of the insurer, was entitled at the end of the financial year to exercise 100% of the voting power at any general meeting of Pearl Group Holdings (No. 2) Limited.

3. PGH (LCA) Limited

As at 31 December 2015, PGH (LCA) Limited held 50% of the issued share capital of Phoenix Life Holdings Limited, a company of which Phoenix Life Assurance Limited is a subsidiary undertaking, and, to the knowledge of the insurer, was entitled at the end of the financial year to exercise 50% of the voting power at any general meeting of Phoenix Life Holdings Limited.

4. PGH (LCB) Limited

As at 31 December 2015, PGH (LCB) Limited held 50% of the issued share capital of Phoenix Life Holdings Limited, a company of which Phoenix Life Assurance Limited is a subsidiary undertaking, and, to the knowledge of the insurer, was entitled at the end of the financial year to exercise 50% of the voting power at any general meeting of Phoenix Life Holdings Limited.

Returns under the Accounts and Statements Rules

Statement of additional information on controllers required by rule 9.30

Phoenix Life Assurance Limited

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(continued)

5. Phoenix Group Holdings

As at 31 December 2015, Phoenix Group Holdings held 100% of the issued share capital of PGH (LCA) Limited and PGH (LCB) Limited, which between them held 100% of the shares of Phoenix Life Holdings Limited, a company of which Phoenix Life Limited is a subsidiary undertaking. At the end of the financial year, to the knowledge of the insurer, Phoenix Group Holdings was entitled to exercise 100% of the voting power at any general meeting of PGH (LCA) Limited and PGH (LCB) which between them held 100% of the shares of Phoenix Life Holdings Limited, a company of which Phoenix Life Limited is a subsidiary undertaking.

PHOENIX LIFE ASSURANCE LIMITED

APPENDIX 9.4

ABSTRACT OF VALUATION REPORT

1. INTRODUCTION

(1) Valuation Date

The date to which the actuarial investigation relates is 31 December 2015.

(2) Previous Valuation

The date to which the previous actuarial investigation under IPRU (INS) rule 9.4 related was 31 December 2014.

On 30 June 2015, all of the business within the long-term fund of National Provident Life With Profit Fund ("NPLWP") was transferred into Phoenix Life Assurance Limited ("PLAL") under Part VII of the Financial Services and Markets Act 2000. The majority of the business was transferred into a new with profits fund within PLAL, being the NPL With-Profits Fund. A small book of purchase life annuities were instead transferred into the PLAL Non Profit Fund, along with the expense reserves on annuities previously reinsured into the PLAL Non Profit Fund.

Where reference is made to a previous valuation in respect of this business transferred into PLAL on 30 June 2015, this refers to the valuation carried out in NPL on 31 December 2014.

(3) Interim Valuations

Since the previous valuation date, there have been no interim valuations (for the purposes of IPRU (INS) rule 9.4).

2. PRODUCT RANGE

There have been no significant changes to products during the financial year.

The new business status of each of the with-profits sub-funds during the year was:

FUND	STATUS
Pearl With-Profits Fund	(d) closed to new business except by increment
SERP With-Profits Fund	(d) closed to new business except by increment
London Life With-Profits Fund	(d) closed to new business except by increment
NPL With-Profits Fund	(d) closed to new business except by increment

The remaining questions are answered in respect of each fund in turn.

Pearl With-Profits Fund

3. DISCRETIONARY CHARGES AND BENEFITS

(1) Application of Market Value Reduction

Market Value Adjustments (MVAs) were applied as follows:

Product	Policy Year of entry	Period applied
Homebuyer version 1	1995	See Note 1
Reinsurance Accepted Portfolio Bond 1a	Jul 1999 to Sep 2000	Jan 2015 to Dec 2015
	Oct 2000 to Dec 2000	Jan 2015 to May 2015 Jul 2015 to Dec 2015
	Jan 2001 to Mar 2001	Jan 2015 Oct 2015
	Jan 2015 to Mar 2015	Oct 2015 to Nov 2015
	Apr 2015 to Jun 2015	Oct 2015 to Dec 2015
	Jul 2015 to Sep 2015	Nov 2015
Reinsurance Accepted Portfolio Bond 1b & Reinsurance Accepted Portfolio Bond 2	Jan 2000 to Mar 2000	Jan 2015 to May 2015 Jul 2015 to Dec 2015
	Apr 2000 to Sep 2000	Jan 2015 to Feb 2015 Sep 2015 to Dec 2015
	Oct 2000 to Dec 2000	Oct 2015 to Nov 2015
	Jan 2015 to Jun 2015	Oct 2015
Reinsurance Accepted Investment Bond	Oct 2000 to Dec 2000	Jan 2015 to Feb 2015 Sep 2015 to Dec 2015
	Jan 2001 to Mar 2001	Oct 2015 to Nov 2015
	Jan 2015 to Mar 2015	Oct 2015
	Apr 2015 to Jun 2015	Oct 2015 to Nov 2015
Reinsurance Accepted Socially Responsible With Profits Bond	Jan 2015 to Jun 2015	Oct 2015 to Dec 2015
	Jul 2015 to Sep 2015	Nov 2015
Product	Policy Year of entry	Period applied
Reinsurance Accepted Individual Pensions & Reinsurance Accepted Group Pensions	Jan 2000 to Jun 2000	Jan 2015 to May 2015 July 2015 to Dec 2015
	Jul 2000 to Sep 2000	Jan 2015 to Dec 2015
	Oct 2000 to Dec 2000	Jan 2015 to Feb 2015 Oct 2015 to Nov 2015
	Jan 2015 to Mar 2015	Aug 2015 Oct 2015 to Nov 2015
	Apr 2015 to Jun 2015	Oct 2015 to Dec 2015
	Jul 2015 to Sep 2015	Nov 2015
Reinsurance Accepted Socially Responsible With Profits Pensions	Oct 2014 to Dec 2014	Nov 2015
	Jan 2015 to Jun 2015	Oct 2015 to Dec 2015
	Jul 2015 to Sep 2015	Nov 2015 to Dec 2015

Note:

1. The MVAs for Homebuyer version 1 are calculated individually per policy dependent on the actual date premiums were paid.

(2) Premiums on Reviewable Protection Policies

There have been no changes to premium rates for Pension and Life reviewable protection policies during the financial year.

(3) Non-profit Deposit Administration

No policies have been sold in this category.

(4) Service Charges on Linked Policies

Policy fees for Homebuyer version 1 were increased in 2015 in line with the National Average Earnings Index, an increase of 2.9%.

(5) Benefit Charges on Linked Policies

During the financial year, benefit charges remained unchanged on linked products.

(6) Accumulating With-Profits Charges

The following levels of unit management charges were introduced for Individual Pensions UWP - PP on 1 January 2015:

Regular Premiums and Paid Up Policies	1.09%
Single Premiums	0.85%
DSS Recurrent Single Premiums	0.89%

During the financial year, unit management charges for all other unitised accumulating with-profits and linked business remained unchanged.

The amount of business affected by this change involve basic mathematical reserves of £977m for regular premium and paid up policies, £161m for single premium policies and £843m for DSS recurrent single premium policies.

(7) Unit Pricing of Internal Linked Funds

- (a) Units are all of the same type (net accumulation).
 - (i) The creation or cancellation of units in the internal linked funds is performed at unrounded bid price values. This ensures that unit prices are unaffected by the creation or cancellation of units and that the interests of unit holders not taking part in a unit transaction are unaffected by that transaction.
 - (ii) Base prices are derived from the internal fund valuations, which are adjusted for fund specific charges. Increasing the base price by the bid-offer spread and rounding to the higher tenth of a penny gives the “offer price”. The “bid price” is the base price rounded to the lower tenth of a penny.
 - (iii) The asset values of the internal linked funds are calculated 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.
 - (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.
- (b) During the financial year there were no times at which different pricing bases applied to different policies.
- (c) A mid-market price generally applies to the collective investment schemes, although this price may swing up or down if the net transactions on any trading day exceed a set threshold. In the linked funds, these collective investment schemes are valued on unswung prices but subject to a deduction if the fund is priced on a bid basis or an addition if the fund is priced on an offer basis.

The time on each working day at which the assets in the internal linked funds are valued is the same as that at which the units in the underlying collective investment schemes are valued (except for the Henderson Diversified Growth Fund asset.)

(8) Tax Deductions From Internal Linked Funds

Tax on realised and unrealised gains and losses is accrued daily in the internal linked funds. Gains in equity funds are index-adjusted.

As at the end of 2011, all Equity funds had accumulated losses and tax rates for both losses and gains (realised and unrealised) were set to zero and have remained so.

In the event that tax rates are non-zero, the practice is that accruals for realised gains and losses in Equity funds are settled annually. Accruals for unrealised gains and losses would be cleared at the end of each financial year under the "deemed disposal" regime.

For Fixed Interest Funds a tax rate of 20% is currently applied to all realised and unrealised gains and tax relief of 20% applied to all realised and unrealised losses. Fixed interest tax accruals are settled annually.

(9) Tax Provisions for Internal Linked Funds

See (8) above.

(10) Discounts on Unit Purchases

The allowances made to the insurer on the holding of such units are not significant. The extent to which the policyholder benefits from them is such that the charges made to the policyholder are no greater than if the underlying investments were directly held.

4. VALUATION BASIS (Other Than For Special Reserves)

(1) Valuation Methods

The general principles and methods adopted in the valuation are:

NON-LINKED BUSINESS

Mathematical reserves for non-linked business have been determined using a gross premium method, or a method at least as strong as a gross premium method. Where appropriate the mathematical reserves include additional amounts for future expenses, options and guarantees and rider benefits such as waiver of premium benefit.

For accumulating with-profit business, the mathematical reserves were determined using a gross premium method and are calculated as according to the method prescribed by INSPRU 1.2.71R.

LINKED BUSINESS

Unit-linked business mathematical reserves are determined by valuing units allocated to policies and adding a non-unit reserve.

Linked mathematical reserves are below the lesser of £10m and 0.1% of total gross reserves.

(2) Valuation Interest Rates

The following table sets out the rates of interest rate used for all product groups representing a significant amount of business.

Product Code	Product Description	2015 BLAGAB	2015 GRB	2014 BLAGAB	2014 GRB
100	Conventional whole life withprofits OB	1.51%	1.51%	1.51%	1.51%
105	Conventional whole life withprofits IB	1.04%	1.04%	1.04%	1.04%
120	Conventional endowment withprofits OB savings	1.61%	1.61%	1.46%	1.46%
125	Conventional endowment withprofits OB target cash	1.55%	1.55%	1.41%	1.41%
130	Conventional endowment withprofits IB	1.23%	1.23%	1.09%	1.09%
155	Conventional pensions endowment withprofits	1.53%	1.53%	1.70%	1.70%
165	Conventional deferred annuity withprofits	1.31%	1.31%	1.19%	1.19%
185	Group conventional pensions endowment withprofits	1.53%	1.53%	1.70%	1.70%
200	Annuity withprofits (CPA)	1.97%	1.97%	1.89%	1.89%
205	Miscellaneous conventional withprofits	1.38%	1.38%	1.38%	1.38%
210	Additional reserves withprofits OB	1.38%	1.38%	1.38%	1.38%
215	Additional reserves withprofits IB	1.04%	1.04%	1.04%	1.04%
300	Regular premium nonprofit WL/EA OB	1.28%	1.58%	1.28%	1.44%
310	Nonprofit IB	1.76%	1.76%	1.58%	1.58%
385	Income protection claims in payment	1.28%	1.58%	1.28%	1.44%
390	Deferred annuity nonprofit	0.74%	1.27%	0.74%	1.15%
435	Miscellaneous nonprofit	1.47%	1.59%	1.30%	1.44%
500	Life UWP single premium	0.65%	0.65%	0.65%	0.65%
505	Life UWP whole life regular premium	1.12%	1.12%	0.99%	0.99%
506	Life UWP whole life regular premium (ISA)	0.62%	1.06%	0.62%	0.96%
510	Life UWP endowment regular premium savings	1.12%	1.12%	0.99%	0.99%
515	Life UWP endowment regular premium – target cash	0.63%	0.63%	0.63%	0.63%
525	Individual pensions UWP	1.66%	1.66%	2.55%	2.55%
535	Group money purchase pensions UWP	0.97%	0.97%	0.93%	0.93%
545	Individual deposit administration withprofits	1.66%	1.66%	2.55%	2.55%
565	DWP National Insurance rebates UWP	1.66%	1.66%	2.55%	2.55%
571	Trustee investment plan UWP	1.66%	1.66%	2.55%	2.55%
575	Miscellaneous UWP	0.75%	0.75%	0.68%	0.68%
605	Miscellaneous protection rider	1.12%	1.12%	0.99%	0.99%
710	Life property linked whole life regular premium	0.00%	0.00%	0.00%	0.00%
735	Group money purchase pensions property linked	0.00%	0.00%	0.00%	0.00%

(3) Risk Adjustments

The yields on assets were reduced for risk as follows:

Fixed Interest

Approved Securities

The risk adjusted yield on UK Government and other approved fixed interest securities is determined by INSPRU 3.1.39R as the annualised gross redemption yield. Allowance is made for credit risk as set out for Other Securities.

Other Securities

The risk adjusted yield on other fixed interest securities is determined by INSPRU 3.1.39R as the annualised gross redemption yield less a credit risk margin (haircut) which is applied on an individual stock by stock basis.

The rating used is the lower of the agency ratings obtained and this rating is then used to derive a haircut from a table of average default rates. For stocks other than bank subordinated debt i.e. standard haircut, this is prudently based on double the historical default experience (1920 - 2013), net of an allowance for 37% recovery.

The average default rates are based on:

Credit Rating	Standard (non-subordinated) Debt		
	Term (bps) 5 year	10 year	20 year
AAA	4.0	10.0	10.3
AA	20.6	30.3	35.2
A	34.4	45.3	49.2
BBB	72.7	82.8	84.5
BB	246.1	250.8	234.1
B	586.8	532.7	440.3

Sovereign, Sub-Sovereign, Regional or Supranational bonds with a rating of A and below are treated in the same way as standard haircut while AAA rated bonds assume no haircut and AA rated bonds in this category assume the full standard haircut.

Bonds rated CCC and below are taken as having zero yield.

For bank subordinated debt, the haircut is based on the Senior Rating of the issuing entities (rather than the rating of the sub-debt itself) whilst using a nil recovery assumption. However, if this results in a lower aggregate haircut compared to the standard haircut, the standard haircut is used instead.

Variable Interest

The risk adjusted yield on variable interest securities is the real yield. No caps on real yields are applied by default. However, consideration is given to capping the yields on any individual security if it looks markedly out of line with the yields of comparable stocks.

Equities

The risk adjusted yield on equities is a running yield which is determined by INSPRU 3.1.37R as:

- the dividend yield, if the dividend yield is more than the earnings yield;
- otherwise, the sum of the dividend yield and the earnings yield, divided by two

To allow for unreasonably high dividend yields or earnings yields, given yields over 10% are halved and given yields over 25% are set to zero.

Property

The risk adjusted yield on property is determined by INSPRU 3.1.36R as the ratio of the rental income arising from the property over the previous twelve months to the market value of the property.

To allow for unreasonably high yields, a cap of 6% is applied to the resulting yield, this cap is unchanged from the previous valuation.

(4) Mortality Basis

Products representing a significant amount of business used ultimate mortality on the following bases:

Product Group	2015				2014				Product Code
	Male		Female		Male		Female		
	Smoker	Non-smoker	Smoker	Non-smoker	Smoker	Non-smoker	Smoker	Non-smoker	
Conventional Life Business	101% AMC00	101% AMC00	116% AFC00	116% AFC00	116% AMC00	116% AMC00	116% AFC00	116% AFC00	100, 120, 125, 205, 300, 435
Non-Profits Term Assurance	114% AMC00	114% AMC00	128% AFC00	128% AFC00	116% AMC00	116% AMC00	116% AFC00	116% AFC00	435
Industrial Branch	70% ELT14 (Male)	70% ELT14 (Male)	70% ELT14 (Male)	70% ELT14 (Male)	70% ELT14 (Male)	70% ELT14 (Male)	70% ELT14 (Male)	70% ELT14 (Male)	105, 130, 310
Conventional General Annuity endowments	79% AMC00	79% AMC00	79% AFC00	79% AFC00	79% AMC00	79% AMC00	79% AFC00	79% AFC00	155, 300
Conventional Pensions deferred annuities (pre vesting basis)	79% AMC00	79% AMC00	79% AFC00	79% AFC00	79% AMC00	79% AMC00	79% AFC00	79% AFC00	165, 390
Conventional Pensions deferred annuities (post vesting basis)	106.4% RMV00	106.4% RMV00	106.4% RMV00	106.4% RMV00	106.4% RMV00	106.4% RMV00	92.5% RFV00	92.5% RFV00	165, 390
Conventional Pensions endowments with a variable retirement age	79% AMC00	79% AMC00	79% AFC00	79% AFC00	79% AMC00	79% AMC00	79% AFC00	79% AFC00	155, 300
Conventional Pensions endowments – Other – Compound Bonus	79% AMC00	79% AMC00	79% AFC00	79% AFC00	79% AMC00	79% AMC00	79% AFC00	79% AFC00	155
Conventional Pensions endowments – Other – Simple Bonus	97% AMC00	97% AMC00	97% AFC00	97% AFC00	97% AMC00	97% AMC00	97% AFC00	97% AFC00	155, 300
Reinsurance Accepted Immediate Annuities	87.8% PMA00 Improvements CMI_2012 (1)	87.8% PMA00 Improvements CMI_2012 (1)	85.5% PFA00 Improvements CMI_2012 (1)	85.5% PFA00 Improvements CMI_2012 (1)	87.8% PMA00 Improvements CMI_2012 (1)	87.8% PMA00 Improvements CMI_2012 (1)	85.5% PFA00 Improvements CMI_2012 (1)	85.5% PFA00 Improvements CMI_2012 (1)	200
Individual Pensions UWP – PP	79% AMC00	79% AMC00	79% AFC00	79% AFC00	79% AMC00	79% AMC00	79% AFC00	79% AFC00	525
Unitised Accumulating With Profits – Homebuyer	68% AM80	55% AM80	68% AF80	55% AF80	89% AM80	89% AM80	89% AF80	89% AF80	515
Unitised Accumulating With Profits – Other	79% AMC00	79% AMC00	79% AFC00	79% AFC00	79% AMC00	79% AMC00	79% AFC00	79% AFC00	500, 505, 506, 525, 575
Reinsurance Accepted Portfolio Bonds 1a, 1b and Investment Bond	85% AM92	85% AM92	85% AF92	85% AF92	85% AM92	85% AM92	85% AF92	85% AF92	500
Reinsurance Accepted Portfolio Bond 2	105% AM92	105% AM92	122% AF92	122% AF92	105% AM92	105% AM92	105% AF92	105% AF92	500
Reinsurance Accepted Pensions Business	95% AM92	95% AM92	95% AF92	95% AF92	95% AM92	95% AM92	95% AF92	95% AF92	535

- Notes:
1. CMI 2012 improvements 2.50% for ages up to age 75, reducing linearly down to 0% at age 120.
 2. CMI Uses C = 2029 for Males and C = 2030 for Females, chosen to approximate U = 2013
 3. CMI 2009 improvements 3.25% for ages up to age 60, reducing linearly down to 0% at age 120.

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The male expectations of life for the annuitant mortality bases above are as follows:

Product Group	Annuities in payment		Deferred annuities: life expectation at age 65	
	Age 65	Age 75	Age 45	Age 55
Conventional Deferred Annuities			27.7	25.9
Reinsurance Accepted Immediate Annuities	24.1	14.7		

The female expectations of life for the annuitant mortality bases above are as follows:

Product Group	Annuities in payment		Deferred annuities: life expectation at age 65	
	Age 65	Age 75	Age 45	Age 55
Conventional Deferred Annuities			31.2	29.7
Reinsurance Accepted Immediate Annuities	28.2	18.0		

(5) Morbidity Basis

There are no products representing a significant amount of business that use a morbidity basis.

(6) Expense Basis

The expense bases are as follows:

Per Policy Expenses

Product Group	2015 £pa	2014 £pa	Tax Relief	Product Code
Conventional endowment with-profits OB savings	71.24	76.89	20%	120
Conventional endowment with-profits OB target cas	71.24	76.89	20%	125
Conventional pensions endowment with-profits	71.24	76.89	0%	155
Conventional deferred annuity with-profits	71.24	76.89	0%	165
Life UWP single premium	64.12	69.20	20%	500
Life UWP endowment regular premium – target cas	71.24	76.89	20%	515
Individual pensions UWP	71.24	76.89	0%	525
Group money purchase pensions UWP	0.00	0.00	0%	535
Individual Pensions UWP – PP	64.10	32.99	0%	525
Individual Pensions UWP – PP (AMC)(1)	48bps	48bps	0%	525

Note:

1. These expenses are per arrangement rather than per element. No expenses are allocated to PP Additional Life Cover elements. The per-policy expense for Personal Pensions has been converted into a part per policy expense and a part Annual Management Charge.

- The prudent expense assumptions also apply to the hybrid unitised with-profits policies sold in 1995 that have unit linked elements.

Gross Investment expenses

Investment expenses, before allowance for tax, have been allowed for through an explicit reduction to the valuation interest rates. The table below sets out the basis point reductions applied:

Product Group	2015 Bp⁽²⁾	2014 Bp⁽²⁾
All business except Personal Pensions Guarantee Reserve ⁽¹⁾	36	38
Personal Pensions Guarantee Reserve ⁽¹⁾	8	5

Notes:

- Index linked Gilts held in respect of the Personal Pensions Guarantee Reserve
- These rates are after allowing for VAT at 20%.

(7) Inflation Rates

Inflation rates for expenses and policy charges were as follows:

Description	2015	2014
Expense inflation	2.8%	3.0%
Policy charge inflation	3.1%	3.3%
Expense inflation (Reinsurance Accepted Bonds)	4.6%	4.8%
Expense inflation (Reinsurance Accepted Immediate Annuities)	4.6%	4.8%

(8) Future Bonus Rates

As a realistic basis life firm no allowance has been made in the determination of mathematical reserves for future bonuses in accordance with INSPRU 1.2.9R except for Reinsurance Accepted Portfolio Bond 2 where allowance is made for any guaranteed bonus payable.

(9) Persistency

No future surrender, withdrawal or paid-up assumptions are applied in the determination of mathematical reserves.

(10) Retirement Rates

For Conventional Pensions and General Annuity endowments with a variable retirement age it has been assumed that a specified proportion of policyholders retire at each possible retirement age as follows:

Age Attained	2015	2014
60	27%	27%
61	7%	7%
62	6%	6%
63	6%	6%
64	12%	12%
65	67%	67%
66	18%	18%
67	12%	12%
68	12%	12%
69	11%	11%
70	16%	16%
71	11%	11%
72	6%	6%
73	5%	5%
74	24%	24%
75	100%	100%

For all other Pensions Business a retirement age of 67, or current age if older, has been assumed in the determination of the mathematical reserve held.

(11) Allowance for Derivatives

The funds hold a number of swap contracts which are not used to determine valuation rates of interest.

No other allowance has been made for derivative contracts in determining the amount of the long-term liabilities, except for the method for calculating the liabilities for guaranteed annuity options described below.

(12) Effect on Mathematical reserves due to changes in INSPRU

None

5. OPTIONS AND GUARANTEES

(1) Guaranteed Annuity Rate Options

(a) For contracts with benefits expressed as cash but which have a guaranteed minimum annuity rate the reserve was calculated assuming that the benefit at maturity was the higher of:

- (i) the cash amount, and
- (ii) the value of the guaranteed annuity, using mortality rates appropriate for deferred annuities and the valuation interest rate as shown for that contract.

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

Assumption	2015	2014
Take up Rate	100%	100%
Rate of interest	1.83%	1.70%
Mortality in payment	106.4% RMV00(1)	106.4% RMV00(1)
	92.5% RFV00(1)	92.5% RFV00(1)
Tax free lump sum	17% decreasing linearly to 5% after 20 years for Table XII, Top Hats and Freedom Bonds	17% decreasing linearly to 5% after 20 years for Table XII, Top Hats and Freedom Bonds
Retirement Rates	As per 4(10) above	As per 4(10) above

Note:

1. CMI 2012 improvements 2.50% for ages up to age 75, reducing linearly down to 0% at age 120.

(b) Details of the products concerned are summarised below:

Type of Business	Product name	Basic reserve £'000	Spread of outstanding durations ⁽¹⁾	Guarantee reserve ⁽²⁾ £'000	GAR (% fund for 65 year old male) ⁽³⁾	Increments allowed?	Annuity form	Retirement Age	Product Code
UK Life	Conventional pensions	16,837	Gradual run-off, mean term of 14	12,385	10%	No	See Note 4	60-70	155
UK Pension	Conventional pensions endowment with-profits	735,932	Gradual run-off, mean term of 8 years	619,049	10%	No	See Note 4	60-75	155
UK Pension	Regular premium endowment non-profit	46,298	Gradual run-off, mean term of 8 years	32,858	10%	No	See Note 4	60-75	300
UK Pension	Reinsurance Accepted Annuity Rate	51,060 See Note 5	Gradual run-off, mean term of 7 years	25,412	10%	No	See Note 4	60-75	725

Notes:

1. The spread of outstanding durations has been estimated to account for the variable retirement rates.
2. For those Conventional pensions' endowment with-profits policies that also have a Guaranteed Minimum Pension, the guarantee reserve includes additional reserve for the Guaranteed Minimum Pension.
3. Guaranteed annuity rates are for the following form of annuity: Single life, monthly in advance, Level annuity, no guarantee period and are shown to whole numbers. Other forms of annuity will have different guaranteed annuity rates.
4. Guaranteed annuity rates are available for the following forms of annuity:
 - a. Self Employed Deferred Annuities: Single life, monthly in advance, Level annuity, 0, 5 or 10 year guarantee period
 - b. Section 32 buyout bonds and Executive Pension Plans: Single life, monthly in advance, No guarantee period, 0%, 3% or 5% escalation rate.
 - c. Reinsurance Accepted Annuity Rate Guarantee: Single life, monthly in advance, Level annuity, 0, 5 or 10 year guarantee period
5. The basic reserve for this business is retained within the PAULP sub-fund of Phoenix Life Limited.

(2) Guaranteed Surrender and Unit-linked Maturity Values

No investment performance guarantee is given on linked contracts.

There are no guaranteed surrender values not already allowed for in the valuation of the basic mathematical reserve.

(3) Guaranteed Insurability Options

There is not a significant amount of business with guaranteed insurability options.

(4) Personal Pensions Guarantee Reserve

A reserve has been made for guaranteeing benefits in respect of certain Personal Pensions policyholders where failure to adhere to the best advice rules may have occurred. This includes guarantees issued by the former Pearl Assurance Ltd and those where they are shared between the former Pearl Assurance Ltd and the former Pearl Assurance (Unit Linked Pensions) Limited business which now forms part of Phoenix Life Limited.

The following method is used to determine the mathematical reserves:

- a) 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.
- b) 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 being appropriately determined from recent settlement statistics.

This reserve (for the Pearl With-Profits fund) has been determined in accordance with the basis set out below, in which the rates are expressed as real rates rather than nominal rates:

Assumption	2015
Real rate of interest	2.27%
Future RPI inflation ⁽¹⁾	Market implied
Salary increases above inflation, inclusive of allowance for future salary progression	1%
Annuity pricing margin	11%
Mortality during deferment	79% AM/FC00 Ultimate
Mortality in payment	106.4% RMV00(1)
	92.5% RFV00(1)
Percentage assumed married	80%
Allowance for future service	up to 3 years for those unable to rejoin their pension scheme
Explicit Prudence Margin	200%

⁽¹⁾ Annuities are assumed to increase at the future RPI inflation rate less 0.7% p.a., before and after the retirement date.

The amount of business involved had a basic mathematical reserve of £1,961 million reserve with additional reserves of £482 million, not all policies within this product group have this

attaching guarantee. This additional reserve also includes an allowance for future expenses and policies where the compensation process is yet to be completed.

(5) Mortgage Endowment Promise

An additional reserve has been made to cover the Mortgage Promise made to certain mortgage endowment policies. The reserve is the expected shortfall discounted at the appropriate valuation interest rate and allowing for mortality and lapses.

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

Assumption	2015
Rate of interest	1.55%
Mortality - Conventional Life Endowment	101% AMC00 /115% AFC00
Mortality - Unitised Accumulating With Profits - Homebuyer	Smoker:68% AM80 /68% AF80 Non-smoker:55% AM80 /55% AF80
Voluntary Discontinuance	0% p.a.

The amount of business involved had a basic reserve of £192million and additional guarantee reserve of £100 million.

6. EXPENSE RESERVES

(1) Aggregate Expense Loadings

The aggregate amount of expense loadings, grossed up for taxation where appropriate, expected to arise during the 12 months from the 'valuation date' are as follows:

Homogeneous risk group	Implicit allowances £m	Explicit allowances (investment) £m	Explicit allowances (other) £m	Non-attributable expenses £m	Total £m
Individual Pensions UWP - PP	0	4	7	1	12
Other	0	7	12	1	19
Total	0	11	19	1	31

(2) Implicit Allowances

All provisions for future expenses have been made using explicit methods, except for investment expense allowance where a margin in the valuation interest rate is used.

(3) Form 43 Comparison

The amount of expense loadings expected to arise in the next 12 months are different for the maintenance expenses shown on Form 43 due to the margins for adverse deviation and project costs.

(4) New Business Expense Overrun

Since Phoenix Life Assurance Limited does not write new business other than increments and internal commencements, no reserves are required for expenses of continuing to transact new business after the valuation date.

(5) Maintenance Expense Overrun

The per policy expense assumptions used allow for the attributable payments expected to be made to Pearl Group Services Limited under the Management Services Agreement (MSA), plus project expenses and directly incurred expenses. A prudent margin is added to these total per-policy expenses to allow for adverse deviation. These per policy expense assumptions are then projected into the future assuming a prudent level of inflation.

The MSA with Pearl Group Services Limited is structured on a fixed cost per policy per annum (except for unitised with profits Personal Pensions business where a fixed cost per policy plus a percentage of assets under management is used.) Pearl Group Services Limited has engaged Diligenta, a UK based and FSA regulated subsidiary of Tata Consulting Services Limited, to implement the outsource of processing and administration work which gives Phoenix Life Assurance Limited certainty over the majority of the cost base into the future, especially in relation to economies of scale and fixed costs.

As Phoenix Life Assurance Limited is closed to new business, other than for increments and internal commencements, no reserve is held for discontinuance costs, or the valuation strain or expense overrun from the writing of new business.

(6) Non-attributable expenses

The non-attributable expense reserve is the expected cost of certain planned projects of a non-recurring nature not covered by the per policy expense assumptions plus the expected payment in the year following the valuation date to Pearl Group Services Limited as described in paragraph 6(5).

7. MISMATCHING RESERVES

(1) Analysis of Reserves by Currency

The liabilities are sterling liabilities.

The following table shows the sum of the mathematical reserves (other than liabilities for property linked benefits) and the liabilities in respect of the deposits received from reinsurers as shown in Form 14, analysed by reference to the currencies in which the liabilities are expressed to be payable, together with the value of assets, analysed by reference to currency, which match the liabilities:

Currency	Liabilities £m	Assets £m
GBP	5,494	4,662
Euro	0	361
USD	0	469
Other	0	1
Total	5,494	5,494

(2) Other Currency Exposures

See table in 7(1)

(3) Currency Mismatching Reserve

The amount of reserve for currency mismatching is £nil because sufficient excess assets are held to cover the exposure arising from currency mismatching, the level of which is within the limit given by INSPRU 3.1.53R.

(4) Most Onerous Scenario Under INSPRU 3.1.16(R)

Pearl Assurance Limited is a realistic basis reporting firm to which GENPRU 2.1.18R applies and so does not hold a resilience capital requirement under INSPRU 3.1.10R.

(5) Most Onerous Scenario Under INSPRU 3.1.23(R)

Not applicable – see 7(4).

(6) Resilience Capital Requirement

Not applicable – see 7(4).

(7) Additional Reserves Arising From INSPRU 1.1.34(2)(R))

No additional reserve is held.

8. OTHER SPECIAL RESERVES

There are two special reserves exceeding the lesser of £10m and 0.1% of total mathematical reserves. These are:

Description	Reserve (£m)
Data	14.7
Project Alloy	5.8

9. REINSURANCE

(1) Facultative Treaties

No reinsurance has been ceded on a facultative basis to reinsurers who are not authorised to carry on business in the United Kingdom. No deposit back arrangement exists.

(2) Reinsurance Treaties

There is no significant reinsurance out of the Pearl With-Profits Fund.

10. REVERSIONARY (OR ANNUAL) BONUS

Industrial Branch – Conventional Business policies

Bonus Series	31.12.2015 Basic Mathematical Reserve £'000	31.12.2015 Reversionary Bonus Per £14 weekly premium £	31.12.2014 Reversionary Bonus Per £14 weekly premium £	31.12.2015 Total guaranteed bonus Per £14 weekly premium £
Endowment policies	1,468	0	0	N/A
Whole Life policies	97,328	31	22	N/A

Ordinary Branch – Conventional Business policies (Simple bonus)

Bonus Series	31.12.2015 Basic Mathematical Reserve £'000	31.12.2015 Reversionary Bonus %	31.12.2014 Reversionary Bonus %	31.12.2015 Total guaranteed bonus %
Life regular premium	69,593	8%	6%	N/A
Pensions regular premium	168,721	0%	0%	N/A

Ordinary Branch – Conventional Business policies (Compound bonus)

Bonus Series	31.12.2015 Basic Mathematical Reserve £'000	31.12.2015 Reversionary Bonus %	31.12.2014 Reversionary Bonus %	31.12.2015 Total guaranteed bonus %
Life regular premium and paid up policies	336,343	0%	0%	N/A
Pensions regular premium and paid up policies	923,665	0%	0%	N/A
Pensions single premium	504,166	0%	0%	N/A

Ordinary Branch – Individual Pensions UWP – PP

Bonus Series	31.12.2015 Basic Mathematical Reserve £'000	31.12.2015 Reversionary Bonus %	31.12.2014 Reversionary Bonus %	31.12.2015 Total guaranteed bonus %
Regular Premium	1,129,427	3%	2%	N/A
Single Premium	193,915	3%	2%	N/A
Protected rights DSS recurring single premium	989,335	3%	2%	N/A

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Ordinary Branch – Unitised Accumulating With-Profits Business (Super Compound Bonus)

Bonus Series	31.12.2015 Basic Mathematical Reserve £'000	01.01.2015 to 31.12.2015 Reversionary Bonus %	31.12.2014 Total guaranteed bonus %
Life policies issued in 1995	7,461	0.75% / 0.42%	N/A
Life policies issued after 1995	204,111	0.75% / 0.42%	N/A
Pensions policies	402,394	2.5% / 1.25%	N/A
ISA Bonus Account policies	112,427	0.7% / 0.35%	N/A
Bonus Account policies	6,832	0.4% / 0.2%	N/A

Ordinary Branch - Reinsured Accepted Business

Bonus Series	31.12.2015 Basic Mathematical Reserve £'000	31.12.2015 Reversionary Bonus %	31.12.2014 Reversionar y Bonus %	31.12.2015 Total guaranteed bonus %
Portfolio Bond 1a	9,897	1.00%	1.00%	N/A
Portfolio Bond 2	2,599	1.00%	1.00%	See Note (1)
Socially Responsible With Profits Bond	51,051	1.00%	1.00%	N/A
Individual Pensions and Socially Responsible With Profits Pensions	1,593	4.00%	2.00%	N/A
Group Pensions	56,339	1.50%	1.50%	N/A
Immediate Annuities Series 3 & 4	56,273	4.50%	4.50%	N/A

Notes:

1. For Portfolio Bond 2, there is an additional 2% bonus added at the fifth policy anniversary to all funds in force at that time plus another 2% bonus every five years thereafter.
2. The bonus rates shown are gross of the policies' respective annual management charge.

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.

SERP With-Profits Fund

3. DISCRETIONARY CHARGES AND BENEFITS

(1) Application of Market Value Reduction

Not applicable.

(2) Premiums on Reviewable Protection Policies

Not applicable.

(3) Non-profit Deposit Administration

Not applicable.

(4) Service Charges on Linked Policies

Not applicable.

(5) Benefit Charges on Linked Policies

Not applicable.

(6) Accumulating With-Profits Charges

Not applicable.

(7) Unit Pricing of Internal Linked Funds

Not applicable.

(8) Tax Deductions From Internal Linked Funds

Not applicable.

(9) Tax Provisions for Internal Linked Funds

Not applicable.

(10) Discounts on Unit Purchases

Not applicable.

4. VALUATION BASIS (Other Than For Special Reserves)

(1) Valuation Methods

The general principles and methods adopted in the valuation are:

Mathematical reserves have been determined using an individual gross premium method. The reserve for each policy is subject to a minimum of any guaranteed surrender value. Where it has been considered appropriate to do so, the mathematical reserves include additional amounts for future expenses and options and guarantees.

Under with-profit S620 annuities issued after April 1971, provision is made for the option that policies may vest prior to the vesting date written in the policy. The percentage of policyholders assumed to vest on reaching each retirement age is as follows:

Age	Percentage retiring
60	37.5%
65	60.0%
70	100.0%
75	100.0%

The benefits discounted are calculated on both the cash sum available at the pension date and the deferred annuity and the higher reserve is taken.

Post-vesting expenses reflect the present expense assumptions for annuities in payment, increased in line with expense inflation assumptions. Post retirement mortality is adjusted to make allowance for future mortality improvements between the year end and the vesting date in line with the Pensioner Mortality Improvement model issued by the CMI bureau.

(2) Valuation Interest Rates

The following table sets out the rates of interest used for all classes of business:

FSA Code	Product Description	2015 - GRB	2014
165	Conventional deferred annuity withprofits	2.53%	2.47%

(3) Risk Adjustments

The yields on assets were reduced for risk as follows:

Fixed Interest

Approved Securities

The risk adjusted yield on UK Government and other approved fixed interest securities is determined by INSPRU 3.1.39R as the annualised gross redemption yield. Allowance is made for credit risk as set out for Other Securities.

Other Securities

The risk adjusted yield on other fixed interest securities is determined by INSPRU 3.1.39R as the annualised gross redemption yield less a credit risk margin (haircut) which is applied on an individual stock by stock basis.

The rating used is the lower of the agency ratings obtained and this rating is then used to derive a haircut from a table of average default rates. For stocks other than bank subordinated debt i.e. standard haircut, this is prudently based on double the historical default experience (1920 - 2013), net of an allowance for 37% recovery.

The average default rates are based on:

Credit Rating	Standard (non-subordinated) Debt		
	Term (bps)		
	5 year	10 year	20 year
AAA	4.0	10.0	10.3
AA	20.6	30.3	35.2
A	34.4	45.3	49.2
BBB	72.7	82.8	84.5
BB	246.1	250.8	234.1
B	586.8	532.7	440.3

Sovereign, Sub-Sovereign, Regional or Supranational bonds with a rating of A and below are treated in the same way as standard haircut while AAA rated bonds assume no haircut and AA rated bonds in this category assume the full standard haircut.

Bonds rated CCC and below are taken as having zero yield.

For bank subordinated debt, the haircut is based on the Senior Rating of the issuing entities (rather than the rating of the sub-debt itself) whilst using a nil recovery assumption. However, if this results in a lower aggregate haircut compared to the standard haircut, the standard haircut is used instead.

(4) Mortality Basis

The following table sets out the mortality bases used for all classes of business:

Product Group	2015		2014		Product Code
	Males	Females	Males	Females	
Pre-vesting SERP	50% AM92	50% AF92	50% AM92	50% AF92	165
Post-vesting/In payment SERP	94.8% RMV00	94.8% RFV00	97% RMV00	97% RFV00	165

Notes:

1. Ultimate mortality has been used in all cases.
2. At 31 December 2015, for post-vesting mortality using the RMV00 and RFV00 tables, future mortality improvements use the CMI Working Paper 63 Mortality Projection Model (published in February 2013) blending historic improvement data with a long term annual improvement assumption of 2.5% up to age 75 reducing linearly to 0% at age 120.

Male complete life expectations for annuity contracts are as follows:

Product Group	Annuities in payment		Deferred annuities: life expectation at age 65	
	Age 65	Age 75	Age 45	Age 55
Conventional Deferred Annuities			28.3	26.5

Female complete life expectations for annuity contracts are as follows:

Product Group	Annuities in payment		Deferred annuities: life expectation at age 65	
	Age 65	Age 75	Age 45	Age 55
Conventional Deferred Annuities			30.6	29.1

(5) Morbidity Basis

There are no products using a morbidity basis.

(6) Expense Basis

Per policy expenses, before allowance for tax relief, were as follows:

Product Group	Premium paying		Paid up & single premium		Product Code
	2015	2014	2015	2014	
	£pa	£pa	£pa	£pa	
CWP pensions	70.06	67.43	28.16	27.10	165
Annuity				28.74	400

Investment expenses have been allowed for through an explicit reduction of 9bps to the valuation interest rate.

(7) Inflation Rates

Expense inflation rates are:

Product Group	Expense Inflation Rate (% p.a)	
	2015	2014
All business	3.59%	4.20%

(8) Future Bonus Rates

As a realistic basis life firm no allowance has been made in the determination of mathematical reserves for future bonuses in accordance with INSPRU 1.2.9R.

(9) Persistency

A summary of the surrender and paid-up assumptions is as follows:

FSA Code	Product	Average paid-up / lapse rate for the policy years				
		Type	1 to 5	6 to 10	11 to 15	16 to 20
165	Conventional deferred annuity withprofits	Surrender	0.25%	0.25%	0.25%	0.25%

Notes:

The surrender rates above apply to policyholders below age 60. For policyholders aged 60 and above the surrender rate is assumed to be zero.

(10) Other material basis assumptions:

Relief for tax applied to expenses is 0% for SERP pension business. Tax on investment income is set out in the following table:

Type of business	2015	2014
UK Pensions – all income	0%	0%
UK Pensions – all gains	0%	0%

(11) Allowance for Derivatives

The fund holds a number of swap contracts, some of which are used to determine valuation rates of interest.

No other allowance has been made for derivative contracts in determining the amount of the long-term liabilities.

(12) Effect on Mathematical reserves due to changes in INSPRU

Not applicable.

5. OPTIONS AND GUARANTEES

(1) Guaranteed Cash Rate Options

The policies have an option to convert their annuity at retirement to a cash value on guaranteed terms. As the guarantees are very “out of the money” the proportion of fund taken as cash is assumed to be nil. This assumption is unchanged from the previous valuation. The reserve for this Guaranteed Cash Fund is set at a nominal amount of £0.1 million.

6. EXPENSE RESERVES

(1) Aggregate Expense Loadings

The aggregate amount of expense loadings, grossed up for taxation where appropriate, expected to arise during the 12 months from the 'valuation date' are £2.7m.

Homogeneous Risk Group	Implicit Allowances	Explicit Allowances (Investment)	Explicit Allowances (Other)	Non-attributable Expenses	Total
	£million	£million	£M	£M	£M
Non-unitised business	0	0.8	1.7	0	2.5
Total	0	0.8	1.7	0	2.5

(2) Implicit Allowances

All provisions for future expenses have been made using explicit methods, except for investment expense allowance where a margin in the valuation interest rate is used.

(3) Form 43 Comparison

The difference between the allowance for maintenance expenses shown above and those shown in Form 43 are due to one-off expenses and the run-off of business (since Form 43 shows actual 2015 figures while the loadings are expected 2016). The one off expenses are performance related investment management fees.

(4) New Business Expense Overrun

Not applicable.

(5) Maintenance Expense Overrun

Not applicable.

(6) Non-attributable expenses

Not applicable.

7. MISMATCHING RESERVES

(1) Analysis of Reserves by Currency

The liabilities are sterling liabilities.

The following table shows the sum of the mathematical reserves (other than liabilities for property linked benefits), analysed by reference to the currencies in which the liabilities are expressed to be payable, together with the value of the assets, analysed by reference to currency, which match the liabilities:

Currency	Liabilities £m	Assets £m
Sterling	1,179	1,179
Euro	0	0
Total	1,179	1,179

(2) Other Currency Exposures

See table in 7(1)

(3) Currency Mismatching Reserve

The amount of reserve for currency mismatching is £nil as sufficient sterling assets are held to cover the sterling liabilities in the table in 7(1).

(4) Most Onerous Scenario Under INSPRU 3.1.16(R)

Phoenix Life Assurance Limited is a realistic basis reporting firm to which GENPRU 2.1.18R applies and so does not hold a resilience capital requirement under INSPRU 3.1.10R.

(5) Most Onerous Scenario Under INSPRU 3.1.23(R)

Not applicable – see 7(4).

(6) Resilience Capital Requirement

Not applicable – see 7(4).

(7) Additional Reserves Arising From INSPRU 1.1.34(2)(R)

No additional reserve is held.

8. OTHER SPECIAL RESERVES

There are no special reserves which exceed the lesser of £10m and 0.1% of total mathematical reserves.

9. REINSURANCE

(1) Facultative Treaties

There are no reinsurance arrangements in place for this business.

(2) Reinsurance Treaties

Not applicable.

10. REVERSIONARY (OR ANNUAL) BONUS

Compound Bonus

Bonus series	31.12.2015	31.12.2015	31.12.2015	31.12.2015	Product code
	Mathematical reserve £000's	Reversionary bonus %	Reversionary bonus %	Total guaranteed bonus %	
With-profit S620 deferred annuities (SERP)	1,181,704	0.00%	0.00%	-	165

London Life With-Profits Fund

3. DISCRETIONARY CHARGES AND BENEFITS

(1) Application of Market Value Reduction

Market Value Adjustments (MVAs) were applied as follows:

Product	Policy Year of Entry	Period Applied
Unitised With Profit Life	1999-2000	Until 30th June 2015.
Unitised With Profit Pension	1999-2000	Until 30th June 2015.

(2) Premiums on Reviewable Protection Policies

There have been no changes to premiums on reviewable protection policies during the financial year.

(3) Non-profit Deposit Administration

No policies have been sold in this category.

(4) Service Charges on Linked Policies

Policy fees on linked policies increased on 1 January 2015, in line with the Retail Price Index increases from September 2014 to September 2015, an increase of 0.8%.

(5) Benefit Charges on Linked Policies

During the financial year, benefit charges remained unchanged on linked policies.

(6) Accumulating With-Profits Charges

During the financial year, unit management charges for unitised accumulating with-profit and linked policies remained unchanged.

(7) Unit Pricing of Internal Linked Fund

- (a) Units are of two types – net capital and net accumulation. The following method is applied to both types of units.
- (i) The creation or cancellation of units in the internal linked funds is performed at unrounded bid price values. This ensures that unit prices are unaffected by the creation or cancellation of units and that the interests of unit-holders not taking part in a unit transaction are unaffected by that transaction.
 - (ii) Base prices are derived from the internal fund valuations, which are adjusted for fund specific charges. Increasing the base price by the bid-offer spread and rounding to the higher tenth of a penny gives the “offer price”. The “bid price” is the base price rounded to the lower tenth of a penny, except for the former AMP (UK) business, on which the “bid price” is rounded to the higher tenth of a penny.

London Life With-Profits Fund

- (iii) The asset values of the internal linked funds are calculated 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, in Life funds, allowances for tax on income and realised and unrealised capital gains.
- (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 business other than the former AMP (UK) business.
- (b) During the financial year there was no time at which different pricing bases applied to different policies.
- (c) A mid-market price applies to the collective investment schemes, although this price may swing up or down if the net transactions on any trading day exceed a set threshold. The time on each working day at which the assets in the internal linked funds are valued is the same as that at which the units in the underlying collective investment schemes are valued.

(8) Tax Deductions from Internal Linked Funds

Tax on realised and unrealised gains and losses is accrued daily in the internal linked funds. Gains in equity funds are index-adjusted.

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

Fund Type	Realised Gains	Unrealised Gains	Realised Losses	Unrealised Losses
Fixed Interest	20%	20%	20%	20%
Fixed Interest tax accruals are settled once a year.				
Equity (Direct Holdings)	20%	19.50%	20%	19.50%
Equity (Direct Holdings) accruals for realised gains and losses are cleared once a year. Accruals for unrealised gains and losses are not cleared until the next annual settlement after they become realised.				
Equity (Collective Investment Scheme Holdings)	20%	19.50%	20%	19.50%
Equity (Collective Investment Scheme Holdings) accruals for realised gains and losses are settled annually. 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 2014 was 19.2%.				

The tax treatment of Life unit linked funds reinsured to the London Life Linked Assurances (LLLA) “sub-fund” of Phoenix Life Limited Non-Profit fund follows the tax treatment in that company.

(9) Tax Provisions for Internal Linked Funds

See (8) above

(10) Discounts on Unit Purchases

The allowances made to the insurer on the holding of such units are not significant. The extent to which the policyholder benefits from them is such that the charges made to the policyholder are no greater than if the underlying investments were directly held.

4 VALUATION BASIS (OTHER THAN FOR SPECIAL RESERVES)

(1) Valuation Methods

The general principles and methods adopted in the valuation are:

NON-LINKED BUSINESS

Mathematical reserves have been determined using a gross premium method, or a method at least as strong as a gross premium method, except for the classes of business mentioned below. Where it has been considered appropriate to do so, the mathematical reserves include additional amounts for future expenses and options and guarantees.

A prospective method of valuation has not been used for the following non-linked contracts:

- For Group Life and Group Reversionary Assurance business, the liability was determined as the unexpired risk at the valuation date plus an allowance for expenses.
- For Deposit Administration business, the liability was determined as the accumulation, with earned interest, of the premiums, after providing for expense charges and the cost of any group life benefits.
- Certain miscellaneous policies for which approximate mathematical reserves of adequate amount have been made.

Specific modification has been made to the gross premium method for:

- Policies issued with an addition to the age for extra risks are valued at the increased age.

For conventional with-profits business, the amounts of benefit valued includes bonuses declared on or before 31 December 2015, which apply during the period 1st July 2015 to 30th June 2016 for traditional London Life Business and during the period 1st July 2015 to 31st April 2016 for former AMP(UK) Business.

For the Cash Bonus (Reduction of Premium) product group, the value of office premiums is decreased by the value of reductions, or cash allocations, on the assumption that the rates declared for the current bonus year will remain the same throughout the duration of the policies.

For unitised with-profits contracts a prospective valuation method is used. The liability is calculated as the capitalised value of benefits purchased to date, including existing annual bonuses. The valuation reserve is subject to a minimum of the bid value of the units in force at the valuation date.

INDEX LINKED BUSINESS

Mathematical reserves have been determined using a gross premium method.

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 obtained on a discounted cashflow method. The amount of the non-unit reserve is the net present value of any yearly deficiencies of income over outgo less yearly surpluses of income over outgo, making no allowance for surrender/lapse but allowing for policies being made paid up. The net present value is calculated over the number of years from the valuation date that gives the maximum value.

Modifications to the Valuation Method

For policies in which the benefits are expressed in terms of the values of Capital Units and Accumulation Units, sufficient Asset Units are held to ensure that their value is at least equal to the surrender Cash Value (or Early Retirement Benefit Value) of the Units allocated to the contract at the valuation date.

The London Life Pension Unit Linked product group is written in the with profit fund and the unit reserve is reinsured into the PLAL Non Profit Fund, where the funds' management charge arises and which prudently more than covers the related investment fees. The per-policy expenses arise in the with profit fund and there is no income to offset against these costs, thus the non-unit reserve is calculated without allowance for management fee income on the funds under management or for investment management fees on those funds.

For Investment Linked Managed Fund, Investment Linked Managed Pension Fund, and Investment Linked Guaranteed Pension Fund business, for which the contributions are applied in the purchase of units in an internal linked fund, the following method was used:

- For Capital and Accumulation Units, sufficient Asset Units are held to ensure that their value is at least equal to the surrender Cash Value (or Early Retirement Benefit Value) of the Units allocated to the contract at the valuation date.

(2) Valuation Interest Rates

The following table sets out the rates of interest rate used for all product groups representing a significant amount of business:

FSA Code	Product Description	2015 - BLAGAB	2015 - GRB	2014 - BLAGAB	2014 - GRB	2013
100	Conventional whole life withprofits OB	1.80%	1.80%	2.02%	2.02%	3.24%
120	Conventional endowment withprofits OB savings	2.00%	2.00%	2.46%	2.46%	3.40%
155	Conventional pensions endowment withprofits	2.11%	2.11%	1.32%	1.32%	1.92%
165	Conventional deferred annuity withprofits	2.45%	2.45%	2.22%	2.22%	3.43%
175	Group conventional deferred annuity withprofits	2.57%	2.57%	2.22%	2.22%	3.31%
185	Group conventional pensions endowment withpro	1.44%	1.44%	1.32%	1.32%	2.42%
200	Annuity withprofits (CPA)	2.42%	2.42%	2.19%	2.19%	3.41%
205	Miscellaneous conventional withprofits	2.38%	2.38%	2.15%	2.15%	3.31%
400	Annuity nonprofit (CPA)	2.08%	2.08%	2.08%	2.08%	3.31%
505	Life UWP whole life regular premium	2.00%	2.00%	1.08%	1.08%	2.11%
525	Individual pensions UWP	1.92%	1.92%	0.24%	0.24%	3.50%

(3) Risk Adjustments

Fixed Interest

Approved Securities

The risk adjusted yield on UK Government and other approved fixed interest securities is determined by INSPRU 3.1.39R as the annualised gross redemption yield. Allowance is made for credit risk as set out for Other Securities.

Other Securities

The risk adjusted yield on other fixed interest securities is determined by INSPRU 3.1.39R as the annualised gross redemption yield less a credit risk margin (haircut) which is applied on an individual stock by stock basis.

The rating used is the lower of the agency ratings obtained and this rating is then used to derive a haircut from a table of average default rates. For stocks other than bank subordinated debt i.e. standard haircut, this is prudently based on double the historical default experience (1920 - 2013), net of an allowance for 37% recovery.

The average default rates are based on:

Credit Rating	Standard (non-subordinated) Debt		
	Term (bps) 5 year	10 year	20 year
AAA	4.0	10.0	10.3
AA	20.6	30.3	35.2
A	34.4	45.3	49.2
BBB	72.7	82.8	84.5
BB	246.1	250.8	234.1
B	586.8	532.7	440.3

Sovereign, Sub-Sovereign, Regional or Supranational bonds with a rating of A and below are treated in the same way as standard haircut while AAA rated bonds assume no haircut and AA rated bonds in this category assume the full standard haircut.

Bonds rated CCC and below are taken as having zero yield.

For bank subordinated debt, the haircut is based on the Senior Rating of the issuing entities (rather than the rating of the sub-debt itself) whilst using a nil recovery assumption. However, if this results in a lower aggregate haircut compared to the standard haircut, the standard haircut is used instead.

Variable Interest

The risk adjusted yield on variable interest securities is the real yield. No caps on real yields are applied by default. However, consideration is given to capping the yields on any individual security if it looks markedly out of line with the yields of comparable stocks.

Equities

The risk adjusted yield on equities is a running yield which is determined by INSPRU 3.1.37R as:

- the dividend yield, if the dividend yield is more than the earnings yield;
- otherwise, the sum of the dividend yield and the earnings yield, divided by two

London Life With-Profits Fund

To allow for unreasonably high dividend yields or earnings yields, given yields over 10% are halved and given yields over 25% are set to zero.

Property

The risk adjusted yield on property is determined by INSPRU 3.1.36R as the ratio of the rental income arising from the property over the previous twelve months to the market value of the property.

To allow for unreasonably high yields, a cap of 6% is applied to the resulting yield, this cap is unchanged from the previous valuation.

London Life With-Profits Fund

(4) Mortality Basis

Products representing a significant amount of business used the following mortality bases:

Sub Fund	Product Group	2015			2014			Product Code
		Male	Female		Male	Female		
100:0 LL WPF	Cash Bonus	42% AM80	68% AF80		42% AM80	68% AF80		100, 120
100:0 LL WPF	Fund R Compound Bonus	51% AM80	84% AF80		51% AM80	84% AF80		100, 120, 335
100:0 LL WPF	Fund T Compound Bonus	70% AMC00	70% AFC00		70% AMC00	70% AFC00		120, 165
100:0 LL WPF	AMPUK Life Business	116% AMC00	107% AFC00		116% AMC00	107% AFC00		100, 120, 205
100:0 LL WPF	Pension Compound Bonus	70% AMC00	70% AFC00		70% AMC00	70% AFC00		155, 165
100:0 LL WPF	AMPUK Pensions Business	95% AMC00	95% AFC00		95% AMC00	95% AFC00		155
100:0 LL WPF	Fund W Deferred (pre-vesting)	70% AMC00	70% AFC00		70% AMC00	70% AFC00		165
100:0 LL WPF	Fund W Deferred (post-vesting)	85.6% PCMA00 CMI_2012_M [2.5% to age 75, reducing linearly to 0% from age 120]	83.3% PCFA00 CMI_2012_F [2.5% to age 75, reducing linearly to 0% from age 120]		87.8% PCMA00 CMI_2012_M [2.5% to age 75, reducing linearly to 0% from age 120]	85.5% PCFA00 CMI_2012_F [2.5% to age 75, reducing linearly to 0% from age 120]		165
100:0 LL WPF	Fund W In Payment Simple Bonus	85.6% PCMA00 CMI_2012_M [2.5% to age 75, reducing linearly to 0% from age 120]	83.3% PCFA00 CMI_2012_F [2.5% to age 75, reducing linearly to 0% from age 120]		87.8% PCMA00 CMI_2012_M [2.5% to age 75, reducing linearly to 0% from age 120]	85.5% PCFA00 CMI_2012_F [2.5% to age 75, reducing linearly to 0% from age 120]		200
100:0 LL WPF	SPP With Profit Immediate Annuity	85.6% PCMA00	83.3% PCFA00		87.8% PCMA00 CMI_2009_M [3.25% to age 60, reducing linearly to 0% from age 120]	85.5% PCFA00 CMI_2009_F [3.25% to age 60, reducing linearly to 0% from age 120]		200
100:0 LL WPF	Unitised With Profit Pension	70% AMC00	70% AFC00		70% AMC00	70% AFC00		155
100:0 LL WPF	London Life Pension unit linked	100% A6770 Ult	100% A6770 Ult minus 4 yrs		100% A6770 Ult	100% A6770 Ult minus 4 yrs		725, 745

London Life With-Profits Fund

For annuity contracts life expectation for males is as follows:

Sub Fund	Product Group	Annuities in payment		Deferred annuities: life expectation at age 65	
		Age 65	Age 75	Age 45	Age 55
100:0 LL WPF	Fund W - Deferred Annuities			29.4	27.5
100:0 LL WPF	SPP With Profit -Immediate Annuity	25.7	15.8		
100:0 LL WPF	Fund W Immediate Annuity	25.7	15.8		

For annuity contracts life expectation for females is as follows:

Sub Fund	Product Group	Annuities in payment		Deferred annuities: life expectation at age 65	
		Age 65	Age 75	Age 45	Age 55
100:0 LL WPF	Fund W - Deferred Annuities			31.6	30.0
100:0 LL WPF	SPP With Profit -Immediate Annuity	28.4	18.2		
100:0 LL WPF	Fund W Immediate Annuity	28.4	18.2		

(5) Morbidity Basis

There are no products representing a significant amount of business that use a morbidity basis.

London Life With-Profits Fund

(6) Expense Basis

The expense bases are as follows:

NON LINKED BUSINESS

Per policy expenses, before allowance for tax relief, were as follows:

Sub fund	Product Group	2015 £pa	2014 £pa	Tax Relief	Product Code
100:0 LL WPF	Conventional endowment with-profits OB savings (AMP Life)	40.05	42.46	20%	120
100:0 LL WPF	Conventional endowment with-profits OB savings (Fund P and Fund R)	40.05	41.58	20%	120
100:0 LL WPF	Conventional pensions endowment with-profits	114.27	106.37	0%	155
100:0 LL WPF	Conventional deferred annuity with-profits	40.05	41.58	20%	165
100:0 LL WPF	Conventional deferred annuity with-profits	40.05	46.97	0%	165
100:0 LL WPF	Individual pensions UWP	114.27	106.37	0%	525

LINKED BUSINESS

Sub fund	Product Group	2015 £pa	2014 £pa	Product Code
100:0 LL WPF	Life property linked	49.30	47.37	700
100:0 LL WPF	Individual pension property linked	113.60	106.37	725

LINKED AND NON-LINKED BUSINESS

Gross Investment expenses

Investment expenses have been allowed for through a reduction to the valuation interest rates. The table below sets out the basis point reductions applied:

Sub fund	Product Groups	2015 bps	2014 bps
100:0 LL WPF	All	10	17

Furthermore, a performance fee overlay has been introduced which works to reward Ignis Asset Management Ltd for over-performance but applies a penalty on under-performance. This is not allowed for in the valuation basis because no over or under investment performance is assumed in the valuation interest basis.

(7) Inflation Rates

Inflation rates for expenses and policy charges were as follows:

Sub fund		Dec-15	Dec-14
90:10	Expense inflation	2.70%	2.90%
All	Policy fee inflation	2.09%	2.30%

(8) Future Bonus Rates

As a realistic basis life firm no allowance has been made in the determination of mathematical reserves for future bonuses in accordance with INSPRU 1.2.9R except for SPP With Profit Immediate annuities where allowance is made for the guaranteed annual bonus.

(9) Surrender/Lapse Rates

No allowance is made for surrender and lapse rates other than for Guaranteed Annuity Options.

(10) Paid up Rates

No allowance is made for policies being made paid up other than for non-linked calculations in respect of regular premium accumulating with-profits business.

(11) Tax Rates

Relief for tax applied to expenses is 20% for UK Life non-linked business and 0% for UK Pension business and UK Life linked business.

Tax on investment income is set out in the following table:

Type of business	2015	2014
UK Life – UK dividend income	0%	0%
UK Life – other income	20%	20%
UK Pension – overseas dividend income	0%	0%
UK Pension – other income	0%	0%

(12) Allowance for Derivatives

No allowance has been made for derivative contracts in determining the amount of the long-term liabilities, except for the method for calculating the liabilities for guaranteed annuity options described below.

(13) Effect on Mathematical reserves due to changes in INSPRU

There have been no changes since the previous valuation.

5 OPTIONS AND GUARANTEES

(1) Guaranteed Annuity Rate Options

(a) For contracts with benefits expressed as cash but which have a guaranteed minimum annuity rate the reserve was calculated assuming that the benefit at maturity was the higher of:

- (i) the cash amount, and
- (ii) the value of the guaranteed annuity, using mortality rates appropriate for deferred annuities and the valuation interest rate as shown for that contract.

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

Assumption	Sub Fund	Product Group	2015	2014
Take up Rate	100:0 LL WPF	All	69%	69%
Rate of interest	Life	All	2.45%	2.22%
	Pensions	All	2.11%	1.32%
Tax	Life	All	20%	20%
	Pensions	All	0%	0%
Mortality in payment	All	Male	85.6% PCMA00 CMI_2012_M [2.5% to age 75, reducing linearly to 0% from age 120]	85.6% PCMA00 CMI_2012_M [2.5% to age 75, reducing linearly to 0% from age 120]
	All	Female	83.3% PCFA00 CMI_2012_M [2.5% to age 75, reducing linearly to 0% from age 120]	83.3% PCFA00 CMI_2012_M [2.5% to age 75, reducing linearly to 0% from age 120]
Retirement Rates	All	All	Normal retirement age	Normal retirement age

Notes:

1. Where the take up rates are below 95% they are assumed to taper to 95% over 20 years.

(b) Details summarised below:

Type of Business	Product Code	Product name	Basic reserve £'000	Spread of Outstanding durations ⁽¹⁾	Guarantee reserve £'000	GAR (% fund for 65 year old male) ⁽²⁾	Increments allowed?	Annuity form ⁽³⁾	Retirement Age
UK Life	120	Fund R Bonus	Compound 480	1-22 years	262	9%	No	See Note 3	See Note 3
UK Life	120, 165	Fund T Bonus	Compound 2,069	1-12 years	1,155	9%	No	See Note 3	See Note 3
UK Pension	120	Former Pension	AMPUK 30,928	1-27 years	17,283	10%	No	See Note 3	See Note 3
UK Pension	165	Pension Bonus (Pension Protector)	Compound 27,270	1-17 years	18,952	10%	No	See Note 3	See Note 3
UK Pension	155,205	Pension Bonus (PC Contracts)	Compound 3,803	1-16 years	2,457	10%	No	See Note 3	See Note 3
UK Pension	155	Pension Bonus hybrid (premium paid up to December 1999)	Compound 60,154	1-32 years	31,598	10%	No	See Note 3	See Note 3
UK Pension	155	Pension Bonus hybrid (premiums paid from January 2000)	Compound 10,147	1-36 years	293	6%	Yes	See Note 3	See Note 3

Notes:

1. The spread of outstanding durations has been taken as the term to expected retirement.
2. Guaranteed annuity rates are for the following form of annuity: Single life, annual in advance, no escalation or guarantee period and are shown to whole numbers.
3. Different products offer different guaranteed terms. All common forms of annuity types are offered at a wide range of retirement ages.

(2) Guaranteed Surrender and Unit-linked Maturity Values

No investment performance guarantee is given on linked contracts. The prices of units in the Deposit Fund are guaranteed not to fall. The underlying assets are entirely cash or cash-based collective investment schemes.

All guaranteed surrender values are allowed for in the valuation of the basic mathematical reserve.

(3) Guaranteed Insurability Options

Not applicable

(4) Mortgage Endowment Promise

An additional reserve has been made to cover the Mortgage Promise made to certain mortgage endowment policies. The reserve is the expected shortfall discounted at the appropriate valuation interest rate and allowing for mortality and lapses.

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

Assumption	2015
Rate of interest	2.00%
Mortality – Conventional Life Endowment	116% AMC/AFC00 Ult
Mortality – AMPUK Business	89% AM/AF80 Ult

The amount of business involved had a basic mathematical reserve of £47.2m with additional reserves of £3.0m.

6 EXPENSE RESERVES

(1) Aggregate Expense Loadings

The aggregate amounts of expense loadings, grossed up for taxation where appropriate, expected to arise during the 12 months from the valuation date are summarised below:

Explicit per policy expense loading.....	£ 1.9 million
Allowance for investment management expenses...	£ 0.9 million

No other significant expense reserves are held.

There are no significant non-attributable expenses.

(2) Implicit Allowances

All provisions for future expenses have been made using explicit methods, except for investment expense allowances where a margin in the valuation interest is used.

(3) Form 43 Comparison

The amount of maintenance expenses is not significantly different from the maintenance expenses shown at line 14 of Form 43.

(4) New Business Expense Overrun

Since London Life is closed to new business other than for increments and internal commencements, no reserves are required for expenses of continuing to transact new business after the valuation date.

(5) Maintenance Expense Overrun

No maintenance expense overrun reserve is held.

The per policy expense assumptions used allow for the attributable payments expected to be made to Pearl Group Services Ltd under the Management Services Agreement (MSA), plus project expenses and directly incurred expenses. A prudent margin is added to the total per policy expenses to allow for adverse deviation. These per policy expense assumptions are then projected into the future assuming a prudent level of inflation.

The MSA with Pearl Group Services Ltd is structured on a fixed cost per policy per annum. Pearl Group Services Limited has engaged Diligenta, a UK based and FSA regulated subsidiary of Tata Consulting Services Limited, to implement the outsource of processing and administration work which gives Phoenix Life Assurance Ltd certainty over the majority of the cost base into the future, especially in relation to economies of scale and fixed costs.

As the London Life With-Profits fund is closed to new business, other than for increments and internal commencements, no reserve is held for discontinuance costs, or the valuation strain or expense overrun from the writing of new business.

(6) Non-attributable expenses

There are no non-attributable expenses.

7 MISMATCHING RESERVES

(1) Analysis of Reserves by Currency

The mathematical reserves are denominated in sterling. There are sufficient sterling assets to cover mathematical reserves.

(2) Other Currency Exposures

No currency mismatch reserves are held as the mathematical reserves are covered by assets in sterling. For the premium withheld, the arrangement is such that the liability is equal to the value of the assets. In addition, there are currency hedges in place to remove exposure from any currency movements.

(3) Currency Mismatching Reserve

The amount of reserve for currency mismatching is £nil because sufficient excess assets are held to cover the exposure arising from currency mismatching, the level of which is within the limit given by INSPRU 3.1.53R.

(4) Most Onerous Scenario Under INSPRU 3.1.16(R)

Phoenix Life Assurance Ltd is a realistic reporting firm to which GENPRU 2.1.8R applies and so does not hold a resilience capital requirement under INSPRU 3.1.10R.

(5) Most Onerous Scenario Under INSPRU 3.1.23(R)

Not Applicable see 7 (4) above

(6) Additional Reserves Arising From INSPRU 1.1.34(2)(R)

No additional reserve is held.

8 OTHER SPECIAL RESERVES

There are three special reserves exceeding the lesser of £10m and 0.1% of total mathematical reserves. These are:

Provision	£m
Data	1.60
Litigation	0.90
Fender	0.70

9 REINSURANCE

(1) Facultative Treaties

No reinsurance has been ceded on a facultative basis to reinsurers who are not authorised to carry on business in the United Kingdom.

(2) Reinsurance Treaties

There is no significant reinsurance out of the London Life With Profits Fund.

10 REVERSIONARY (OR ANNUAL) BONUS

Life Compound Bonus Participation Pool (1)

Bonus Series	31.12.2015 Mathematical reserve £000	31.12.2015 reversionary bonus %	31.12.2014 Mathematical reserve £000	31.12.2014 reversionary bonus %
R1A, R2A, R2E, R2F, R2G, R4D, R4E	43,321	0.00%	45,800	0.00%

AMPUK Life Participation Pool (2)

Bonus Series	31.12.2015 Mathematical reserve £000	31.12.2015 reversionary bonus %	31.12.2014 Mathematical reserve £000	31.12.2014 reversionary bonus %
AMPUK Life: JU, GJU, GRU, Gift, TU, Life JUB	41,974	0.00%	52,467	0.00%
AMPUK Life: AU, AUF, QU, GU	18,544	0.00%	23,180	0.00%
AMPUK Life: ALU, ALUF, AJLU, (X)NBU	26,501	0.00%	33,125	0.00%

Cash Bonus Participation Pool (3)

Bonus Series	31.12.2015 Mathematical reserve £000	31.12.2015 reversionary bonus %	31.12.2014 Mathematical reserve £000	31.12.2014 reversionary bonus %
Fund P Assurance (up to 68th series)	46,178	3.00%	40,981	3.00%
Fund P Assurance (69th series onwards)	21,156	2.00%	18,775	2.00%

Simple Bonus Participation Pool (4)

Bonus Series	31.12.2015 Mathematical reserve £000	31.12.2015 reversionary bonus %	31.12.2014 Mathematical reserve £000	31.12.2014 reversionary bonus %
Fund W Deferred	8,729	0.00%	12,400	0.00%
Fund W Annuities in Payment	84,440	7.00%	87,678	7.00%

Pension Compound Bonus Participation Pool (4)

Bonus Series	31.12.2015 Mathematical reserve £000	31.12.2015 reversionary bonus %	31.12.2014 Mathematical reserve £000	31.12.2014 reversionary bonus %
VIPMIG and BIGVIP + RPP84	41,363	0.00%	50,123	0.00%
POLMIG, GRPAVC, RPP85	36,508	0.00%	44,239	0.00%
V9a, V9B, V9C	36,637	0.00%	44,396	0.00%
V71, V72, V73	4,196	0.00%	5,084	0.00%
PPS, PPSTV, MINPPS, VIPLUS, VIPMIG0	41,578	0.00%	50,384	0.00%
SPP Bonus Series 3	8,709	4.50%	10,553	4.50%
SPP Bonus Series 4	20,437	4.50%	24,766	4.50%

AMPUK Pension Participation Pool (4)

Bonus Series	31.12.2015 Mathematical reserve £000	31.12.2015 reversionary bonus %	31.12.2014 Mathematical reserve £000	31.12.2014 reversionary bonus %
AMPUK Pensions: DK, DL (PB post 1/1/87), EBS	54,379	0.00%	73,852	0.00%
AMPUK Pensions: PAC	15,440	0.00%	20,968	0.00%
Deposit Administration GKA	11,036	2.60%	14,988	2.60%

Unitised With Profit Pension Participation Pool (5)

Bonus Series	31.12.2015	31.12.2015	31.12.2014	31.12.2014
	Mathematical reserve	reversionary bonus	Mathematical reserve	reversionary bonus
	£000	%	£000	%
UWP Pension	4,439	2.5% / 5%	6,843	2.5% / 5%

Notes:

1. The asset shares in these participation pools are invested in the Active (Excluding AMP) Block (see note 4801).
2. The asset shares in these participation pools are invested in the Active (AMP) Block (see note 4801).
3. The asset shares in these participation pools are invested in the Passive (Cash Bonus) Block (see note 4801).
4. The asset shares in these participation pools are invested in the Passive (Pensions) Block (see note 4801).
5. The asset shares in the unitised with profit participation pools are invested in the UWP Block (see note 4801).
6. Super compound bonus rates are shown as rates applied to the basic sum assured / bonus sum assured.
7. Reversionary Bonus for Deposit Admin GKA was for 31.12.2014 is an interim bonus.

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.

National Provident Life With-Profits Fund

3. DISCRETIONARY CHARGES AND BENEFITS

(1) Application of Market Value Reduction

Market Value Adjustments (MVAs) were applied as follows:

Product	Premium Investment Date	Period applied
PPP, FSAVC, PRA, FIP, GMP, VGPPP, GAPP & GIA Unitised With-profit Series 1: Initial units Ordinary units	Jan 1988 to Dec 2014 Jan 1988 to Dec 2014	Jan 2015 to Dec 2015 Jan 2015 to Dec 2015
PPP, FSAVC, PRA, FIP, GMP, VGPPP, GAPP & GIA Unitised With-profit Series 2: Initial units Ordinary units	Jan 1994 to Dec 2014 Jan 1999 to Dec 1999 Jan 1998 to Dec 1998 & Jan 2000 to Dec 2000	Jan 2015 to Dec 2015 Jan 2015 to Dec 2015 Jan 2015 to Jun 2015
PPP, FSAVC, PRA & FIP Capital Account: Initial units Ordinary units	Jan 1994 to Dec 2014 Jan 2011 to Dec 2014	Jan 2015 to Dec 2015 Jan 2015 to Dec 2015
New Approach EPP Single Premium Unitised With-Profit Account	Jan 1999 to Dec 1999 Jan 1998 to Dec 1998 & Jan 2000 to Dec 2000	Jan 2015 to Dec 2015 Jan 2015 to Jun 2015
Penfund Series 1	Jul 1990 to Dec 2014	Jan 2015 to Dec 2015
Trustee With Profit Bond	Jan 1998 to Dec 2000 Jan 1997 to Dec 1997 & Jan 2001 to Dec 2001	Jan 2015 to Dec 2015 Jan 2015 to Jun 2015
With Profit Bond Series 1	Jun 1991 to Dec 2001	Jan 2015 to Dec 2015
With Profit Bond Series 2	Jul 1993 to Sep 1994 Jul 1995 to Dec 2001 Oct 1994 to Dec 1994 Apr 1995 to Jun 1995	Jan 2015 to Dec 2015 Jan 2015 to Dec 2015 Jan 2015 to Jun 2015 Jan 2015 to Jun 2015
With Profit Bond Series 3	Oct 1995 to Dec 2001	Jan 2015 to Dec 2015
With Profit Bond Series 4	Jan 1997 to Dec 2001	Jan 2015 to Dec 2015

NPL With-Profits Fund

With Profit Bond Series 5	Oct 1997 to Dec 2001	Jan 2015 to Dec 2015
With Profit Bond Series 6	Jul 1998 to Dec 2001	Jan 2015 to Dec 2015
With Profit Bond Series 7	Jan 1999 to Dec 2001	Jan 2015 to Dec 2015
GMP, VGPPP, GAPP, GIA Capital Account		
Initial units	Jan 1988 to Dec 2014	Jan 2015 to Dec 2015
Ordinary units	Jan 2011 to Dec 2014	Jan 2015 to Dec 2015
EPP and PTP Capital Account		
Initial units	Jan 1985 to Dec 2001 Jan 2006 to Dec 2006 Jan 2011 to Dec 2014 Jan 2007 to Dec 2007	Jan 2015 to Dec 2015 Jan 2015 to Dec 2015 Jan 2015 to Dec 2015 Jan 2015 to Jun 2015
Ordinary units	Jan 2011 to Dec 2014	Jan 2015 to Dec 2015
Portfolio Bond Series 1	Jul 1999 to Sep 2000 Oct 2000 to Dec 2000 Jan 2001 to Mar 2001 Jan 2015 to Mar 2015 Apr 2015 to Jun 2015 Jul 2015 to Sep 2015	Jan 2015 to Dec 2015 Jan 2015 to May 2015 & Jul 2015 to Dec 2015 Jan 2015 & Oct 2015 Oct 2015 to Nov 2015 Oct 2015 to Dec 2015 Nov-15
New Approach PPP, FSAVC and EPP Single and Regular Premium Unitised Capital Account		
Ordinary units	Jan 2011 to Dec 2014	Jan 2015 to Dec 2015

Note: MVRs apply by date of each investment in the fund, not by policy date.

(2) Premiums on Reviewable Protection Policies

There have been no changes to premiums on reviewable protection policies during the financial year.

(3) Non-profit Deposit Administration

No policies have been sold in this category.

(4) Service Charges on Linked Policies

The following table shows the changes to policy fees on linked contracts from 1 January 2015:

Minimum % increase	Maximum % increase
0.60%	2.40%

(5) Benefit Charges on Linked Policies

During the financial year, benefit charges remained unchanged on linked policies.

(6) Accumulating With-Profit Charges

During the financial year, unit management charges for unitised accumulating with-profit and linked business remained unchanged.

(7) Unit Pricing of Internal Linked Funds

All NPLWP's unit-linked liabilities, other than for Unilink policies, are reassured to Phoenix Life Limited. As a consequence, the information in the following paragraphs relates to Phoenix Life Limited's practices as they apply to the business reassured by NPL.

- (a) Units are of two main types, called initial and ordinary. The following method applies to all units.
- (i) The creation or cancellation of units in the internal linked funds is performed at un-rounded bid price values. This ensures that unit prices are unaffected by the creation or cancellation of units and that the interests of unit holders not taking part in a unit transaction are unaffected by that transaction.
 - (ii) Base prices are derived from the internal fund valuations, which are adjusted for fund specific charges. Increasing the base price by the bid-offer spread and rounding to the higher tenth of a penny gives the "offer price". The "bid price" is the base price rounded to the lower tenth of a penny. Units are allocated to policies at the offer price and cancelled at the bid price. Switches in and out of units within a policy are processed at bid prices.
 - (iii) The asset values of the internal linked funds are calculated 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.
 - (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.
- (b) During the financial year there was no time at which different pricing bases applied to different policies.
- (c) The funds are invested in collective investment schemes managed by Henderson. A mid-market price applies to these collectives although this price may swing up or down if the net transactions on any trading day exceed a set threshold. In the linked funds, these collective investment schemes are valued on un-swung prices but subject to a deduction if the fund is priced on a bid basis or an addition if the fund is priced on an offer basis.

The time on each working day at which the assets in the internal linked funds are valued is the same as that at which the units in the underlying collective investment schemes are valued (except for the Henderson Diversified Growth Fund asset, where the most recent prices of the collective investment schemes are used.)

(8) Tax

Tax on income

Tax on income is calculated at the full policyholder tax rate of 20% for life funds.

Tax on loan relationships

For loan relationships both income and capital gains are taxed under the provisions for income. Accordingly, tax is calculated on the full policyholder tax rates on both elements. Full credit is given for actual and anticipated tax losses.

Capital Gains Tax (CGT) on other assets

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.

As at the end of 2015, tax/tax relief rates were 19.5% for unrealised gains and losses and 20% for realised gains and losses.

Accruals for realised gains and losses in equity funds are settled once a year. Accruals for unrealised gains and losses are cleared at the end of each financial year under the “deemed disposal” regime.

(9) Tax Provisions for Internal Linked Funds

See (8) above.

(10) Tax Provisions for Internal Linked Funds

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.

4 VALUATION BASIS (OTHER THAN FOR SPECIAL RESERVES)

(1) Valuation Methods

The general principles and methods adopted in the valuation are:

NON-LINKED BUSINESS

Non-profit non-linked mathematical reserves have been determined using a gross premium method.

For with-profit business, mathematical reserves have been determined using an individual gross premium method except for those mentioned below. The reserve for each policy is subject to a minimum of any guaranteed surrender value. Where it has been considered appropriate to do so, the mathematical reserves include additional amounts for future expenses and options and guarantees.

For Capital Pension Plan policies, the basic reserve includes an allowance for the cost of the annuity guarantees.

The mathematical reserve for all non-unitised and unitised accumulating with-profits business has been calculated as the higher of (i) and (ii) below:

- (i) The minimum of (a) and (b) below:
 - (a) Face value of units, which is the value of units including attaching bonus units, where appropriate, allocated up to the valuation date. This is the full value guaranteed at maturity, guarantee date, selected retirement age or on withdrawals.
 - (b) Asset share (unless the contract has a guaranteed MVR free date, in which case the face value of units is taken as the minimum).
- (ii) A prospective value calculated by discounting projected future cashflows and allowing for future expenses.

INDEX LINKED BUSINESS

Mathematical reserves have been determined using a gross premium method.

LINKED BUSINESS

A prospective gross premium method is used. The mathematical reserve is the present value of: claims payable (including any guaranteed minimum death benefits or benefits on temporary assurance riders); plus maintenance expenses; less office premiums receivable. Investment management expenses on the unit funds are projected explicitly in the non-unit reserve calculation. Other investment management expenses are allowed for by reducing the discount rate used to determine the non-unit reserves. Maintenance expenses are loaded with overheads (expenses not attributable to individual policies).

The effect of annual management charges, allocation rates, bid/offer spreads, and other policy charges (including those for temporary assurance riders) is allowed for in determining the non-unit reserve. A recursive approach is used to eliminate future valuation strain.

The growth rates used to accumulate unit values are weighted averages of prudent expected returns on the classes of assets (equity, property, approved fixed interest, unapproved fixed interest, and cash) in the unit funds.

Unit cancellations on income drawdown products are allowed for at the drawdown rates current at the valuation date.

NPL With-Profits Fund

For business taxed on an “I – E” basis, the unit growth rate and discount rate are net of policyholder tax, and expenses are net of tax relief.

The total reserve is the discounted value of the units plus the non-unit reserve; and non-unit reserve has a lower limit of zero. Hence mathematical reserves cannot be less than zero.

(2) Valuation Interest Rates

The following table sets out the rates of interest rate used for all product groups representing a significant amount of business:

Product Code	Tax Type	Product Description	2015 - VROI	2014 - VROI
100	BLAGAB	Conventional whole life withprofits OB	1.39%	1.79%
120	BLAGAB	Conventional endowment withprofits OB savings	1.05%	1.79%
155	GRB	Conventional pensions endowment withprofits	3.25%	2.24%
165	BLAGAB	Conventional deferred annuity withprofits	1.05%	2.24%
165	GRB	Conventional deferred annuity withprofits	1.31%	2.24%
205	GRB	Miscellaneous conventional withprofits	1.31%	1.79%
390	BLAGAB	Deferred annuity nonprofit	2.79%	2.50%
390	GRB	Deferred annuity nonprofit	3.48%	2.50%
435	BLAGAB	Miscellaneous nonprofit	1.49%	2.50%
435	GRB	Miscellaneous nonprofit	1.86%	2.50%
500	BLAGAB	Life UWP single premium	1.11%	1.79%
525	GRB	Individual pensions UWP	2.06%	2.24%
535	GRB	Group money purchase pensions UWP	1.86%	2.24%
545	GRB	Individual deposit administration withprofits	2.63%	2.24%
555	GRB	Group deposit administration withprofits	2.63%	2.24%
570	GRB	Income drawdown UWP	1.09%	2.24%
700	BLAGAB	Life property linked single premium	0.82%	2.00%
715	BLAGAB	Life property linked endowment regular premium savings	0.82%	2.00%
725	GRB	Individual pensions property linked	1.02%	2.50%
735	GRB	Group money purchase pensions property linked	1.02%	2.50%
750	GRB	Income drawdown property linked	1.02%	2.50%
790	GRB	Miscellaneous protection rider	3.42%	2.50%
795	BLAGAB	Miscellaneous property linked	1.10%	2.50%

(3) Risk Adjustments

The yields on assets were reduced for risk as follows:

Fixed Interest

Approved Securities

The risk adjusted yield on UK Government and other approved fixed interest securities is determined by INSPRU 3.1.39R as the annualised gross redemption yield. Allowance is made for credit risk as set out for Other Securities.

Other Securities

The risk adjusted yield on other fixed interest securities is determined by INSPRU 3.1.39R as the annualised gross redemption yield less a credit risk margin (haircut) which is applied on an individual stock by stock basis.

The rating used is the lower of the agency ratings obtained and this rating is then used to derive a haircut from a table of average default rates. For stocks other than bank subordinated debt i.e. standard haircut, this is prudently based on double the historical default experience (1920 - 2013), net of an allowance for 37% recovery.

The average default rates are based on:

Credit Rating	Standard (non-subordinated) Debt		
	Term (bps) 5 year	10 year	20 year
AAA	4.0	10.0	10.3
AA	20.6	30.3	35.2
A	34.4	45.3	49.2
BBB	72.7	82.8	84.5
BB	246.1	250.8	234.1
B	586.8	532.7	440.3

Sovereign, Sub-Sovereign, Regional or Supranational bonds with a rating of A and below are treated in the same way as standard haircut while AAA rated bonds assume no haircut and AA rated bonds in this category assume the full standard haircut.

Bonds rated CCC and below are taken as having zero yield.

For bank subordinated debt, the haircut is based on the Senior Rating of the issuing entities (rather than the rating of the sub-debt itself) whilst using a nil recovery assumption. However, if this results in a lower aggregate haircut compared to the standard haircut, the standard haircut is used instead.

Variable Interest

The risk adjusted yield on variable interest securities is the real yield. No caps on real yields are applied by default. However, consideration is given to capping the yields on any individual security if it looks markedly out of line with the yields of comparable stocks.

Equities

The risk adjusted yield on equities is a running yield which is determined by INSPRU 3.1.37R as:

- the dividend yield, if the dividend yield is more than the earnings yield;
- otherwise, the sum of the dividend yield and the earnings yield, divided by two

To allow for unreasonably high dividend yields or earnings yields, given yields over 10% are halved and given yields over 25% are set to zero.

Property

The risk adjusted yield on property is determined by INSPRU 3.1.36R as the ratio of the rental income arising from the property over the previous twelve months to the market value of the property.

To allow for unreasonably high yields, a cap of 6% is applied to the resulting yield, this cap is unchanged from the previous valuation.

(4) Mortality Basis

The following table sets out the mortality bases used for all classes of business:

Product Code	2015				2014			
	Pre-Vesting		Post-Vesting		Pre-Vesting		Post-Vesting	
	Male	Female	Male	Female	Male	Female	Male	Female
100	100.0% AM92	100.0% AF92	n/a	n/a	100.0% AM92	100.0% AF92	n/a	n/a
120	100.0% AM92	100.0% AF92	n/a	n/a	100.0% AM92	100.0% AF92	n/a	n/a
155	55.0% AM92	55.0% AF92	94.8% RMV00	94.8% RFV00	55.0% AM92	55.0% AF92	94.8% RMV00	94.8% RFV00
165	55.0% AM92	55.0% AF92	n/a	n/a	55.0% AM92	55.0% AF92	n/a	n/a
205	55.0% AM92	55.0% AF92	n/a	n/a	55.0% AM92	55.0% AF92	n/a	n/a
390	55.0% AM92	55.0% AF92	n/a	n/a	55.0% AM92	55.0% AF92	n/a	n/a
395	n/a	n/a	n/a	n/a	n/a	n/a	55.0% IL92M	55.0% IL92F
400	n/a	n/a	n/a	n/a	n/a	n/a	55.0% RMV00	55.0% RFV00
435	55.0% AM92	55.0% AF92	n/a	n/a	55.0% AM92	55.0% AF92	n/a	n/a
500	100.0% AM92	100.0% AF92	n/a	n/a	100.0% AM92	100.0% AF92	n/a	n/a
525	55.0% AM92	55.0% AF92	n/a	n/a	55.0% AM92	55.0% AF92	n/a	n/a
535	55.0% AM92	55.0% AF92	n/a	n/a	55.0% AM92	55.0% AF92	n/a	n/a
545	55.0% AM92	55.0% AF92	n/a	n/a	55.0% AM92	55.0% AF92	n/a	n/a
555	55.0% AM92	55.0% AF92	n/a	n/a	55.0% AM92	55.0% AF92	n/a	n/a
570	55.0% AM92	55.0% AF92	n/a	n/a	55.0% AM92	55.0% AF92	n/a	n/a
700	55.0% AM92	55.0% AF92	n/a	n/a	55.0% AM92	55.0% AF92	n/a	n/a
715	55.0% AM92	55.0% AF92	n/a	n/a	55.0% AM92	55.0% AF92	n/a	n/a
725	55.0% AM92	55.0% AF92	n/a	n/a	55.0% AM92	55.0% AF92	n/a	n/a
735	55.0% AM92	55.0% AF92	n/a	n/a	55.0% AM92	55.0% AF92	n/a	n/a
750	55.0% AM92	55.0% AF92	n/a	n/a	55.0% AM92	55.0% AF92	n/a	n/a
790	55.0% AM92	55.0% AF92	n/a	n/a	55.0% AM92	55.0% AF92	n/a	n/a
795	55.0% AM92	55.0% AF92	n/a	n/a	55.0% AM92	55.0% AF92	n/a	n/a

Notes:

1. Ultimate mortality has been used in all cases.
2. At 31 December 2015 and 31 December 2014, for post-vesting mortality using the RMV00 and RFV00 tables, future mortality improvements use the CMI Working Paper 63 Mortality Projection Model (published in February 2013) blending historic improvement data with a long term annual improvement assumption of 2.5% up to age 75 reducing linearly to 0% at age 120.

Male complete life expectations for annuity contracts are as follows

Product Group	Deferred annuities: life expectation at age 65	
	Age 45	Age 55
Other pension deferred annuities	28.3	26.5

Female complete life expectations for annuity contracts are as follows:

Product Group	Deferred annuities: life expectation at age 65	
	Age 45	Age 55
	Other pension deferred annuities	30.6

(5) Morbidity Basis

There are no products representing a significant amount of business that use a morbidity basis.

(6) Expense Basis

The expense bases are as follows:

LINKED AND NON LINKED BUSINESS

Per policy expenses, before allowance for tax relief, were as follows:

Product Name	Per benefit expense 2015			Per benefit expense 2014		
	Premium paying £ p.a.	Paid-up / Single £ p.a.	Post-vesting £ p.a.	Premium paying £ p.a.	Paid-up / Single £ p.a.	Post-vesting £ p.a.
Life and Pension Annuities ("ANN")			44.62			43.80
Life and Pension Annuities ("ANN")			44.62			43.80
Capital Accumulation Plan ("CAP")		162.12			159.13	
Capital Investment Bond ("CIB")		62.55			61.40	
Other Conventional Business	88.81			87.17		
Other Conventional Business		44.32			43.51	
Capital Pension Plan ("CPP")	437.70		44.62	429.63		43.80
Capital Pension Plan ("CPP")		218.84	44.62		214.81	43.80
Deferred Annuities	44.62		44.62	43.80		43.80
Deferred Annuities		44.62	44.62		43.80	43.80
Distribution Investment Bond ("DIB")	0.00			0.00		
Distribution Investment Bond ("DIB")		62.55			61.40	
Personal Pension Plan Rebate		30.87			30.30	
Endowments	117.79			115.61		
Endowments		58.79			57.70	
Executive Pension Plan ("EPP")	314.51			308.71		
Executive Pension Plan ("EPP")		157.23			154.34	
Flexible Investment Plan ("FIP")		199.32			195.64	
Free Standing Additional VC ("FSAVC")	55.48			54.46		
Free Standing Additional VC ("FSAVC")		35.73			35.07	
Group Money Purchase ("GMP")	77.90			76.47		
Group Money Purchase ("GMP")		68.74	44.62		67.47	43.80
Maximum Investment Plan ("MIP")	158.22			155.30		
Maximum Investment Plan ("MIP")		126.51			124.18	
New Approach EPP	314.51			308.71		
New Approach EPP		157.23			154.34	
New Approach FSAVC Plan	55.48			54.46		
New Approach FSAVC Plan		35.73			35.07	
New Approach PPP	46.71			45.85		
New Approach PPP		30.27			29.71	
Penfund		83.49			81.95	
Personal Pension Plan ("PPP")	46.71			45.85		
Personal Pension Plan ("PPP")		30.27			29.71	
Phased Retirement Account ("PRA")		139.51			136.94	
Pension Transfer Plan ("PTP")		54.19	44.62		53.19	43.80
Term Assurance	88.81			87.17		
Term Assurance		44.32			43.51	
Trustee Transfer Plan ("TTP")		54.19	44.62		53.19	43.80
Trustee With Profit Bond ("TWPB")		58.99			57.90	
Visible Growth Fund ("VGF")	330.11		44.62	324.03		43.80
Visible Growth Fund ("VGF")		283.91	44.62		278.67	43.80
Variable Group Personal Pension Plan ("VGPPP")		77.05	44.62		75.63	43.80
With Profit Bond ("WPB")	0.00			0.00		
With Profit Bond ("WPB")		62.55			61.40	

Gross Investment Expenses

Investment expenses have been allowed for through a reduction to the projected unit growth rates and valuation interest rates. The table below sets out the basis point ("bp") reductions applied:

Asset Class	2015 bps	2014 bps
Cash	0.085%	0.085%
Global equity	0.175%	0.150%
Other Equity	0.272%	0.150%
Direct Property	0.320%	0.320%
Indirect Property	0.320%	0.320%
Quant Hedge	0.300%	0.080%
Fundamental Hedge	0.150%	0.080%
Corporate bonds	0.083%	0.088%
Mid-term gilts	0.080%	0.080%
Long-term gilts	0.080%	0.080%
Other	0.000%	0.000%

There is also a performance fee payable to the asset manager. This is not allowed for in the valuation basis because no over or under investment performance is assumed in the valuation interest basis. Any performance fees due (which for NPL includes the service fee) are funded by the PLAL Shareholder fund.

(7) Inflation Rates

Unit growth, expense inflation and policy fee inflation rates are:

Asset Class	Unit Growth Rates			
	2015		2014	
	BLAGAB	GRB	BLAGAB	GRB
Cash	1.14%	1.42%	0.95%	1.19%
UK Equity	2.92%	2.92%	2.69%	2.69%
OS Equity	2.92%	2.92%	2.69%	2.69%
Direct Property	2.34%	2.92%	2.15%	2.69%
Indirect Property	2.34%	2.92%	2.15%	2.69%
Quant Hedge	0.00%	0.00%	0.00%	0.00%
Fundamental Hedge	0.00%	0.00%	0.00%	0.00%
Corporate bonds	2.34%	2.92%	2.15%	2.69%
Mid-term gilts	1.94%	2.42%	1.75%	2.19%
Long-term gilts	1.94%	2.42%	1.75%	2.19%
Other	0.00%	0.00%	0.00%	0.00%

Description	2015	2014
Expense inflation	3.59%	4.20%
Policy fee inflation	2.59%	2.30%

(8) Future Bonus Rates

As a realistic basis life firm, no allowance has been made in the determination of mathematical reserves for future bonuses in accordance with INSPRU 1.2.9R except for the following:

Product Group	Reversionary bonus rate pa	Product Code
Unitised With-profit Life series 1	3.00%	500
Unitised With-profit Pensions series 1	4.00%	525, 535
Deposit Admin & Capital Account	5.00%	535, 555

Note:

The above rates only apply where the products contain guaranteed bonus rates and are equal to the guaranteed rates. For all other products the future bonus rate is zero.

(9) Surrender/Lapse Rates

A summary of the surrender and paid-up (PUP) assumptions is as follows:

Product Code	Lapse Rate	
	2015	2014
100	0.60%	0.60%
120	0.60%	0.60%
155	0.39%	0.39%
165	0.00%	0.00%
205	2.00%	2.00%
390	0.00%	0.00%
395	0.00%	0.00%
400	0.00%	0.00%
435	0.32%	0.31%
500	3.15%	3.12%
525	2.10%	2.10%
535	1.98%	1.98%
545	0.00%	0.00%
555	0.00%	0.00%
570	0.00%	0.00%
700	2.07%	1.57%
715	0.00%	0.00%
725	1.69%	1.70%
735	3.72%	2.32%
750	10.40%	10.40%
790	0.08%	0.08%
795	0.00%	0.00%
905	0.00%	0.00%
910	0.00%	0.00%

Product Code	Paid-up rate	
	2015	2014
700	0.00%	0.00%
715	0.00%	0.00%
725	7.71%	7.71%
735	0.00%	0.00%
750	0.00%	0.00%
790	0.00%	0.00%
795	0.00%	0.00%
Other	0.00%	0.00%

(10) Other material basis assumptions

Relief for tax applied to expenses is 20% for UK Life (excluding life annuities) business and 0% for other business. Tax on investment income is set out in the following table:

Type of business	2015	2014
UK Life – dividend income	0%	0%
UK Life – other income	20%	20%
UK Life – unit linked gains	20%	20%
UK Pensions – all income	0%	0%
UK Pensions – all gains	0%	0%

(11) Allowance for Derivatives

The fund holds a number of swap contracts, some of which are used to determine valuation rates of interest.

No other allowance has been made for derivative contracts in determining the amount of the long-term liabilities.

(12) Effect on Mathematical reserves due to changes in INSPRU

There have been no changes since the previous valuation.

5 OPTIONS AND GUARANTEES

(1) Guaranteed Annuity Rate Options

(a) Capital Pension Plan

These policies have guaranteed annuity rates available for converting the cash sum available at normal retirement age to an annuity. The reserve for this guarantee is calculated as the uplift required based on the difference between the value of the annuity on the valuation basis and the value of the annuity on the guaranteed basis.

(b) Table detailing guaranteed annuity rate option reserves:

Product Code	545, 555
Product name	Capital Pension Plan
Basic reserve, £000	21,147
Spread of outstanding durations	Gradual run-off mean term to vesting date of 3.0 years. Vesting assumed at age 60 or immediately if older.
Guarantee reserve, £000	Included in basic reserve shown above
Guaranteed annuity rate (% of cash sum for 65 year old male ⁽¹⁾)	10%
Increments allowed	No
Form of the annuity	See note 2
Retirement ages	Normal Retirement age under the scheme is normally between 60 and 70

Notes:

1. The guaranteed annuity rate shown has been based on a single life, monthly in advance, level annuity with a five-year guaranteed period. Other forms of annuity will have different guaranteed rates.
2. Guaranteed annuity rates are available for the following forms of annuity: Single life, monthly in advance, Level, 3%, 4% or 5% escalation, five-year guarantee period.

(2) Guaranteed Surrender and Unit-linked Maturity Values

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

(3) Guaranteed Insurability Options

Some with-profits endowment assurances contain options that permit members to effect further policies in connection with house purchases, within certain limits, or to extend the terms of the existing policies without further evidence of health.

Some temporary assurances contain the option to convert to an endowment, whole life assurance, Maximum Investment Plan or Flexible Mortgage Plan up to a maximum sum assured of that attaching to the existing policy without further evidence of health.

For Group Life assurance, continuation options are available to members aged below 60 at that time to effect a whole life assurance or an ordinary endowment assurance without evidence of health.

These guaranteed insurability options are in respect of smaller classes of business and are not valued explicitly.

(4) Other Guarantees and Options

Pension Transfer Plan

These policies have a guarantee to pay the Guaranteed Minimum Pension (“GMP”) at normal retirement age. The reserve for this guarantee is calculated as the projected shortfall (if any) in the policies’ fund-based maturity values compared to the value of the GMP at normal retirement age on the valuation basis.

Table detailing guarantee reserves:

Product Code	155, 525, 725
Product name	Pension Transfer Plan
Basic reserve, £’000	309,734
Spread of outstanding durations	Gradual run-off mean term of 12.7 years
Guarantee reserve, £’000	100,978
Increments allowed	No
Form of the annuity	Varies from policy to policy
Retirement ages	Normal Retirement Age under the policy, usually between 60 and 70

6 EXPENSE RESERVES

(1) Aggregate Expense Loadings

The aggregate amounts of expense loadings, grossed up for taxation where appropriate, expected to arise during the 12 months from the valuation date are summarised below:

Homogeneous Risk Group	Implicit Allowances	Explicit Allowances (Investment)	Explicit Allowances (Other)	Non-attributable Expenses	Total
	£M	£M	£M	£M	£M
Non-unitised business	0	0.34	1.37	0.10	1.81
Unitised business	0	2.47	20.32	0.58	15.71
Total	0	2.81	21.70	0.68	25.18

(2) Implicit Allowances

All provisions for future expenses have been made using explicit methods.

(3) Form 43 Comparison

The difference between the allowance for maintenance expenses shown above and those shown in Form 43 is partly in respect of annual management charges payable to Phoenix Life Limited in respect of reassured incremental UWP policies. The remainder is due to one-off expenses incurred during the year and run-off of business.

(4) New Business Expense Overrun

NPL WP has ceased to write new business, except for increments on existing policies, which are reassured to Phoenix Life Limited. No new business expense overrun reserve is held due to the management services agreement in place with Pearl Group Services Limited.

(5) Maintenance Expense Overrun

The company is largely closed to new business and the expense charges paid to Pearl Group Services Limited are determined in accordance with the Schedule 2C scheme from the demutualisation of National Provident Institution. No additional expense reserve is required in respect of these expenses.

(6) Non-attributable expenses

The non-attributable expenses includes the reserve held to cover overhead costs (such as audit fees) met by the long term business fund in future years. The reserve assumes costs continue over the next 14.5 years (except the reciprocation and securitisation costs which we assume run for 5 years), annual growth of 3.98% per annum, and discounted at 2.06% per annum. The term of 14.5 years is consistent with section 33 of the Schedule 2C scheme that allows wind up of the with-profit fund when the with-profit liabilities fall below £500 million subject to increases in RPI since January 2000. However, this additional reserve has been reduced to allow for such costs hypothecated to unitised business being, where possible, covered by any remaining margins in the valuation basis.

Homogeneous Product Group	Non-attributable expenses reserve £m
Non-Unitised Business	0.48
Unitised Business	10.4

7 MISMATCHING RESERVES

(1) Analysis of Reserves by Currency

The liabilities are sterling liabilities.

The following table shows the sum of the mathematical reserves (other than liabilities for property linked benefits), analysed by reference to the currencies in which the liabilities are expressed to be payable, together with the value of the assets, analysed by reference to currency, which match the liabilities:

Currency	Liabilities £m	Assets £m
Sterling	2,884.3	2,884.3
Non-Sterling	0.0	0.0
Total	2,884.3	2,884.3

(2) Other Currency Exposures

See table in 7(1).

(3) Currency Mismatching Reserve

The amount of reserve for currency mismatching is £nil because sufficient excess assets are held to cover the exposure arising from currency mismatching, the level of which is within the limit given by INSPRU 3.1.53R.

(4) Most Onerous Scenario Under INSPRU 3.1.16(R)

Phoenix Life Assurance Ltd is a realistic reporting firm to which GENPRU 2.1.8R applies and so does not hold a resilience capital requirement under INSPRU 3.1.10R.

(5) Most Onerous Scenario Under INSPRU 3.1.23(R)

Not Applicable see 7 (4) above.

(6) Resilience Capital Requirement

No additional reserve is held.

(7) Additional Reserves Arising From INSPRU 1.1.34(2)(R)

No additional reserve is held.

8 OTHER SPECIAL RESERVES

Securitised Loan Reserve

Phoenix Life Assurance Limited has a securitised loan that is secured on future profits arising on a defined basis from specific unit-linked and unitised with-profit business within the NPL With-Profits Fund. This provision is equal to the discounted value of further interest and capital payments due to bondholders under the securitisation to the extent that payments exceed the value of surpluses that may be expected to arise from the securitised business based on the valuation assumptions. The amount of this reserve is £49.7 million.

9 REINSURANCE

(1) Facultative Treaties

Reinsurance has not been ceded on a facultative basis to reinsurers who are not authorised to carry on business in the United Kingdom.

(2) Reinsurance Treaties

- (a) The following financing arrangement was in-force at the valuation date.
 - (d) Mutual Securitisation Limited
 - (e) £260m of debt capital was raised in 1998, securitised against a specified fixed block of unit-linked and unitised with-profits business. Interest and principle payments are made from the surpluses emerging from this block of business as defined in the securitisation agreement.
 - (f) No premiums are payable. A repayment of interest and principle of £18.141m was made in 2015.
 - (g) Not applicable.
 - (h) Closed.
 - (i) The undischarged obligation was £83m at the valuation date.
 - (j) Not applicable.

NPL With-Profits Fund

- (k) Not applicable.
 - (l) Mutual Securitisation plc is not authorised to carry on insurance business in the United Kingdom.
 - (m) Mutual Securitisation plc is not a connected company of the insurer.
 - (n) There are certain specified events where the bond trustee may demand immediate repayment of the loan.
 - (o) Refund of reinsurance commission is not applicable to this arrangement.
 - (p) (i) The NPL With-profits fund is required to make interest and principle payments from surplus emerging under the agreement.
(ii) A reserve is held for the future repayments in excess of the emerging surplus under this arrangement as described in Section 8. The existence of the agreement has the impact of improving the regulatory peak solvency position to the extent that the additional capital exceeds the Securitised Loan Reserve.
- (b) Not applicable.
- (c) The following treaties were in force at the valuation date with reserves exceeding the lesser of £10m and 1% of total mathematical reserves.
- (d) Phoenix Life Limited
 - (e) Unit Linked funds on policies written prior to 1 January 2000 are ceded as investment-only reinsurance.
 - (f) £7.4m in aggregate to Phoenix Life Limited
 - (g) Not applicable.
 - (h) Open.
 - (i) Nil – the treaty is investment only reinsurance.
 - (j) £1,568.8m
 - (k) Not applicable
-
- (d) Phoenix Life Limited
 - (e) Increments written on unit linked policies written from 1 January 2000 are fully reassured on original terms. The expense liability on all unitised with- profits and capital account business sold post-2000 is reassured.
 - (f) £7.4m in aggregate to Phoenix Life Limited
 - (g) Not applicable.
 - (h) Open.
 - (i) Nil – the treaty is original terms reinsurance.
 - (j) £37.6m
 - (k) Not applicable

Phoenix Life Limited

- (l) Phoenix Life Limited is authorised to carry on insurance business in the United Kingdom.
- (m) Phoenix Life Limited is a connected company of the insurer.
- (n) There are no material contingencies, such as credit risk or legal risk, to which the treaties with Phoenix Life Limited are subject.
- (o) There is no provision to refund any reinsurance commission, except under the reinsurance covering new policies and increments. Any refund under that arrangement would be matched by a reclaim of commission from the seller of the insurance.
- (p) The reinsurances with Phoenix Life Limited are not financing reinsurance.

10 REVERSIONARY (OR ANNUAL) BONUS

The following tables set out the annual bonus rates for each class of business:

Compound Bonus

Bonus series	31.12.2015 Basic mathematical reserve £000	31.12.2015 Reversionary bonus %	31.12.2014 Reversionary bonus %	31.12.2015 Total guaranteed bonus %	Product code
Life Unitised With-profit Series 1	85,917	3.00%	3.00%	3.00%	500
Life Unitised With-profit Series 2 to 7	57,836	0.00%	0.00%	-	500
Portfolio Bond 1	8,796	1.00%	1.00%	-	500
Pensions Unitised With-profit Series 1	2,089,111	0.00% (1) 4.00% (2)	0.00% (1) 4.00% (2)	0.00% (1) 4.00% (2)	525, 535
Pensions Unitised With-profit Series 2 (PRA, FIP, PPP & FSAVC)	73,432	0.00% (1) 0.00% (2)	0.00% (1) 0.00% (2)	- -	525, 535, 570
Pension Capital Accounts (EPP & PTP)	53,866	1.00% (1) 4.50% (2)	1.50% (1) 5.00% (2)	- -	525, 535
Pension Capital Accounts (GMP VGPPP, Penfund and TTP)	12,438	0.00% (1) 4.50% (2)	0.00% (1) 5.00% (2)	- -	535
Deposit administration (VGF, CPP and Plan32)	24,975	4.50%	5.00%	-	545 555
Life Conventional With-profit	9,422	0.00%	0.00%	-	100, 120, 165, 205
Profit Sharing Account (EPP and PTP)	349,999	0.00%	0.00%	-	155

Notes:

1. Bonus rate applies to initial units where applicable.
2. Bonus rate applies to ordinary units where applicable.

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.

PLAL Non Profit Fund

3 DISCRETIONARY CHARGES AND BENEFITS

(1) Application of Market Value Reduction

Not Applicable

(2) Premiums on Reviewable Protection Policies

Policies previously written in Pearl Assurance Ltd

There have been no changes to premium rates for Pension and Life reviewable protection policies during the financial year.

Policies previously written in London Life Limited

There have been no changes to premiums on reviewable protection policies during the financial year.

(3) Non Profit deposit administration contracts

No policies have been sold in this category.

(4) Service Charges on Linked policies

Policies previously written in Pearl Assurance Ltd

Not Applicable

Policies previously written in London Life Limited

Policy fees on linked policies increased on 1 January 2016, in line with the Retail Price Index increases from September 2013 to September 2015, an increase of 2.5%.

(5) Benefit Charges on Linked Policies

Policies previously written in Pearl Assurance Ltd

Not Applicable

Policies previously written in London Life Limited

During the financial year, benefit charges remained unchanged on linked products.

(6) Accumulating With Profits Charges

Not Applicable

(7) Unit Pricing for Internal Linked Funds

Policies previously written in Pearl Assurance Ltd

Not Applicable

Policies previously written in London Life Limited

- (a) Units are of two types – net capital and net accumulation. The following method is applied to both types of units.
- (i) The creation or cancellation of units in the internal linked funds is performed at unrounded bid price values. This ensures that unit prices are unaffected by the creation or cancellation of units and that the interests of unit-holders not taking part in a unit transaction are unaffected by that transaction.
 - (ii) Base prices are derived from the internal fund valuations, which are adjusted for fund specific charges. Increasing the base price by the bid-offer spread and rounding to the higher tenth of a penny gives the “offer price”. The “bid price” is the base price rounded to the lower tenth of a penny, except for the former AMP (UK) business, on which the “bid price” is rounded to the higher tenth of a penny.
 - (iii) The asset values of the internal linked funds are calculated 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, in Life funds, allowances for tax on income and realised and unrealised capital gains.
 - (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 business other than the former AMP (UK) business.
- (b) During the financial year there was no time at which different pricing bases applied to different policies.
- (c) A mid-market price applies to the collective investment schemes, although this price may swing up or down if the net transactions on any trading day exceed a set threshold. The time on each working day at which the assets in the internal linked funds are valued is the same as that at which the units in the underlying collective investment schemes are valued.

(8) Tax Deductions From Internal Linked Funds

Policies previously written in Pearl Assurance Ltd

Not Applicable

Policies previously written in London Life Limited

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

PLAL Non Profit Fund

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

Fund Type	Realised Gains	Unrealised Gains	Realised Losses	Unrealised Losses
Fixed Interest	20%	20%	20%	20%
Fixed Interest tax accruals are settled once a year.				
Equity (Direct Holdings)	20%	19.50%	20%	19.50%
Equity (Direct Holdings) accruals for realised gains and losses are cleared once a year. Accruals for unrealised gains and losses are not cleared until the next annual settlement after they become realised.				
Equity (Collective Investment Scheme Holdings)	20%	19.50%	20%	19.50%
Equity (Collective Investment Scheme Holdings) accruals for realised gains and losses are settled annually. 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 2014 was 19.5%.				

The tax treatment of Life unit linked funds (formerly the London Life Linked Assurance policies) reinsured to the Phoenix Life Limited Non Profit Fund follows the tax treatment in that company.

(9) Tax Provisions For Internal Linked Funds

Policies previously written in Pearl Assurance Ltd

Not Applicable

Policies previously written in London Life Limited

See (8) above.

(10) Discounts On Unit Purchases

Policies previously written in Pearl Assurance Ltd

Not Applicable

Policies previously written in London Life Limited

The allowances made to the insurer on the holding of such units are not significant. The extent to which the policyholder benefits from them is such that the charges made to the policyholder are no greater than if the underlying investments were directly held.

4 VALUATION BASIS (OTHER THAN FOR SPECIAL RESERVES)

(1) Valuation Methods

Non Profit Conventional

A prospective gross premium method is used. The mathematical reserve is the present value of: claims payable (including those on rider benefits); plus maintenance expenses; plus investment expenses; less office premiums receivable. Investment management expenses are allowed for by reducing the discount rate. Maintenance expenses are loaded with overheads (expenses not attributable to individual policies).

For business taxed on "I-E" the discount rate is net of policyholder tax and expenses are net of tax relief.

For decreasing temporary assurances covering mortgages the sums assured decrease in accordance with tables of expected outstanding mortgage amounts.

For deposit administration contracts, the interest rates credited to current balances in the projections allow for any guarantees in the rates.

Mathematical reserves for policies with member records (for example Group Life and Group Term Assurances) are determined at individual member level in the same way as reserves on individual temporary assurances.

Individual Income Protection (PHI)

A prospective gross premium method is used. The mathematical reserve is the present value of: claims payable; plus maintenance expenses; less office premiums receivable. Premiums are waived during periods of claim. Investment management expenses are allowed for by reducing the discount rate. Maintenance expenses are loaded with overheads (expenses not attributable to individual policies).

Expected claims on active policies allow for claim inception and recovery rates. Expected claims on policies on claim at the valuation date allow for recovery rates.

Mathematical reserves for policies with member records (Group PHI) are determined at individual member level in the same way as reserves on individual income protection policies.

Non-Profit Immediate Annuities (including Index Linked Annuities)

A prospective gross premium method is used. The mathematical reserve is the present value of: claims payable (allowing for any guaranteed minimum payment period and payments to second lives on joint life policies); plus maintenance expenses. Investment management expenses are allowed for by reducing the discount rate. Maintenance expenses are loaded with overheads (expenses not attributable to individual policies).

For business taxed on "I-E" the discount rate is net of policyholder tax and expenses are net of tax relief.

Property Linked

A prospective gross premium method is used. The mathematical reserve is the present value of: claims payable (including any guaranteed minimum death benefits or benefits on temporary assurance riders); plus maintenance expenses; less office premiums receivable. Investment management expenses on the unit funds are projected explicitly in the non-unit

reserve calculation. Other investment management expenses are allowed for by reducing the discount rate used to determine the non-unit reserves. Maintenance expenses are loaded with overheads (expenses not attributable to individual policies).

The effect of annual management charges, allocation rates, bid/offer spreads, and other policy charges (including those for temporary assurance riders) is allowed for in determining the non-unit reserve. A recursive approach is used to eliminate future valuation strain.

The growth rates used to accumulate unit values are weighted averages of prudent expected returns on the classes of assets (equity, property, approved fixed interest, unapproved fixed interest, and cash) in the unit funds.

Unit cancellations on income drawdown products are allowed for at the drawdown rates current at the valuation date.

Vested loyalty bonus units are allowed for in the unit reserve. Any future accrual of loyalty bonus units is allowed for in determining the non-unit reserve.

For business taxed on "I-E" the unit growth rate and discount rate are net of policyholder tax, and expenses are net of tax relief.

The total reserve is the discounted value of the units plus the non-unit reserve; and non-unit reserve has a lower limit of zero. Hence mathematical reserves cannot be less than zero.

For deposit administration contracts, the interest rates credited to current balances in the projections allow for any guarantees in the rates

(2) Valuation Interest Rates

Policies previously written in Pearl Assurance Ltd

The following table sets out the rates of interest rate used for all product groups representing a significant amount of business.

Product Group	2015	2014	Product Code
Conventional General Annuity pre 1992	1.75%	1.70%	390, 395, 400
Conventional Life Assurances	1.98%	1.70%	300, 325, 435
Yearly Renewable Term Assurances	1.98%	1.70%	325, 435
Conventional Pensions Immediate Annuities (Direct and Reinsurance Accepted from other than NP Life)	2.82%	2.48%	400
Reinsurance Accepted from NP Life Immediate Annuities	2.82%	2.48%	400
Conventional Pensions Immediate Annuities – index linked	2.46%	2.31%	905
Reinsurance Accepted from NP Life Immediate Annuities – index linked	2.46%	2.31%	905

Policies previously written in London Life Limited

The following table sets out the rates of interest rate used for all product groups representing a significant amount of business:

Product Group	2015	2014	Product Code
Immediate annuities	1.75%	1.70%	395, 905
Pension deferred annuities	2.35%	2.01%	390
Life deferred annuities	1.75%	1.70%	390
AMPUK Life unit linked	1.75%	1.70%	700, 715, 795
Level immediate annuities	2.82%	2.48%	400
Index-linked immediate annuities	2.46%	2.31%	905
AMPUK Pension unit linked	1.82%	1.74%	725, 745
Policies on maturity	2.35%	2.01%	390
Deferred Annuities	2.35%	2.01%	390

(3) Risk Adjustments

Approved Securities

No reduction was applied other than a yield deduction on sovereign debt rated below AAA, or sovereign debt rated AAA but notched downwards to below AAA in line with the description for other securities below.

Other Securities

The risk adjusted yield on other fixed interest securities is determined by INSPRU 3.1.39R as the annualised gross redemption yield less a credit risk margin (haircut) which is applied on an individual stock by stock basis.

The rating used is the lower of the agency ratings obtained and this rating is then used to derive a haircut from a table of average default rates. For stocks other than bank subordinated debt i.e. standard haircut, this is prudently based on double the historical default experience (1920 - 2013), net of an allowance for 37% recovery.

The average default rates are based on:

Credit Rating	Standard (non-subordinated) Debt		
	Term		
	5 year	10 year	20 year
AAA	4.0	10.0	10.3
AA	20.6	30.3	35.2
A	34.4	45.3	49.2
BBB	72.7	82.8	84.5
BB	246.1	250.8	234.1
B	586.8	532.7	440.3

Sovereign, Sub-Sovereign, Regional or Supranational bonds with a rating of A and below are treated in the same way as standard haircut while AAA rated bonds assume no haircut and AA rated bonds in this category assume the full standard haircut.

Bonds rated CCC and below are taken as having zero yield.

For bank subordinated debt, the haircut is based on the Senior Rating of the issuing entities (rather than the rating of the sub-debt itself) whilst using a nil recovery assumption. However, if this results in a lower aggregate haircut compared to the standard haircut, the standard haircut is used instead.

Variable Interest

The risk adjusted yield on variable interest securities is the real yield. No caps on real yields are applied by default. However, consideration is given to capping the yields on any individual security if it looks markedly out of line with the yields of comparable stocks.

Equities

The risk adjusted yield on equities is a running yield which is determined by INSPRU 3.1.37R as:

- the dividend yield, if the dividend yield is more than the earnings yield;
- otherwise, the sum of the dividend yield and the earnings yield, divided by two

To allow for unreasonably high dividend yields or earnings yields, given yields over 10% are halved and given yields over 25% are set to zero.

Property

The risk adjusted yield on property is determined by INSPRU 3.1.36R as the ratio of the rental income arising from the property over the previous twelve months to the market value of the property.

To allow for unreasonably high yields, a cap of 6% is applied to the resulting yield, this cap is unchanged from the previous valuation.

(4) Mortality Basis**Policies previously written in Pearl Assurance Ltd**

Products representing a significant amount of business used ultimate mortality on the following bases:

Product Group	2015		2014		Product Code
	Male	Female	Male	Female	
Conventional Life Assurances	116% AMC00	116% AFC00	116% AMC00	116% AFC00	300, 435
Conventional General Annuity Immediate Annuities	103.6% RMV00 Improvements CMI_2014 ⁽²⁾	90.3% RFV00 Improvements CMI_2014 ⁽²⁾	105.5% RMV00 Improvements CMI_2012 ⁽³⁾	94.1% RFV00 Improvements CMI_2012 ⁽³⁾	395, 400
Conventional Non Profit in deferment	97% AMC00	97% AFC00	97% AMC00	97% AFC00	390
Conventional Non Profit post vesting	103.6% RMV00 Improvements CMI_2014 ⁽²⁾	90.3% RFV00 Improvements CMI_2014 ⁽²⁾	105.5% RMV00 Improvements CMI_2012 ⁽³⁾	94.1% RFV00 Improvements CMI_2012 ⁽³⁾	390
Term Assurance non-YRT	122% AMC00	122% AFC00	122% AMC00	122% AFC00	325, 435
Yearly Renewable Term Assurances (non-smoker)	50% AM80	50% AF80	60% AM80	60% AF80	325
Yearly Renewable Term Assurances (smoker)	110% AM80	110% AF80	120% AM80	120% AF80	325
Conventional Pensions Immediate Annuities (Direct and Reinsurance Accepted from other than NPLL, London Life With Profit and SERP)	103.6% RMV00 Improvements CMI_2014 ⁽²⁾	90.3% RFV00 Improvements CMI_2014 ⁽²⁾	105.5% RMV00 Improvements CMI_2012 ⁽³⁾	94.1% RFV00 Improvements CMI_2012 ⁽³⁾	400, 905
Vestings from NPLL Immediate Annuities	103.6% RMV00 Improvements CMI_2014 ⁽²⁾	90.3% RFV00 Improvements CMI_2014 ⁽²⁾	105.5% RMV00 Improvements CMI_2012 ⁽³⁾	94.1% RFV00 Improvements CMI_2012 ⁽³⁾	400, 905
Vestings from London Life With Profit Fund Immediate Annuities	103.6% RMV00 Improvements CMI_2014 ⁽²⁾	90.3% RFV00 Improvements CMI_2014 ⁽²⁾	105.5% RMV00 Improvements CMI_2012 ⁽³⁾	94.1% RFV00 Improvements CMI_2012 ⁽³⁾	400, 905
Vestings from SERP Immediate Annuities	103.6% RMV00 Improvements CMI_2014 ⁽²⁾	90.3% RFV00 Improvements CMI_2014 ⁽²⁾	105.5% RMV00 Improvements CMI_2012 ⁽³⁾	94.1% RFV00 Improvements CMI_2012 ⁽³⁾	400, 905

Notes:

1. The basis uses an average scaling % factor to give a prudent margin of 5% in aggregate over both the Non-Smoker and Smoker sub-groups of the product group.
2. CMI 2014 improvements 2.5% for males and 2.25% for females for ages up to age 85, reducing linearly down to 0% at age 120.
3. CMI 2012 improvements 2.5% for ages up to age 75, reducing linearly down to 0% at age 120.

Policies previously written in London Life Limited

Products representing a significant amount of business used the following mortality bases:

Product Group	2015		2014		Product Code
	Male	Female	Male	Female	
AMPUK Life unit linked	100% A67-70 Ult	100% A67-70 Ult – 4 yrs	100% A67-70 Ult	100% A67-70 Ult – 4 yrs	700, 715, 795
Immediate Annuities	87.9% PCMA00 Improvements CMI_2014_M ⁽¹⁾	85.5% PCFA00 Improvements CMI_2014_F ⁽¹⁾	87.9% PCMA00 Improvements CMI_2012_M ⁽²⁾	85.5% PCFA00 Improvements CMI_2012_F ⁽²⁾	395
Deferred Annuities (pre-vesting)	100% A67-70 Ult - 4 yrs	100% A67-70 Ult - 8 yrs	100% A67-70 Ult - 4 yrs	100% A67-70 Ult - 8 yrs	390
Deferred Annuities (post-vesting)	87.9% PCMA00 Improvements CMI_2014_M ⁽¹⁾	85.5% PCFA00 Improvements CMI_2014_F ⁽¹⁾	87.9% PCMA00 Improvements CMI_2012_M C2033 ⁽²⁾	85.5% PCFA00 Improvements CMI_2012_F C2036 ⁽²⁾	390
AMPUK Pensions unit linked	100% A67-70 Ult	100% A67-70Ult - 4yrs	100% A67-70 Ult	100% A67-70Ult - 4yrs	725, 745

- Where appropriate, additional reserves for extra mortality from AIDS are established.
- The additional reserves are calculated assuming an 17% of Projection R in the fourth report of the Institute of Actuaries AIDS Working Party
- These will apply to male lives only and is included within the reserves for relevant product lines.

Notes:

1. CMI 2014 improvements 2.5% for males and 2.25% for females at ages 85, reducing linearly down to 0% at age 120.
2. CMI 2012 improvements 2.5% for ages up to age 75, reducing linearly down to 0% at age 120.

Policies previously written in Pearl Assurance Ltd

The male expectations of life for the annuitant mortality bases above are as follows:

Product Group	Annuities in payment	
	Age 65	Age 75
Conventional General Annuity Immediate Annuities	23.9	14.6
Conventional Pensions Immediate Annuities (Direct and Reinsurance Accepted from other than listed below)	23.9	14.6
Reinsurance Accepted from NPLL Immediate Annuities	23.9	14.6
Vestings from London Life With Profit Fund Immediate Annuities	23.9	14.6
Vestings from SERP Immediate Annuities	23.9	14.6

The female expectations of life for the annuitant mortality bases above are as follows:

Product Group	Annuities in payment	
	Age 65	Age 75
Conventional General Annuity Immediate Annuities	28.0	17.8
Conventional Pensions Immediate Annuities (Direct and Reinsurance Accepted from other than listed below)	28.0	17.8
Reinsurance Accepted from NPLL Immediate Annuities	28.0	17.8
Vestings from London Life With Profit Fund Immediate Annuities	28.0	17.8
Vestings from SERP Immediate Annuities	28.0	17.8

Policies previously written in London Life Limited

The male expectations of life for the annuitant mortality bases above are as follows:

Product Group	Annuities in payment		Deferred annuities: life expectation at age 65	
	Age 65	Age 75	Age 45	Age 55
Life Deferred Annuities			29.1	27.3
Life Immediate Annuities	25.5	15.6		
Pensions Deferred Annuities			29.1	27.3
Pensions Immediate Annuities	25.5	15.6		

The female expectations of life for the annuitant mortality bases above are as follows:

Product Group	Annuities in payment		Deferred annuities: life expectation at age 65	
	Age 65	Age 75	Age 45	Age 55
Life Deferred Annuities			31.4	29.8
Life Immediate Annuities	28.2	18.0		
Pensions Deferred Annuities			31.4	29.8
Pensions Immediate Annuities	28.2	18.0		

(5) Morbidity Basis

There are no products representing a significant amount of business that use a morbidity basis.

(6) Expenses

Policies previously written in Pearl Assurance Ltd

The expense bases are as follows:

NON LINKED BUSINESS

Product Group	2015 £pa	2014 £pa	Code
Life Immediate Annuities	50.92	55.31	400
Pensions Immediate Annuities Pre March 2018	27.86	30.54	400
Pensions Immediate Annuities Post March 2018 (1)	50.46	55.31	400
Life Term Assurance and Conventional Non Profit	58.21	64.24	300
Pensions Term Assurance and Conventional Non Profit	46.06	55.30	325

Note:

- 1 This is the expense assumption to be used post 2018 to allow for the agreement that PLAL has in place with Pearl Group Services Ltd.

The expenses on life business are netted down for tax at 20%.

Gross Investment expenses

Investment expenses, before allowance for tax, have been allowed for through a reduction to the valuation interest rates. The table below sets out the basis point reductions applied:

Product Group	2015 Bp	2014 Bp
Life business	10	10
Pension business	9	9

Policies previously written in London Life Limited

The expense bases are as follows:

NON LINKED BUSINESS

Per policy expenses, before allowance for tax relief, were as follows:

	2015 £pa	2014 £pa	Product Code
Pension Immediate Annuities	11.82	22.33	400
Level term assurance	12.18	11.11	325
Decreasing term assurance	12.18	11.11	330

The expenses on life business are netted down for tax at 20%.

LINKED BUSINESS

Product Group	2015 £pa	2014 £pa	Product Code
Life property linked endowment	13.97	24.97	715
Individual pension property linked	13.97	24.97	725
Group money purchase pension property linked	13.97	24.97	735

LINKED AND NON-LINKED BUSINESS

Gross Investment expenses

Investment expenses have been allowed for through a reduction to the valuation interest rates (but see note 1 below for unit linked business). The table below sets out the basis point reductions applied:

Product Groups	2015 bps	2014 bps
All life conventional business	10	10
All life unit linked business ⁽¹⁾	31	31
All pension conventional business	9	9
All pension unit linked business ⁽¹⁾	31	31

Note:

1. These expenses are allowed for explicitly in calculating future cash flows.

(7) Unit Growth Rates and Expense Inflation

Policies previously written in Pearl Assurance Ltd

NON LINKED BUSINESS

Inflation rates for expenses and policy charges were as follows:

Description	2015	2014
Life Expense inflation	3.8%	3.0%
Pensions Expense inflation	4.2%	3.2%

Policies previously written in London Life Limited

LINKED BUSINESS

Unit growth rates, before allowance for tax relief and management charges, were as follows:

Product Group	Unit Growth Rate	
	(% p.a.) 2015	2014
AMP Unit Linked Pension	2.60%	2.40%
AMP Unit Linked Life	2.50%	2.30%

LINKED AND NON-LINKED BUSINESS

Inflation rates for expenses and policy charges were as follows:

Description	2015	2014
Expense inflation	4.40%	3.60%
Policy fee inflation	3.09%	2.30%

(8) Future Bonus Rates

Not applicable.

(9) Persistency Assumptions

Policies previously written in Pearl Assurance Ltd

A summary of the surrender, lapse and paid-up assumptions is as follows:

Product ^{(1) (2) (3)}	Lapse assumptions for the policy years									
	1	2	3	4	5	6	7	8	9	10+
Level term	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%
Decreasing term	6%	6%	6%	6%	6%	6%	6%	6%	6%	6%

Notes:

1. This table gives the persistency assumptions used in the valuation for the products specified in the instructions in IPRU (INS) for paragraph 4(9) of Appendix 9.4 where either the gross mathematical reserves or the gross annual premiums exceed the lesser of £10m and 1% of the total gross mathematical reserves.
2. Where alternative bases are used for the same product, the basis shown is that which is used by at least 50% of the business for that product.
3. The above rates are for policies that are not currently making automatic withdrawals. For policies that are currently making automatic withdrawals the current rate is assumed to remain unchanged.

Policies previously written in London Life Limited

Surrender/Lapse Rates

No allowance is made for surrender and lapse rates.

Paid up Rates

No allowance is made for policies being made paid up other than for non-linked calculations in respect of regular premium accumulating with-profits and unit linked business.

For unit-linked business the calculation is performed assuming the policy becomes paid up at the valuation date.

(10) Other Material Assumptions

Retirement Rates

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

Age Attained	2015	2014
60	27%	27%
61	7%	7%
62	6%	6%
63	6%	6%
64	12%	12%
65	67%	67%
66	18%	18%
67	12%	12%
68	12%	12%
69	11%	11%
70	16%	16%
71	11%	11%
72	6%	6%
73	5%	5%
74	24%	24%
75	100%	100%

Tax Rates

Relief for tax applied to expenses is 20% for UK Life non-linked business and 0% for UK Pension business and UK Life linked business.

Tax on investment income is set out in the following table:

Type of business	2015	2014
UK Life – UK dividend income	0%	0%
UK Life – other income	20%	20%
UK Pension – overseas dividend income	0%	0%
UK Pension – other income	0%	0%

(11) Allowance for Derivatives

The funds hold a number of swap contracts, some of which are used to determine valuation rates of interest.

No other allowance has been made for derivative contracts in determining the amount of the long-term liabilities.

(12) Effect on Mathematical reserves due to changes in INSPRU

There have been no changes since the previous valuation.

5 OPTIONS AND GUARANTEES

Not Applicable.

6 EXPENSE RESERVES

(1) Aggregate Expense loadings

Policies previously written in Pearl Assurance Ltd

The aggregate amount of expense loadings, grossed up for taxation where appropriate, expected to arise during the 12 months from the 'valuation date' are as follows:

Homogeneous risk group	Implicit allowances £m	Explicit allowances (investment) £m	Explicit allowances (other) £m	Non-attributable expenses £m	Total £m
Other	0	1	7	0	8
Total	0	1	7	0	8

Policies previously written in London Life Limited

The aggregate amounts of expense loadings, grossed up for taxation where appropriate, expected to arise during the 12 months from the valuation date are summarised below:

Explicit per policy expense loading.....	£ 1 million
Allowance for investment management expenses.....	£ 0.8 million

No other significant expense reserves are held.

There are no significant non-attributable expenses.

(2) Implicit Allowance

All provisions for future expenses have been made using explicit methods, except for investment expense allowance where a margin in the valuation interest rate is used.

(3) Form 43 Comparison

The amount of expense loadings expected to arise in the next 12 months is different from the maintenance expenses shown on Form 43. This is mainly due to one-off project expenses that were incurred in 2015.

(4) New Business Expense Overrun

Since Phoenix Life Assurance Ltd does not write new business other than increments and internal commencements, no reserves are required for expenses of continuing to transact new business after the valuation date.

(5) Maintenance Expense Overrun

No maintenance expense overrun reserve is held.

The per policy expense assumptions used allow for the attributable payments expected to be made to Pearl Group Services Ltd under the Management Services Agreement (MSA), plus project expenses and directly incurred expenses. A prudent margin is added to the total per policy expenses to allow for adverse deviation. These per policy expense assumptions are then projected into the future assuming a prudent level of inflation.

The MSA with Pearl Group Services Ltd is structured on a fixed cost per policy per annum. Pearl Group Services Limited has engaged Diligenta, a UK based and FSA regulated subsidiary of Tata Consulting Services Limited, to implement the outsource of processing and administration work which gives London Life Ltd certainty over the majority of the cost base into the future, especially in relation to economies of scale and fixed costs.

As Phoenix Life Assurance Ltd does not write new business, other than for increments and internal commencements, no reserve is held for discontinuance costs, or the valuation strain or expense overrun from the writing of new business.

(6) Non-attributable expenses

Policies previously written in Pearl Assurance Ltd

The non-attributable expense reserve is the expected cost of certain planned projects of a non-recurring nature not covered by the per policy expense assumptions plus the expected payment in the year following the valuation date to Pearl Group Services Limited as described in paragraph 6(5).

Policies previously written in London Life Limited

There are no non-attributable expenses.

7 MISMATCHING RESERVES

(1) Analysis of Reserves by Currency

The mathematical reserves are denominated in sterling. There are sufficient sterling assets to cover mathematical reserves.

(2) Other Currency Exposures

The amount of reserve for currency mismatching is £nil because sufficient excess assets are held to cover the exposure arising from currency mismatching, the level of which is within the limit given by INSPRU 3.1.53R.

(3) Currency Mismatching Reserves

Phoenix Life Assurance Ltd is a realistic basis reporting firm to which GENPRU 2.1.18R applies and so does not hold a resilience capital requirement under INSPRU 3.1.10R.

(4) Most Onerous Scenario Under INSPRU 3.1.16(R)

Not applicable – see 7(3).

(5) Most Onerous Scenario Under INSPRU 3.1.23(R)

Not applicable – see 7(3).

(6) Resilience Capital Requirement

Not applicable

(7) Additional Reserves Arising From INSPRU 1.1.34(2)(R)

No additional reserve is held.

8 OTHER SPECIAL RESERVES

No special reserves held.

9 REINSURANCE

(1) Facultative Reinsurance

No reinsurance has been ceded on a facultative basis to reinsurers who are not authorised to carry on business in the United Kingdom. No deposit back arrangement exists.

(2) Reinsurance Treaties

The following table shows the principal reinsurance treaties used:

Reinsurer	Nature and Extent of the Cover	Premium £m	Premium withheld £m	Closed to New Business?	Amount of Undischarged Obligation	Mathematical Reserves Ceded £m	Retention by the Insurer
RGA International Reinsurance Company Limited	Liability to pay the Basic Annuity.	Nil	Nil	Yes	Nil	1,371	Nil
Phoenix Life Limited Non Profit Fund	100% reinsurance of unit-linked liabilities	Nil	Nil	No	Nil	10	Nil

RGA International Reinsurance Company Limited

- (l) RGA International Reinsurance is not authorised to carry on insurance business in the United Kingdom.
- (m) RGA International Reinsurance Company Limited is not a connected company of the insurer.
- (n) There are no material contingencies, such as credit risk or legal risk, to which the treaty is subject.
- (o) N/A, as there is no reinsurance commission.
- (p) N/A, as the treaty is not a financing arrangement.

10 REVERSIONARY (OR ANNUAL) BONUS

Not Applicable.

APPENDIX 9.4A

PHOENIX LIFE ASSURANCE LIMITED

Abstract of Valuation Report for Realistic Valuation

1. Introduction

(1) Valuation Date

The valuation date is 31 December 2015.

(2) Previous Valuation

The previous valuation date was 31 December 2014.

On 30 June 2015, all of the business within the long-term fund of National Provident Life Limited ("NPLL") was transferred into Phoenix Life Assurance Limited ("PLAL") under Part VII of the Financial Services and Markets Act 2000. The majority of the business was transferred into a new with profits fund within PLAL, being the NPL With-Profits Fund. A small book of purchase life annuities were instead transferred into the PLAL Non Profit Fund, along with the expense reserves on annuities previously reinsured into the PLAL Non Profit Fund.

Where reference is made to a previous valuation in respect of this business transferred into PLAL on 30 June 2015, this refers to the valuation carried out in NPLL on 31 December 2014.

(3) Interim Valuations

An interim valuation was carried out at 30 June 2015.

APPENDIX 9.4A

PEARL WITH-PROFITS FUND

2. Assets

(1) Economic Assumptions For Valuing Non-Profit Business

The value of future profits on non-profit products was calculated by assuming risk free rates of investment return and discount rates. These were based on a zero coupon gilt yield curve plus 10 basis points as at the valuation date.

Earned rates of return were assumed to be annual forward yields derived from the curve, net of tax and investment expenses.

The risk free yield curves (gilt yield curve plus 10 basis points) and RPI curve were:

Risk free yields	Risk Free Rate		RPI Inflation	
	Current Valuation	Previous Valuation	Current Valuation	Previous Valuation
Term (years)				
1	0.36%	0.43%	1.50%	1.93%
2	0.67%	0.68%	1.81%	2.18%
3	1.02%	0.92%	2.18%	2.41%
4	1.28%	1.13%	2.37%	2.56%
5	1.45%	1.31%	2.43%	2.66%
6	1.60%	1.48%	2.45%	2.73%
7	1.74%	1.62%	2.49%	2.78%
8	1.88%	1.75%	2.57%	2.82%
9	2.01%	1.87%	2.66%	2.86%
10	2.14%	1.97%	2.75%	2.91%
12	2.35%	2.16%	2.94%	3.02%
15	2.59%	2.38%	3.19%	3.17%
20	2.85%	2.62%	3.47%	3.36%
25	2.95%	2.75%	3.58%	3.45%

Expense inflation is assumed to be RPI plus 1%.

(2) Amount Determined Under INSPRU 1.3.33(2)(R)

Not applicable.

(3) Valuation Of Contracts Written Outside The Fund

Not applicable.

(4) Different Sets Of Assumptions

Not applicable.

(5) De Minimis Limit

Not applicable.

3. With-Profits Benefit Reserve Liabilities

There have been no changes to methods or assumptions since the previous valuation except where previously regulatory reserves were used for some paid-up business, a retrospective method is now used.

(1) Calculation Of With-Profits Benefits Reserve

The table below shows the methods used to calculate the with-profits benefits reserve.

Product Class	Method used to calculate With-Profits Benefit Reserve	With-profits benefits reserve	Future policy related liabilities
		£m	£m
UWP Life	Retrospective	477.3	36.1
CWP Life	Retrospective	617.5	249.5
Life Total	Retrospective	1,094.7	285.6
UWP Pensions	Retrospective	3,152.6	1,062.0
CWP Pensions	Retrospective	549.4	630.1
Total Pensions		3,702.0	1,692.1
Total		4,796.7	1,977.6
Form 19 Line 31		4,796.7	-
Form 19 Line 49		-	1,977.6

(2) Correspondence With Form 19

The with-profits benefits reserve and future policy related liability figures in the above table represent the totals in Form 19.

(3) With-Profits Benefits Reserves below De Minimis Limit

Not applicable.

(4) Types Of Products

Not applicable

4. With-Profits Benefits Reserve – Retrospective Method

(1) Retrospective Methods

- (a) All contracts have been calculated on an individual policy basis.
- (b) No contracts have been valued on a grouped basis.
- (c) Not applicable as no contracts have been valued on a grouped basis.

(2) Significant Changes To Valuation Method

- (a) There have been no significant changes in the method of calculating the with-profits benefit reserve.
- (b) No contract's with-profits benefit reserve has been calculated using an approach that is more approximate than at the previous valuation date.

(3) Expense Allocation

- (a) As maintenance expenses are defined in the Management Service Agreement, an expense investigation is not necessary.

Expenses consist of:

- Defined per policy maintenance and annual management charges from a Service Management Agreement,
- Project costs,
- Direct costs such as regulatory costs, and
- Investment management expenses.

Project and direct costs are calculated each year based on the costs incurred.

Investment management expenses are charged directly based on an Investment Management Fee Agreement.

- (b) Not applicable.
- (c) (i) No expenses were identified as initial expenses.
- (ii)

Expenses Allocated to With-Profits Benefits Reserve during 2015	
Expense Type	£m
Initial Expenses	0.0
Maintenance expenses ¹	28.9
Investment Expense	18.5
Total Expense	47.4

Maintenance expenses made up of service company charges less project and direct costs of £2.2m less payments of £0.5m received for an expense inflation hedge.

- (iii) For unitised with-profit business an allowance for expenses is made through an annual management charge expressed as a percentage of the fund.

For personal pension products that were converted to unitised with-profit in 2007, the expenses charged to individual with-profits benefit reserves are for maintenance expenses expressed as annual management charges (maintenance expenses were expressed as per policy amounts up to the end 2007), and for investment management expenses expressed as a percentage of funds under management.

For conventional with-profit policies, the expenses charged to individual with-profit benefits reserves are the maintenance expenses expressed as per policy amounts, together with investment management expenses expressed as a percentage of the with-profit benefits reserves.

- (iv) Investment expenses on assets needed to cover the excess of the realistic liabilities over and above the with-profits benefits reserve (i.e. not deducted from the with-profits benefits reserve) were valued at £10.3m.

(4) Significant Charges

In 2007 the Liability Management Project introduced measures to de-risk the estate and hence increase the amount of estate available for distribution to policyholders. The measures included the transfer of the risks arising from:

- the costs of guarantees (other than those in connection with the Mortgage Endowment Promise or pensions misselling), and
- the costs of smoothing from the estate to the asset shares.

The adjustments to asset shares arising from this transfer of risks can be in the form of credits added to or charges deducted from the relevant asset shares. The guarantee and smoothing adjustments applied in 2015 are shown in the following tables:

Guarantee Adjustments Applied to Asset Shares in 2015¹		
Date Applied	IB	OB
01-Jan-15	-1.00%	-1.00%
01-Jul-15	0.00%	0.00%

Smoothing Adjustments Applied to Asset Shares in 2015¹		
Date Applied	IB	OB
01-Jan-15	0.036%	-0.018%
01-Jul-15	0.142%	-0.023%

¹ A positive percentage reflects a credit to asset shares whilst a negative percentage reflects a charge to asset shares.

The guarantee and smoothing adjustments applied in 2014 are shown in the following tables:

Guarantee Adjustments Applied to Asset Shares in 2014¹		
Date Applied	IB	OB
01-Jan-14	0.00%	0.60%
01-Jul-14	1.00%	0.42%

Smoothing Adjustments Applied to Asset Shares in 2014 ¹		
Date Applied	IB	OB
01-Jan-14	-0.009%	0.006%
01-Jul-14	-0.011%	0.002%

¹ A positive percentage reflects a credit to asset shares whilst a negative percentage reflects a charge to asset shares.

(5) Charges For Non-Insurance Risk

For Direct Unitised Accumulating with-profits business other than Personal Pensions, a periodical management charge is made to the asset shares, where the charge is as described in Appendix 9.4 for the relevant product.

For Reassurance Accepted Unitised Accumulating with-profits business, the same charging structure is applied to the shadow fund as to the unit fund.

(6) Ratio Of Claims To Reserve

The average claim to with-profit benefit reserve payout ratio for each year is shown in the table below.

Average Claim Payout Ratio (%)	
Year	Payout Ratio
2015	124%
2014	118%
2013	116%

The previous table shows a best estimate of the payout ratio for with-profits business for the period based on claims paid, including any guarantee costs. It should be noted that individual payout ratios will differ to this depending on the product and timing of claim.

(7) Allocated Return

The investment return (before tax and expenses) allocated to the with-profits benefits reserve for with-profits business during 2015 was 4.33% (3.69% after tax and before expenses).

5. With-Profits Benefits Reserve – Prospective Method

(1) Key Assumptions

WP immediate annuities reinsured from the London Life WP fund are modelled on a prospective basis. Section 2(1) shows the economic assumptions used in determining the with-profits benefit reserve. Expense inflation is set to RPI inflation plus 1%.

(2) Different Sets Of Assumptions

Not applicable.

6. Costs of Guarantees, Options and Smoothing

(1) De Minimis Limit

Not applicable.

(2) Valuation Methods For Guarantees etc.

- (a) The cost of all significant guarantees, options and smoothing have been valued using a full stochastic approach.
- (b) (i) No projections are carried out on individual policy data.
- (ii) All of the contracts are valued on a grouped basis.
- (iii) At the current valuation date a cluster modelling technique has been used to reduce the number of modelled policies whereby all individual policies are assigned to one of a smaller number of representative model points in such a way that the sum of the differences between each individual policy and the representative policy to which it has been assigned in certain key metrics are minimised. Validation of the technique involves ensuring that the difference between the total realistic liabilities, and separately, the asset shares on a deterministic basis calculated on the seriatim data and on the clustered data falls within a set tolerance.

The total number of with-profits contracts included in the model at 31 December 2015 was 673,485 (comprising 407,416 pension contracts and 266,069 life contracts). These contracts were grouped into a total of 7,605 model points (comprising 4,881 pensions and 2,724 life).

- (c) Not applicable.

(3) Significant Changes

No significant changes were made to the valuation method for valuing cost of guarantee, option or smoothing since the previous valuation.

(4) Further Information on Stochastic Approach

- (a) (i) The main guarantees, options and smoothing valued are:
- Basic benefit guarantees, e.g. the sums assured and attaching reversionary bonuses for conventional with-profits business and the unit fund for accumulating with-profits business payable on death or maturity for a whole life or endowment or deferred annuity.
 - Annuity rate guarantees on certain self-employed deferred annuities and some other deferred annuity policies, i.e. a guaranteed annuity rate specified in the contract that can be applied at retirement to convert the cash benefits provided by the contract into annuity benefits. Generally, these annuity rate guarantees are in-the-money.
 - Guaranteed minimum pensions (GMP) on Freedom Bond conventional pensions policies that resulted from transfers from contracted out schemes. This guarantee is that the pension provided at retirement is at least above a certain level. Generally, these guaranteed minimum pensions are in-the-money.
 - The Mortgage Promise made to certain mortgage endowment policies. Generally, this promise is in-the-money.
 - Guaranteed surrender values on direct unitised accumulating with-profits business, where the policyholder receives the unit fund less a surrender penalty on surrender, and where no MVA is applicable.

Generally, these guaranteed surrender values are currently in-the-money.

- Guarantees in respect of certain Personal Pension policyholders where failure to adhere to the best advice rules may have occurred. This includes guarantees issued by the former Pearl Assurance Ltd and those where they are shared between the former Pearl Assurance Ltd and the former Pearl Assurance (Unit Linked Pensions) Limited business which now forms part of Phoenix Life Limited. Generally, these guarantees are in-the-money.
- (ii) The fund uses the Deloitte ESG calibration for internal production. This model assumes:
- A LIBOR Market Model with displaced diffusion and stochastic volatility (LMM-DDSV) is used to generate risk-free rates over a complete yield curve, calibrated to the UK nominal spot curve plus 10 basis points, consistent with the deterministic projections. Interest rate volatility is calibrated to swaption implied volatilities. Both the nominal yield curve and interest rate volatilities are provided directly by Deloitte.
 - Corporate bond returns are modelled using the extended Jarrow-Lando-Turnbull model. This describes bond prices in terms of a risk-neutral transition matrix, which gives the probability of transitions between credit ratings over one year. Risk neutral transition probabilities are assumed to vary stochastically. The transition matrix is calibrated to the credit spreads on corporate bonds for various ratings and terms. The model was fitted to a sample of predominantly investment grade sterling corporate bonds.
 - Domestic equity processes are modelled using a Stochastic Volatility Jump Diffusion (SVJD) model. Where funds contain European business, the domestic equities for both GBP and Euro business are modelled using SVJD.
 - Overseas equity, direct property, indirect property and alternative assets are all modelled using a constant volatility Black-Scholes model.

Interest rates

The interest rate calibration process is in two steps:

- A zero-coupon yield curve is initially derived, which is calibrated to the gilt curve with a +10bp adjustment.
- Interest rate volatilities are calibrated to swaption implied volatilities using weighted least squares over the swaption volatility surface. Additional weightings are applied on contracts with longer swap tenors and longer dated option maturities.

The gilt curve with a +10bp adjustment is as supplied by Deloitte's.

The market swaption volatilities were supplied by Deloitte's.

Corporate bond spreads

The corporate bond portfolio is modelled as a constant-weight mixture by credit rating as follows: AAA, AA, A and BBB. In each portfolio, the corporate bond process models the variation in the spread over risk free bonds.

There are two elements to the credit spread calibration process:

- The credit transition matrix is calibrated to historic data based on historical 1 year transition probabilities and the long term historical default probabilities.
- The credit risk premium process is initialised to current market data.

The asset model uses a credit transition matrix. The fit of the model is designed to exactly target the market spread on a 7 year A rated bond. Credit derivatives are not used to derive market implied transition probabilities.

The following table show the credit spreads over gilts + 10bp at 31 December 2015 in basis points:

Corporate Bond Spread				
Term	AAA	AA	A	BBB
2	0	69	105	162
4	0	89	120	218
7	60	105	160	236
9	77	98	152	220
12	0	99	156	212
15	46	113	166	208

For some AAA rated bonds the initial spread information is not available as there were insufficient bonds of the relevant term to produce reliable index values. This does not cause a problem for the stochastic model as only the initial spread of the 7 year A-rated bond is used directly in calibrating the model

Equity and Property

Five asset classes are modelled as equity-type processes: domestic equities, overseas equities, direct property, indirect property and alternative assets.

The Economic Scenario Generator (domestic equity) asset modelling remains in line with the latest industry practice, employing the SVJD equity model. The model uses a local volatility surface calibrated to market implied volatilities for a range of strikes and maturities, using a constant-weight least squares approach. The equity index is modelled stochastically using Heston's stochastic volatility model and incorporates a discontinuous jump diffusion component driven by a Poisson process.

The generated implied volatility surface for domestic equities in the calibration is shown below:

	Strike							
	%	0.7	0.8	0.9	1	1.1	1.2	1.3
Maturity	1							
	3	23.9	21.8	19.3	16.7	14.7	14.2	14.8
	5	22.9	20.8	19.1	17.6	16.4	15.2	14.0
	7	22.3	20.6	19.2	18.1	17.0	15.9	15.0
	9	22.4	21.1	20.0	19.1	18.3	17.6	16.9
		22.1	21.0	20.2	19.5	18.8	18.2	17.7

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All other equity type asset classes are modelled using constant volatility. These parameters are shown below:

OS equity volatility	26.96%
Property volatility	30.00%
Quant fund volatility	4.59%
Fundamental volatility	7.12%

The correlations between the log-normal processes are equated to the correlations between asset classes and between changes in risk-free bond yields.

The correlations assumed are as follows:

	UK equities	OS equities	Property	Interest rates	Quant	Fundamental
UK equities	1.00	0.40	0.14	-0.06	0.22	0.22
OS equities		1.00	0.10	0.11	0.30	0.38
Property			1.00	0.16	0.16	0.30
Interest rates				1.00	-0.22	-0.35
Quant					1.00	0.54
Fundamental						1.00

The volatility and correlation assumptions for standard asset classes are derived from best estimate assumptions. The correlation assumptions for the two hedge fund asset classes, Quant and Fundamental, are those recommended by Ignis.

(iii) The following table shows the simulated values of specific options and/or contracts.

The table contains the values derived from the same set of 1000 scenarios that are used for the base realistic balance sheet.

K Duration (n) Annualised compound equivalent of the risk free rate assumed for the period (r)	0.75				1				1.5			
	5	15	25	35	5	15	25	35	5	15	25	35
	1.45%	2.59%	2.95%	2.75%	x	x	x	x	x	x	x	x
Risk-free zero coupon bond	930,485	681,101	483,335	386,522	x	x	x	x	x	x	x	x
FTSE All Share Index (p=1)	66,370	178,776	301,361	379,080	155,104	313,368	471,084	566,802	512,739	671,737	857,772	974,654
FTSE All Share Index (p=0.8)	63,766	153,788	240,309	291,873	148,471	270,635	377,622	436,633	493,343	585,331	697,296	760,151
Property (p=1)	36,450	139,332	244,498	330,507	142,117	279,997	412,583	516,204	523,277	652,270	795,402	925,221
Property (p=0.8)	33,633	114,404	184,714	242,916	134,139	234,405	319,802	387,052	504,066	563,952	635,270	709,940
15 year risk free zero coupon bond (p=1)	18,772	34,951	18,380	38,131	103,888	128,989	107,899	149,650	502,574	518,600	514,286	536,178
15 year risk free zero coupon bond (p=0.8)	17,087	24,013	6,875	11,038	96,716	93,451	48,647	65,206	482,278	416,061	330,099	319,175
15 year risk free bonds (p=1)	23,288	46,061	30,476	53,564	110,754	144,327	126,567	171,861	504,580	521,285	519,462	549,981
15 year risk free bonds (p=0.8)	21,403	32,784	13,715	22,910	103,483	108,321	64,915	83,229	484,473	423,072	340,768	339,220
Portfolio of 65% FTSE All Share and 35% property (p=1)	32,943	121,635	237,469	319,854	115,380	253,834	401,960	502,399	502,579	621,507	783,977	908,543
Portfolio of 65% FTSE All Share and 35% property (p=0.8)	30,981	98,780	179,976	235,205	108,579	210,811	310,883	374,913	482,274	531,994	624,323	695,017
Portfolio of 65% equity and 35% 15 year risk free zero coupon bonds (p=1)	27,808	80,130	150,255	209,068	106,267	204,026	311,689	386,033	500,153	580,349	705,929	796,999
Portfolio of 65% equity and 35% 15 year risk free zero coupon bonds (p=0.8)	26,112	61,439	97,982	131,311	99,530	161,954	220,923	262,026	479,389	486,880	540,163	578,308
Portfolio of 40% equity, 15% property, 22.5% 15 year risk free zero coupon bonds and 22.5% 15 year corporate bonds (p=1)	10,640	34,670	86,907	147,696	77,908	142,263	235,631	312,562	496,593	537,216	632,163	718,368
Portfolio of 40% equity, 15% property, 22.5% 15 year risk free zero coupon bonds and 22.5% 15 year corporate bonds (p=0.8)	9,548	22,302	44,811	80,988	71,103	102,055	149,674	195,745	475,522	438,052	462,465	500,913
Receiver swaptions	23.03%	19.63%	19.29%	17.08%	28.21%	25.76%	24.22%	20.82%	33.98%	31.41%	28.02%	23.61%
	Swap Duration = 15 years				Swap Duration = 20 years				Swap Duration = 25 years			

Notes:

Row zero shows the risk free rate rounded to two decimal places. When deriving the strike for each option we have not used the truncated risk free rate; rather we have used the risk free rate implied by the scenarios.

The option values in respect of property are calculated in the table above using the standard volatility calibration of 15% rather than the 30% assumed for the calculation of the realistic liabilities.

- (iv) Income yields for each asset class are shown in the following table.

Dividend Yields by Asset Class	
Asset Class	Dividend Yield
UK Equity	2.93%
Property	4.29%
OS Equity	1.91%
Quant	0.00%
Fundamental	0.00%

- (v) For the purposes of rule 1.3.62 of the INSPRU sourcebook, the US and the Eurozone were the only significant overseas territories. There is no separate asset model for overseas assets and so the simulated prices of the swaptions would be the same as those set out in the table in 6(4)(a) (iii).
- (vi) The fit of the asset model to specimen swaptions is demonstrated below.

Ratio of simulated to market swaption volatilities					
		Swap Length			
		5	10	20	30
Option Maturity	5	103.79%			
	10		99.55%	98.06%	
	15				
	20		96.26%	99.81%	

This table demonstrates that the scenarios can be used to reproduce market volatilities. The observed errors are relatively small in the calibration range of length 10-20 years and 5 years expiry, showing that the simulation process does not introduce significant additional errors over and above that arising from the calibration process.

- (vii) We carry out comprehensive tests on the output produced by the Deloitte's XSG asset model as follows:

For UK and Overseas equities, UK property, Quant and Fundamentals we have verified that the ratio of the average (over the simulated scenarios) of the discounted present values of projected asset values (with income reinvested) to the original asset value are acceptably close to unity– the martingale property.

The same test has been undertaken for 4 classes of zero-coupon gilts of term 4, 8, 11 and 13 years and for 4 classes of zero-coupon corporate bonds with terms of 4, 8, 11 and 13 years. Departures from unity in the average discounted present values have not had a significant impact on the valuation result.

We have verified that zero coupon bond yields calculated from the model cash output matches yields calculated from input Government spot rates and initial spot rates output from the model at time zero within an acceptable error margin.

For UK equity options we have verified, within acceptable limits, that the option prices calculated from the model output and converted into implied volatilities using the Black-Scholes formula reproduce the expected volatility surface.

We have also verified, within acceptable limits, that implied volatilities calculated from the simulation model output reproduces the market volatility term structure for 5, 10 and 20 year at the money swaptions

- (viii) The assets and liabilities have been computed using 1,000 (500 antithetic pairs of) simulated scenarios.

Convergence tests were carried out to show the average cost of guarantees calculated by the model against the number of scenarios and it was found that the guarantee costs converge well within 1000 scenarios. The difference in the average cost of guarantees between 950 and 1000 scenarios is £0.5m.

- (a) Not applicable.
- (b) Not applicable.

(5) Management Actions

- (a) In line with the previous valuation date reversionary bonus rates are being modelled, dynamically driven by targeting a final payout ratio, which is defined as the ratio of final benefits (i.e. maturity benefits) to guaranteed benefits. Bonus rates are increased if the projected payout ratio is higher than target and will be reduced if the projected payout ratio is less than target.
- (b) The following tables show the equity backing ratios for the fund, and annual bonus rates on accumulating with profits business.

Projected Equity Proportions – Scenarios (i), (ii) and (iii)		
	Accumulating with-profits	Conventional with-profits
(i) Risk free interest rate curve - At current valuation date	36.7%	36.7%
(i) Risk free interest rate curve - End 5 years	34.9%	34.9%
(i) Risk free interest rate curve - End 10 years	29.9%	29.9%
(ii) Risk free interest rate curve + 17.5% - At current valuation date	36.7%	36.7%
(ii) Risk free interest rate curve + 17.5% - End 5 years	34.9%	34.9%
(ii) Risk free interest rate curve + 17.5% - End 10 years	29.9%	29.9%
(iii) Risk free interest rate curve – 17.5% - At current valuation date	36.7%	36.7%
(iii) Risk free interest rate curve – 17.5% - End 5 years	34.9%	34.9%
(iii) Risk free interest rate curve – 17.5% - End 10 years	29.9%	29.9%

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Reversionary bonus rates on accumulating with profits			Current Valuation Date	Current Valuation Date Plus 5 Years	Current Valuation Date Plus 10 Years
Type of business			p.a.	p.a.	p.a.
Direct Unitised Accumulating With-profits business other than Personal Pensions	Life	(i)	0.75% / 0.42%	Varies Dynamically	Varies Dynamically
	Pensions		1.85% / 0.90%	Varies Dynamically	Varies Dynamically
	Bonus Account		0.40% / 0.20%	Varies Dynamically	Varies Dynamically
	ISA		0.50% / 0.25%	Varies Dynamically	Varies Dynamically
Direct Unitised Accumulating With-profits Personal Pensions business	Pensions		0.0%	Varies Dynamically	Varies Dynamically
Reassurance Accepted Unitised Accumulating with-profits business	Life		1.0%	Varies Dynamically	Varies Dynamically
	Pensions		4.0%	Varies Dynamically	Varies Dynamically
	Capital Account		6.0%	Varies Dynamically	Varies Dynamically
Direct Unitised Accumulating With-profits business other than Personal Pensions	Life	(ii)	0.75% / 0.42%	Varies Dynamically	Varies Dynamically
	Pensions		1.85% / 0.90%	Varies Dynamically	Varies Dynamically
	Bonus Account		0.40% / 0.20%	Varies Dynamically	Varies Dynamically
	ISA		0.50% / 0.25%	Varies Dynamically	Varies Dynamically
Direct Unitised Accumulating With-profits Personal Pensions business	Pensions		0.0%	Varies Dynamically	Varies Dynamically
Reassurance Accepted Unitised Accumulating with-profits business	Life		1.0%	Varies Dynamically	Varies Dynamically
	Pensions		4.0%	Varies Dynamically	Varies Dynamically
	Capital Account		6.0%	Varies Dynamically	Varies Dynamically
Direct Unitised Accumulating With-profits business other than Personal Pensions	Life	(iii)	4.0%	Varies Dynamically	Varies Dynamically
	Pensions		0.75% / 0.42%	Varies Dynamically	Varies Dynamically
	Bonus Account		1.85% / 0.90%	Varies Dynamically	Varies Dynamically
	ISA		0.40% / 0.20%	Varies Dynamically	Varies Dynamically
Direct Unitised Accumulating With-profits Personal Pensions business	Pensions		0.0%	Varies Dynamically	Varies Dynamically
Reassurance Accepted Unitised Accumulating with-profits business	Life		1.0%	Varies Dynamically	Varies Dynamically
	Pensions		4.0%	Varies Dynamically	Varies Dynamically
	Capital Account		6.0%	Varies Dynamically	Varies Dynamically

(6) Persistency Assumptions

The persistency assumptions used to determine the costs of guarantees, options and smoothing are outlined in the following table.

Product		Average paid-up / lapse rate for the policy years			
		1 to 5	6 to 10	11 to 15	16 to 20
Conventional whole life withprofits OB	Surrender	2.0%	2.0%	2.0%	2.0%
Conventional endowment withprofits OB savings	Surrender	2.0%	2.0%	2.0%	2.0%
Conventional endowment withprofits OB target cash	Surrender	2.0%	2.0%	2.0%	2.0%
Conventional deferred annuity withprofits	Surrender	0.5%	0.5%	0.5%	0.5%
Miscellaneous conventional withprofits	Surrender	2.0%	2.0%	2.0%	2.0%
Life UWP single premium (note 2)	Surrender	4.0%	4.0%	4.0%	4.0%
Life UWP whole life regular premium	Surrender	10.0%	10.0%	10.0%	10.0%
Life UWP whole life regular premium (ISA)	Surrender	8.0%	8.0%	8.0%	8.0%
Life UWP endowment regular premium – target cash	Surrender	3.0%	3.0%	3.0%	3.0%
Individual pensions UWP	Surrender	2.5%	2.5%	2.5%	2.5%
Miscellaneous UWP	Surrender	3.0%	3.0%	3.0%	3.0%
Individual pensions property linked	Surrender	2.5%	2.5%	2.5%	2.5%
Miscellaneous property linked	Surrender	0.0%	0.0%	0.0%	0.0%
Conventional pensions endowment withprofits	Surrender	0.5%	0.5%	0.5%	0.5%
Conventional whole life withprofits IB	Surrender	0.0%	0.0%	0.0%	0.0%
Conventional endowment withprofits IB	Surrender	0.0%	0.0%	0.0%	0.0%
Additional reserves withprofits OB	Surrender	2.0%	2.0%	2.0%	2.0%
Additional reserves withprofits IB	Surrender	0.0%	0.0%	0.0%	0.0%
Regular premium nonprofit WL/EA OB (regular)	Surrender	0.6%	0.6%	0.6%	0.6%
Regular premium nonprofit WL/EA OB (single) (note 1)	Surrender	0.6%	0.6%	0.6%	0.6%
Nonprofit IB	Surrender	0.0%	0.0%	0.0%	0.0%
Level term assurance	Surrender	0.0%	0.0%	0.0%	0.0%
Deferred annuity nonprofit	Surrender	0.5%	0.5%	0.5%	0.5%
Annuity nonprofit (PLA)	Surrender	0.0%	0.0%	0.0%	0.0%
Annuity nonprofit (CPA)	Surrender	0.0%	0.0%	0.0%	0.0%

- (1) These rates also apply to non-profit pensions contracts which were originally written as simple bonus with-profit contracts, but became non-profit when paid up.
- (2) In addition a partial withdrawal rate of 2% per annum of the initial investment is assumed, where applicable.

The annuitant mortality and take-up rate assumptions are shown in the following tables:

Annuitant Mortality Assumptions		
	Projection Basis	
	Male	Female
Annuity Rate Guarantee – post vesting ⁽¹⁾	110% RMV00	95% RFV00

⁽¹⁾ Improvements CMI_2014 [2.0% for males and 1.75% for females for ages up to age 85, reducing linearly down to 0% from age 110]

Take Up Rates	
GAO Settings	Deferred Annuities - All
GAO Upper bound	68%
GAO Lower bound	60%

(7) Policyholders' Actions

Take-up rates of Guaranteed Annuity Options are now dynamic, dependent on the moneyness of the option which is measured as the ratio of the market annuity factors to the guaranteed annuity factors. When out of the money there is a fixed assumption for the take-up rate which varies by product. When in the money the take up rate is subject to a lower and upper bound with a separate assumption controlling the speed at which the rate varies linearly between these bounds.

7. Financing Costs

Not applicable.

8. Other Long-Term Insurance Liabilities

A breakdown of the other long-term insurance liabilities is set out below.

Other Long-Term Insurance Liabilities at 31 December 2015	
	£m
Pensions misselling	262.4
Value of future shareholder transfers	20.5
Value of tax on future shareholder transfers	27.1
Additional liability for expenses	10.8
Provisions	10.0
MSA Expense Reserve Adjustment	11.8
Other additional liabilities	-20.1
Total	322.5
Form 19 Line 47	322.5

No provisions have been included in respect of any other liabilities related to regulatory duty to treat customers fairly.

9. Realistic Current Liabilities

The realistic current liabilities were £702m and the following table gives a breakdown.

Current liabilities at 31 December 2015 (£m)	
Liability	Value
Outstanding claims	22.4
Other provisions	1.5
Creditors	641.5
Accruals and deferred income	7.2
Direct Insurance Business	1.7
Deferred tax liability	0.0
Total Realistic Current liabilities	674.2
Provision for "reasonably foreseeable adverse variations"	27.9
Total Regulatory Current Liabilities	702.0

10. Risk Capital Margin

- (a) The risk capital margin at 31 December 2015 is nil.

The most onerous scenario is that which combines:

- (ii) The market risk scenario assumes that equities fall by 20% and property falls by 25% (which includes the impact of gearing). The equity fall and the property fall were the more onerous scenarios.
 - (iii) The nominal change in yields for Sterling denominated fixed interest securities for the purpose of the market risk scenario is 0.42%. This represented a change of 17.5% in the level of the long-term gilt yield from a level of 2.42%. This is consistent with a rise or fall of 17.5% in the long term gilt yield. A rise in yields is the most onerous scenario.
 - (iv) The average change in spreads for non-credit exempt bonds was +53 basis points when weighted by value, resulting in 3.9% fall in bond asset value.
 - (v) The persistency risk scenario was a decrease in surrender and paid-up rates of 32.50% resulting in a 0.52% increase in the realistic value of liabilities.
 - (vi) Not applicable.
- (b) (i) An additional charge of 0.5% of asset shares was assumed for the purpose of calculating the Risk Capital Margin.
- Not applicable.
 - Not applicable.
 - Not applicable.
 - Not applicable.
 - Not applicable.

11. Tax

The following tax treatment has been assumed:

- (i) For assets backing the with-profits benefits reserve, policyholder taxes are calculated on the "I-E" tax basis applicable to BLAGAB business and deducted from the with-profits benefit reserve. The tax rates are 20% on savings income and indexed capital gains (before allowance for deferral of gains) and nil on franked income. Tax relief on expenses is assumed to be 20%.
- (ii) Allowance is made for the "I-E" tax due on assets needed to back the excess of realistic liabilities over and above the with-profits benefits reserve and is included in the Other Long Term Insurance Liabilities.
- (iii) The allowance made for tax on the assets backing realistic current liabilities is similar to that outlined in (ii) above

12. Derivatives

Broad type of derivative	Description	Details	Market value (£'000)	Nominal value (£'000)
Swap	Interest Rate Swap	Long	232,288	1,959,665
Swap	Interest Rate Swap	Short	(297,347)	1,297,880
Swap	Inflation Rate Swap	Long	6,758	26,020
Swap	Inflation Rate Swap	Short	(10,070)	39,213
Future	Interest Rate Futures	Long	(0)	800
Currency Forwards	Currency Forwards	Long	554	54,244
Currency Forwards	Currency Forwards	Short	(11,537)	644,939
Swaption	Interest Rate Swaption	Payer	91,208	649,816

13. Analysis of Working Capital

	£m
Opening Working Capital	1,118
Write back planned benefit enhancements to zeroise working capital	
Revised opening working capital	1,118
Opening Adjustments	0
Restated opening working capital	1,118
Impact of new business	0
Expected return on opening surplus	5
Assumption changes	
- Non-economic	(77)
- Economic	
- Policyholder actions	6
Model and methodology changes	131
Other Variances	
- Economic	1
- Non-economic	
- Management actions	(401)
- New provisions	9
- Unexplained	1
Closing working capital before zeroisation	793
Planned benefit enhancements to distribute estate	(907)
Impact of planned enhancement on future policy related liabilities	113
Working capital at 31 December 2015	0

14. Optional Disclosure

Not applicable.

APPENDIX 9.4A**SERP WITH-PROFITS FUND****2. Assets****(1) Economic Assumptions For Valuing Non-Profit Business**

There are no non-profit insurance contracts within the SERP With-Profits Fund. Not applicable.

(2) Amount Determined Under INSPRU 1.3.33(2)(R)

Not applicable.

(3) Valuation Of Contracts Written Outside The Fund

Not applicable.

(4) Different Sets Of Assumptions

Not applicable.

(5) De Minimis Limit

Not applicable.

3. With-Profits Benefit Reserve Liabilities**(1) Calculation Of With-Profits Benefits Reserve**

A retrospective method has been used to calculate the with-profit benefits reserves for contracts within the SERP With-Profits Fund. This method is the calculation of an asset share.

The following table shows the amount of the with-profit benefits reserve and the future policy related liabilities:

Product class	With-profit benefits reserve, £m	Future policy related liabilities, £m
Conventional with-profit pensions	419	765

(2) Correspondence With Form 19

The with-profits benefits reserve and future policy related liability figures in the above table represent the totals in Form 19.

(3) With-Profits Benefits Reserves below De Minimis Limit

Not applicable.

(4) Types Of Products

Not applicable.

4. With-Profits Benefits Reserve – Retrospective Method**(1) Retrospective Methods**

- (a) The with-profits benefits reserve for all business has been calculated on an individual basis using a retrospective method
- (b) Not applicable.
- (c) Not applicable.

(2) Significant Changes To Valuation Method

- (a) Not applicable.
- (b) Not applicable.

(3) Expense Allocation

The Scheme of Transfer effective 4 January 2010 specifies the calculation basis for determining the aggregate expenses to be charged to the fund in respect of administration and investment management. The administration expenses are expressed as an amount per policy, with the number of policies determined annually on the 1 July each year. Investment management expenses are expressed as a percentage of funds under management. No other expenses or charges shall be allocated to this fund.

- (a) The calculation of the administration expenses chargeable to the fund was last performed as at 1 July 2015.
- (b) The calculation of the administration expenses chargeable to the fund is performed annually.
- (c)
 - (i) No expenses were identified as initial expenses.
 - (ii) A table of maintenance expenses allocated to the with-profit benefit reserves during 2015:

Product Class	Maintenance expenses, £m	Investment management expenses, £m
Conventional with-profit pensions	1.93	1.31

The maintenance expenses above are in line with the Schedule 2C Scheme.

- (iii) The expenses charged to individual with-profit benefits reserves are the maintenance expenses expressed as per policy amounts, together with investment management expenses expressed as a percentage of the with-profit benefits reserves. The maintenance expenses vary by product line, as set out in the Scheme of Transfer.
- (iv) Not applicable.

(4) Significant Charges

Smoothing charges of £0.2m were deducted from the with-profit benefits reserves during the financial year.

(5) Charges For Non-Insurance Risk

No charges were deducted from the with-profit benefits reserves in respect of non-insurance risk.

(6) Ratio Of Claims To Reserve

The average claim to with-profit benefit reserve payout ratio for each year is shown in the table below:

Average Claim Payout Ratio (%)	
Year	Payout Ratio
2015	203%
2014	220%
2013	219%

(7) Allocated Return

The investment return (before tax and expenses) allocated to the with-profit benefits reserve in respect of the financial year was -0.39%.

5. With-Profits Benefits Reserve – Prospective Method

(1) Key Assumptions

Not applicable.

(2) Different Sets Of Assumptions

Not applicable.

6. Costs of Guarantees, Options and Smoothing

(1) De Minimis Limit

Not applicable.

(2) Valuation Methods For Guarantees etc.

(a) The cost of all significant guarantees, options and smoothing have been valued using a full stochastic model approach.

(b) (i) No projections are carried out on individual policy data.

(ii) All of the contracts are valued on a grouped basis.

(iii) At the current valuation date a cluster modelling technique has been used to reduce the number of modelled policies whereby all individual policies are assigned to one of a smaller number of representative model points in such a way that the sum of the differences between each individual policy and the representative policy to which it has been assigned in certain key metrics are minimised. Validation of the technique involves ensuring that the difference between the total realistic liabilities, and separately, the asset shares on a deterministic basis calculated on the seriatim data and on the clustered data falls within a set tolerance.

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In total there are 30,717 individual policies and members of group schemes, which have been grouped together into 436 model points.

(c) Not applicable.

(3) Significant Changes

No significant changes were made to the valuation method for valuing cost of guarantee, option or smoothing since the previous valuation.

(4) Further Information on Stochastic Approach

(a) (i) The main contractual guarantee costs valued are:

Deferred annuity benefits, where the contract is written as a basic deferred annuity plus attaching reversionary bonus at vesting. These guarantees are largely in the money.

The costs of financial options relate to:

The value of the guaranteed cash factors, where the contracts are written with a guaranteed rate of conversion from annuity to cash. These conversion options are significantly out of the money.

The cost of smoothing arises due to the policy of constraining the change in payouts from year to year. This acts as a constraint on targeting payouts to 100% of asset share.

(ii) The fund uses the Deloitte ESG calibration for internal production. This model assumes:

- A LIBOR Market Model with displaced diffusion and stochastic volatility (LMM-DDSV) is used to generate risk-free rates over a complete yield curve, calibrated to the UK nominal spot curve plus 10 basis points, consistent with the deterministic projections. Interest rate volatility is calibrated to swaption implied volatilities. Both the nominal yield curve and interest rate volatilities are provided directly by Deloitte.
- Corporate bond returns are modelled using the extended Jarrow-Lando-Turnbull model. This describes bond prices in terms of a risk-neutral transition matrix, which gives the probability of transitions between credit ratings over one year. Risk neutral transition probabilities are assumed to vary stochastically. The transition matrix is calibrated to the credit spreads on corporate bonds for various ratings and terms. The model was fitted to a sample of predominantly investment grade sterling corporate bonds.
- Domestic equity processes are modelled using a Stochastic Volatility Jump Diffusion (SVJD) model. Where funds contain European business, the domestic equities for both GBP and Euro business are modelled using SVJD.
- Overseas equity, direct property, indirect property and alternative assets are all modelled using a constant volatility Black-Scholes model.

Interest rates

The interest rate calibration process is in two steps:

- A zero-coupon yield curve is initially derived, which is calibrated to the gilt curve with a +10bp adjustment.

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- Interest rate volatilities are calibrated to swaption implied volatilities using weighted least squares over the swaption volatility surface. Additional weightings are applied on contracts with longer swap tenors and longer dated option maturities.

The gilt curve with a +10bp adjustment is as supplied by Deloitte's.

The market swaption volatilities were supplied by Deloitte's.

Corporate bond spreads

The corporate bond portfolio is modelled as a constant-weight mixture by credit rating as follows: AAA, AA, A and BBB. In each portfolio, the corporate bond process models the variation in the spread over risk free bonds.

There are two elements to the credit spread calibration process:

- The credit transition matrix is calibrated to historic data based on historical 1 year transition probabilities and the long term historical default probabilities.
- The credit risk premium process is initialised to current market data.

The asset model uses a credit transition matrix. The fit of the model is designed to exactly target the market spread on a 7 year A rated bond. Credit derivatives are not used to derive market implied transition probabilities.

The following table show the credit spreads over gilts + 10bp at 31 December 2015 in basis points:

Corporate Bond Spread				
Term	AAA	AA	A	BBB
2	0	69	105	162
4	0	89	120	218
7	60	105	160	236
9	77	98	152	220
12	0	99	156	212
15	46	113	166	208

For some AAA rated bonds the initial spread information is not available as there were insufficient bonds of the relevant term to produce reliable index values. This does not cause a problem for the stochastic model as only the initial spread of the 7 year A-rated bond is used directly in calibrating the model

Equity and Property

Five asset classes are modelled as equity-type processes: domestic equities, overseas equities, direct property, indirect property and alternative assets.

The Economic Scenario Generator (domestic equity) asset modelling remains in line with the latest industry practice, employing the SVJD equity model. The model uses a local volatility surface calibrated to market implied volatilities for a range of strikes and maturities, using a constant-weight least squares approach. The equity index is modelled stochastically using Heston's stochastic volatility model and incorporates a discontinuous jump diffusion component driven by a Poisson process.

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The generated implied volatility surface for domestic equities in the calibration is shown below:

	Strike							
	%	0.7	0.8	0.9	1	1.1	1.2	1.3
Maturity	1							
	3	23.9	21.8	19.3	16.7	14.7	14.2	14.8
	5	22.9	20.8	19.1	17.6	16.4	15.2	14.0
	7	22.3	20.6	19.2	18.1	17.0	15.9	15.0
	9	22.4	21.1	20.0	19.1	18.3	17.6	16.9
		22.1	21.0	20.2	19.5	18.8	18.2	17.7

All other equity type asset classes are modelled using a constant volatility Black-Scholes model. These parameters are shown below:

OS equity volatility	26.96%
Property volatility	15.00%
Quant fund volatility	4.59%
Fundamental volatility	7.12%

The correlations between the log-normal processes are equated to the correlations between asset classes and between changes in risk-free bond yields.

The generated correlations from the model are as follows:

	UK equities	OS equities	Property	Interest rates	Quant	Fundamental
UK equities	1.00	0.40	0.14	-0.06	0.22	0.22
OS equities		1.00	0.10	0.11	0.30	0.38
Property			1.00	0.16	0.16	0.30
Interest rates				1.00	-0.22	-0.35
Quant					1.00	0.54
Fundamental						1.00

The volatility and correlation assumptions for standard asset classes are derived from best estimate assumptions as provided by Deloitte. The correlation assumptions for the two hedge fund asset classes, Quant and Fundamental, are those recommended by Ignis.

(iii) The following table shows the simulated values of specific options and/or contracts.

The table contains the values derived from the same set of 1000 scenarios that are used for the base realistic balance sheet.

K	0.75				1				1.5			
	5	15	25	35	5	15	25	35	5	15	25	35
<i>Annualised compound equivalent of the risk free rate assumed for the period (r)</i>	1.45%	2.59%	2.95%	2.75%	x	x	x	x	x	x	x	x
<i>Risk-Free Zero Coupon Bond</i>	930,485	681,101	483,335	386,522	x	x	x	x	x	x	x	x
<i>FTSE All Share Index (p=1)</i>	66,370	178,776	301,361	379,080	155,104	313,368	471,084	566,802	512,739	671,737	857,772	974,654
<i>FTSE All Share Index (p=0.8)</i>	63,766	153,788	240,309	291,873	148,471	270,635	377,622	436,633	493,343	585,331	697,296	760,151
<i>Property (p=1)</i>	36,450	139,332	244,498	330,507	142,117	279,997	412,583	516,204	523,277	652,270	795,402	925,221
<i>Property (p=0.8)</i>	33,633	114,404	184,714	242,916	134,139	234,405	319,802	387,052	504,066	563,952	635,270	709,940
<i>15yr Risk-Free ZCBs (p=1)</i>	18,772	34,951	18,380	38,131	103,888	128,989	107,899	149,650	502,574	518,600	514,286	536,178
<i>15yr Risk-Free ZCBs (p=0.8)</i>	17,087	24,013	6,875	11,038	96,716	93,451	48,647	65,206	482,278	416,061	330,099	319,175
<i>15yr Corporate Bonds (p=1)</i>	23,288	46,061	30,476	53,564	110,754	144,327	126,567	171,861	504,580	521,285	519,462	549,981
<i>15yr Corporate Bonds (p=0.8)</i>	21,403	32,784	13,715	22,910	103,483	108,321	64,915	83,229	484,473	423,072	340,768	339,220
<i>Portfolio 1 (p=1)</i>	32,943	121,635	237,469	319,854	115,380	253,834	401,960	502,399	502,579	621,507	783,977	908,543
<i>Portfolio 1 (p=0.8)</i>	30,981	98,780	179,976	235,205	108,579	210,811	310,883	374,913	482,274	531,994	624,323	695,017
<i>Portfolio 2 (p=1)</i>	27,808	80,130	150,255	209,068	106,267	204,026	311,689	386,033	500,153	580,349	705,929	796,999
<i>Portfolio 2 (p=0.8)</i>	26,112	61,439	97,982	131,311	99,530	161,954	220,923	262,026	479,389	486,880	540,163	578,308
<i>Portfolio 3 (p=1)</i>	10,640	34,670	86,907	147,696	77,908	142,263	235,631	312,562	496,593	537,216	632,163	718,368
<i>Portfolio 3 (p=0.8)</i>	9,548	22,302	44,811	80,988	71,103	102,055	149,674	195,745	475,522	438,052	462,465	500,913
<i>Sterling Receiver Swaptions</i>	23.03%	19.63%	19.29%	17.08%	28.21%	25.76%	24.22%	20.82%	33.98%	31.41%	28.02%	23.61%
	<i>Swap Duration = 15 years</i>				<i>Swap Duration = 20 years</i>				<i>Swap Duration = 25 years</i>			

Notes:

Row zero shows the risk free rate rounded to two decimal places. When deriving the strike for each option we have not used the truncated risk free rate; rather we have used the risk free rate implied by the scenarios.

- (iv) The initial property rental yield for the UK is 4.29%.

Asset Class	Income yield
Property	4.29%

- (v) For the purposes of INSPRU 1.3.63R there are no significant overseas territories.
- (vi) The fit of the asset model to specimen swaptions and put options as at 31 December 2015 is demonstrated below:

Ratio of simulated to market swaption volatilities					
		Swap length			
		5	10	20	30
Option maturity	5	103.79%			
	10		99.55%	98.06%	
	15				
	20		96.26%	99.81%	

This table demonstrates that the scenarios can be used to reproduce market volatilities. The observed errors are relatively small in the calibration range of length 10-20 years and 5 years expiry, showing that the simulation process does not introduce significant additional errors over and above that arising from the calibration process.

- (vii) We carry out comprehensive tests on the output produced by the Deloitte's XSG asset model as follows:

For UK and Overseas equities, UK property, Quant and Fundamentals we have verified that the ratio of the average (over the simulated scenarios) of the discounted present values of projected asset values (with income reinvested) to the original asset value are acceptably close to unity– the martingale property.

The same test has been undertaken for 4 classes of zero-coupon gilts of term 4, 8, 11 and 13 years and for 4 classes of zero-coupon corporate bonds with terms of 4, 8, 11 and 13 years. Departures from unity in the average discounted present values have not had a significant impact on the valuation result.

We have verified that zero coupon bond yields calculated from the model cash output matches yields calculated from input Government spot rates and initial spot rates output from the model at time zero within an acceptable error margin.

For UK equity options we have verified, within acceptable limits, that the option prices calculated from the model output and converted into implied volatilities using the Black-Scholes formula reproduce the expected volatility surface.

We have also verified, within acceptable limits, that implied volatilities calculated from the simulation model output reproduces the market volatility term structure for 5, 10 and 20 year at the money swaptions.

- (viii) The assets and liabilities have been computed using 1000 (500 antithetic pairs of) simulated scenarios.

Convergence tests were carried out to show the average cost of guarantees calculated by the model against the number of scenarios and it was found that

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the guarantee costs converge well within 1000 scenarios. The difference in the average cost of guarantees between 950 and 1000 scenarios is £0.3m.

- (b) Not applicable.
- (c) Not applicable.

(5) Management Actions

- (a) No management action assumptions have been applied.
- (b) Not applicable.

(6) Persistency Assumptions

The persistency assumptions used to determine the costs of guarantees, options and smoothing are outlined in the following table.

Product	Type	Average Lapse
Conventional deferred annuity with-profits	Surrender	0.25%

Investigations carried out at previous valuations, have indicated that a significant number of SERP policies are taking the guaranteed benefits at earlier ages than 65 and in particular a large number of policyholders are taking these benefits around age 59, when the guarantees first become available.

Some separate realistic and regulatory valuation sensitivity runs were performed at previous valuations which indicated that assuming earlier retirement is prudent. Hence, the legacy assumptions have been retained. The early retirement rates assumed are:

Age	Realistic, Best estimate
60	50%
65	80%
70	100%

The annuitant mortality assumptions are 102.5% of RMV00 for male lives and 102.5% of RFV00 for female lives.

Future mortality improvements are based on the CMI 2014 tables with a long term annual improvement assumption of 2% for males and 1.75% for females up to age 85 reducing linearly to 0% at age 110.

(7) Policyholders' Actions

There is no allowance for any policyholder actions that would be taken by policyholders in the projection of the assets and the liabilities.

7. Financing Costs

The Court Scheme covering the Part VII transfer of SERP policies from National Provident Life Limited into the SERP With Profit Fund of Phoenix Life Assurance Limited specifies that capital support is to be provided.

Capital support is advanced from Phoenix Life Assurance Limited Shareholder Fund. The level of capital support advanced aims to give a £5m excess (assets minus liabilities, excluding capital requirements) on the lower of the regulatory or realistic peak. No interest is payable on the capital support advanced.

Regular investigations (at least twice a year) are carried out and the level of capital support is either increased or reduced to maintain the £5m excess on the 'biting' peak. Any excess (assets minus liabilities, excluding capital requirements) on the realistic peak is shown as financing costs in Form 19. This is change to the previous presentation of Form 19 where this excess was shown within Other Long-Term insurance liabilities.

8. Other Long-Term Insurance Liabilities

A breakdown of the other long-term insurance liabilities is set out below.

Other Long-Term Insurance Liabilities at 31 December 2015	
	£m
Provisions	0.3
Total	0.3
Form 19 Line 47	0.3

No provisions have been included in respect of any other liabilities related to regulatory duty to treat customers fairly.

9. Realistic Current Liabilities

The regulatory current liabilities comprise of the other current liabilities as reported within Form 14 lines 17 to 41.

The realistic current liabilities, of £82.0m, shown at line 51 of Form 19 are the same as the regulatory current liabilities.

10. Risk Capital Margin

- (a) There is no risk capital margin held for the SERP With-Profits Fund at 31 December 2015. The shareholder value of £90.7m is now represented as a liability and is sufficient to cover the risk capital margin stresses. Under the risk capital margin stresses the shareholder value is impaired by £58.2m leaving £32.5m of shareholder value.

The most onerous scenario for the SERP With-Profits Fund is that which combines:

- (i) The percentage change in the market value of equities and real estate for the purposes of the market value risk scenario of UK assets were 20% and 12.5% respectively.

There was no exposure to equities or real estate for the purposes of INSPRU 1.3.68R.

There were no significant territories for the purposes of INSPRU 1.3.62R(1)(b).

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- (ii) The nominal change in yields assumed for fixed interest securities for the purpose of the market risk scenario for UK assets was 0.42%. This represented a change of 17.5% in the level of the long-term gilt yield from a level of 2.42%. A fall in the level of yields was the more onerous change.

There were no significant territories for the purposes of INSPRU 1.3.62R(1)(b).

- (iii) The average increase in spread for bonds (weighted by value) that resulted from applying the credit risk scenario to the assets was +14 basis points.

- The change in value of the bond assets was a 0.36% decrease in asset value.
- Not applicable.
- Not applicable.
- Not applicable.
- There was no change in value for other assets

- (iv) The persistency risk scenario was a decrease in surrender and paid-up rates of 32.50% resulting in an increase in realistic liabilities of 0.17%.

- (v) Not applicable.

(b)

- (i) No management actions were assumed for the purposes of calculating the risk capital margin.

- (ii) Not applicable.

- (iii) Not applicable.

- (iv) Not applicable.

(c)

- (i) Not applicable.

- (ii) Not applicable.

11. Tax

No tax is assumed on pensions business.

12. Derivatives

Broad type of derivative	Description	Details	Market value (£'000)	Nominal value (£'000)
Swap	Interest Rate Swap	Long	60,318	1,206,819
Swap	Interest Rate Swap	Short	(126,066)	688,635
Swap	Inflation Rate Swap	Short	(77)	2,547
Future	Interest Rate Futures	Short	6	900
Currency Forwards	Currency Forwards	Long	0	19
Currency Forwards	Currency Forwards	Short	-24	1,655
Swaption	Interest Rate Swaption	Payer	52,734	108,000

13. Analysis of Working Capital

	£m
Opening Working Capital	89
Write back planned benefit enhancements to zeroise working capital	
Revised opening working capital	89
Opening Adjustments	0
Restated opening working capital	89
Impact of new business	0
Expected return on opening surplus	0
Assumption changes	
- Non-economic	(4)
- Economic	
- Policyholder actions	(3)
Model and methodology changes	1
Other Variances	
- Economic	(11)
- Non-economic	
- Management actions	
- New provisions	(0)
- Capital movements	10
- Unexplained	7
Closing working capital before zeroisation	91
Impact of planned enhancement on future policy related liabilities	0
Working capital at 31 December 2015	91

14. Optional Disclosure

Not applicable.

APPENDIX 9.4A

London Life With-Profits Fund

2. Assets

(1) Economic Assumptions For Valuing Non-Profit Business

Not applicable

(2) Amount Determined Under INSPRU 1.3.33(2)(R)

Not applicable.

(3) Valuation Of Contracts Written Outside The Fund

Not applicable.

(4) Different Sets Of Assumptions

Not applicable.

(5) De Minimis Limit

Not applicable.

3. With-Profits Benefit Reserve Liabilities

There have been no changes to methods or assumptions since the previous valuation except where previously regulatory reserves were used for some paid-up business, a retrospective method is now used.

(1) Calculation Of With-Profits Benefits Reserve

The table below shows the methods used to calculate the with-profits benefits reserve.

Product Type	Method	With-profits benefits reserve	Future policy related liabilities
		£m	£m
UWP Life	Retrospective	6.7	2.1
Fund P	Prospective	47.2	14.6
CWP Life (other)	Retrospective	119.3	37.0
Life Total		173.2	53.7
UWP Pensions	Retrospective	9.2	2.8
Fund W	Prospective	53.6	16.6
CWP Pensions (other)	Retrospective	207.4	64.3
Pensions Total		270.1	83.7
Total		443.3	137.4
Form 19 Line 31		443.3	-
Form 19 Line 49		-	137.4

Fund P business and immediate annuities in Fund W are modelled on a prospective basis when calculating the with-profits benefits reserve.

(2) Correspondence with Form 19

The with-profits benefits reserve and future policy related liability figures in the above table represent the totals in Form 19.

(3) With-Profits Benefits Reserves below De Minimis Limit

Not applicable.

(4) Types of Products

Not applicable.

4. With-Profits Benefits Reserve – Retrospective Method

(1) Retrospective Methods

- (a) The with-profits benefits reserve for all business has been calculated on an individual basis using a retrospective method.
- (b) Not applicable.

(2) Significant Changes To Valuation Method

- (a) There have been no significant changes in the method of calculating the with-profits benefit reserve.
- (b) The block of liabilities in respect of reduction of premium business (Fund P) was modelled previously using a mixture of retrospective and prospective methods; at the current valuation date, the reserves on this business have been calculated on a prospective basis.

(3) Expense Allocation

The Scheme of Transfer (“the Scheme”), effected in 2012 transferring the business of London Life Limited to Phoenix Life Assurance Limited specifies the calculation basis for determining the aggregate expenses to be charged to the London Life With-Profit Fund in respect of administration and investment management services. Expenses that are neither investment management nor administration expenses can be debited and charged to the Fund if deemed appropriate by the Phoenix Life Assurance Limited London Life With-Profits Actuary. The aggregate expenses charged to the Fund are allocated to the with-profits benefit reserve on a basis deemed appropriate by the Phoenix Life Assurance Limited London Life With-Profits Actuary.

- (a) The calculation of the administration expenses chargeable to the fund was last performed in December 2015.
- (b) The calculation of the expenses chargeable to the fund is performed annually.
- (c) (i) and (ii) See Table below.

Expenses Allocated to With-Profits Benefits Reserve during 2015	
Expense Type	Amount
Initial Expenses	0.0
Maintenance expenses ¹	2.0
Investment Expense	0.8
Total Expense	2.9

¹ Includes project expenses of £1.0m.

- (iii) The expenses charged to individual with-profits benefit reserves are for maintenance expenses expressed as per policy amounts, and for investment management expenses expressed as a percentage of funds under management. The former varies by product line reflecting the relative costs of administering the business.

- (iv) Investment expenses on assets needed to cover the excess of the realistic liabilities over and above the with-profits benefits reserve (i.e. not deducted from the with-profits benefits reserve) are valued at £0.3m.

(4) Significant Charges

No charges are deducted from the with-profits benefits reserve in respect of costs of guarantees or the use of capital. The only material charge made to the with-profits benefit reserves is in respect of life cover benefits on life endowments and whole of life contracts.

(5) Charges For Non-Insurance Risk

No non-insurance risk charges are made to conventional with-profits business. For unitised with-profits business, risk cover is charged through cancellation of units.

(6) Ratio Of Claims To Reserves

The average claim to with-profit benefit reserve payout ratio for each year is shown in the table below.

Average Claim Payout Ratio (%)	
Year	Payout Ratio
2015	117%
2014	126%
2013	102%

(7) Allocated Return

The unitised with-profits benefits reserve is invested in a different asset mix to the conventional with profit business. This asset mix has a significantly higher equity backing ratio than that backing the conventional with profits business.

The average rates of return attributed to the with-profit benefits reserve of a policy depends on the asset mix for it. Investment returns for Pensions products are gross of tax and those for Life products are net of tax.

Investment returns since the previous valuation are shown below.

Type of business	Investment Returns
Life (AMP)	1.6%
Life (Fund R, Fund T)	1.8%
Pensions (AMP)	2.7%

5. With-Profits Benefits Reserve – Prospective Method

(1) Key Assumptions

Fund P business is modelled on a prospective basis. The below shows the economic assumptions used in determining the with-profits benefits reserve when using the prospective method. For simplicity the model uses a single discount rate which is calculated by taking an appropriate point on the risk free curve.

Assumption	Value
VROI	2.25%
Expense Inflation	3.10%

The with-profits benefits reserve for Fund W immediate annuities is modelled using a prospective approach; the economic basis used is a term-dependant gilts curve with an addition of 10 basis points, as follows:

Risk free yields Term (years)	Risk Free Rate	
	Current Valuation	Previous Valuation
1	0.36%	0.43%
2	0.67%	0.68%
3	1.02%	0.92%
4	1.28%	1.13%
5	1.45%	1.31%
6	1.60%	1.48%
7	1.74%	1.62%
8	1.88%	1.75%
9	2.01%	1.87%
10	2.14%	1.97%
12	2.35%	2.16%
15	2.59%	2.38%
20	2.85%	2.62%
25	2.95%	2.75%

Expense inflation is set to RPI inflation plus 1%.

(2) Different Sets of Assumptions

Not applicable.

6. Costs of Guarantees, Options and Smoothing

(1) De Minimis Limit

Not applicable.

(2) Valuation Method for Guarantees, Options and Smoothing

- (a) All guarantees are valued on a stochastic basis.
- (b)
 - (i) No projections are carried out on individual policy data.
 - (ii) All of the contracts are valued on a grouped basis.
 - (iii) At the current valuation date a cluster modelling technique has been used to reduce the number of modelled policies whereby all individual policies are assigned to one of a smaller number of representative model points in such a way that the sum of the differences between each individual policy and the representative policy to which it has been assigned in certain key metrics are minimised. Validation of the technique involves ensuring that the difference between the total realistic liabilities, and separately, the asset shares on a deterministic basis calculated on the seriatim data and on the clustered data falls within a set tolerance.

In total there are 29,115 individual policies and members of group schemes, which have been grouped together into 926 model points.

- (c) Not applicable.

(3) Significant Changes

No significant changes were made to the valuation method for valuing cost of guarantee, option or smoothing since the previous valuation.

(4) Further Information On Stochastic Approach

- (a)
 - (i) The main guarantee types valued are:
 - Lump sum basic benefit, e.g. the sums assured and attaching reversionary bonuses payable at maturity on an endowment or “funded to cash” deferred annuity. Some of these guarantees are in-the-money and others are out-of-the money.
 - Annuity benefit, i.e. a basic annuity amount plus attaching reversionary bonuses vesting at a specified date. Some of these guarantees are in-the-money and others are out-of-the money.
 - Guaranteed annuity option rate, i.e. a guaranteed annuity rate specified in a contract that can be applied at maturity to convert the cash benefits provided by the contract into annuity benefits. Generally these guaranteed annuity rates are in-the-money.
 - The costs of smoothing form the balance of total optionality costs, i.e. the excess of claim values over guaranteed benefits plus option costs.
 - (ii) The fund uses the Deloitte ESG calibration for internal production. This model assumes:
 - A LIBOR Market Model with displaced diffusion and stochastic volatility (LMM-DDSV) is used to generate risk-free rates over a complete yield curve, calibrated to the UK nominal spot curve plus 10 basis points, consistent with the deterministic projections. Interest rate volatility is calibrated to swaption

implied volatilities. Both the nominal yield curve and interest rate volatilities are provided directly by Deloitte.

- Corporate bond returns are modelled using the extended Jarrow-Lando-Turnbull model. This describes bond prices in terms of a risk-neutral transition matrix, which gives the probability of transitions between credit ratings over one year. Risk neutral transition probabilities are assumed to vary stochastically. The transition matrix is calibrated to the credit spreads on corporate bonds for various ratings and terms. The model was fitted to a sample of predominantly investment grade sterling corporate bonds.
- Domestic equity processes are modelled using a Stochastic Volatility Jump Diffusion (SVJD) model. Where funds contain European business, the domestic equities for both GBP and Euro business are modelled using SVJD.
- Overseas equity, direct property, indirect property and alternative assets are all modelled using a constant volatility Black-Scholes model.

Interest rates

The interest rate calibration process is in two steps:

- A zero-coupon yield curve is initially derived, which is calibrated to the gilt curve with a +10bp adjustment.
- Interest rate volatilities are calibrated to swaption implied volatilities using weighted least squares over the swaption volatility surface. Additional weightings are applied on contracts with longer swap tenors and longer dated option maturities.

The gilt curve with a +10bp adjustment is as supplied by Deloitte's.

The market swaption volatilities were supplied by Deloitte's.

Corporate bond spreads

The corporate bond portfolio is modelled as a constant-weight mixture by credit rating as follows: AAA, AA, A and BBB. In each portfolio, the corporate bond process models the variation in the spread over risk free bonds.

There are two elements to the credit spread calibration process:

- The credit transition matrix is calibrated to historic data based on historical 1 year transition probabilities and the long term historical default probabilities.
- The credit risk premium process is initialised to current market data.

The asset model uses a credit transition matrix. The fit of the model is designed to exactly target the market spread on a 7 year A rated bond. Credit derivatives are not used to derive market implied transition probabilities.

The following table show the credit spreads over gilts + 10bp at 31 December 2015 in basis points:

Corporate Bond Spread				
Term	AAA	AA	A	BBB
2	0	69	105	162
4	0	89	120	218
7	60	105	160	236
9	77	98	152	220
12	0	99	156	212
15	46	113	166	208

For some AAA rated bonds the initial spread information is not available as there were insufficient bonds of the relevant term to produce reliable index values. This does not cause a problem for the stochastic model as only the initial spread of the 7 year A-rated bond is used directly in calibrating the model

The long term volatility target at the current valuation date is 74 basis points for a 7 year A rated bond.

Equity and Property

Five asset classes are modelled as equity-type processes: domestic equities, overseas equities, direct property, indirect property and alternative assets.

The Economic Scenario Generator (domestic equity) asset modelling remains in line with the latest industry practice, employing the SVJD equity model. The model uses a local volatility surface calibrated to market implied volatilities for a range of strikes and maturities, using a constant-weight least squares approach. The equity index is modelled stochastically using Heston’s stochastic volatility model and incorporates a discontinuous jump diffusion component driven by a Poisson process.

The generated implied volatility surface for domestic equities in the calibration is shown below:

	Strike							
	%	0.7	0.8	0.9	1	1.1	1.2	1.3
Maturity	1	23.9	21.8	19.3	16.7	14.7	14.2	14.8
	3	22.9	20.8	19.1	17.6	16.4	15.2	14.0
	5	22.3	20.6	19.2	18.1	17.0	15.9	15.0
	7	22.4	21.1	20.0	19.1	18.3	17.6	16.9
	9	22.1	21.0	20.2	19.5	18.8	18.2	17.7

Property follows a constant volatility model, parameter 15%.

The correlations between the log-normal processes are equated to the correlations between asset classes and between changes in risk-free bond yields. The table below shows the correlation assumptions.

Correlation factors between asset classes			
	Long Dated Bonds	Equity Index	Property Index
Long Dated Bonds	100%	-15%	10%
Equity Index	-15%	100%	20%
Property Index	10%	20%	100%

The volatility and correlation assumptions are derived from best estimate assumptions.

(iii) The following table shows the simulated values of specific options and/or contracts.

The table contains the values derived from the same set of 1000 scenarios that are used for the base realistic balance sheet.

K	0.75				1				1.5			
	Duration (n)				Duration (n)				Duration (n)			
	5	15	25	35	5	15	25	35	5	15	25	35
<i>Annualised compound equivalent of the risk free rate assumed for the period (r)</i>	1.45%	2.59%	2.95%	2.75%	x	x	x	x	x	x	x	x
<i>Risk-Free Zero Coupon Bond</i>	930,485	681,101	483,335	386,522	x	x	x	x	x	x	x	x
<i>FTSE All Share Index (p=1)</i>	66,370	178,776	301,361	379,080	155,104	313,368	471,084	566,802	512,739	671,737	857,772	974,654
<i>FTSE All Share Index (p=0.8)</i>	63,766	153,788	240,309	291,873	148,471	270,635	377,622	436,633	493,343	585,331	697,296	760,151
<i>Property (p=1)</i>	36,450	139,332	244,498	330,507	142,117	279,997	412,583	516,204	523,277	652,270	795,402	925,221
<i>Property (p=0.8)</i>	33,633	114,404	184,714	242,916	134,139	234,405	319,802	387,052	504,066	563,952	635,270	709,940
<i>15yr Risk-Free ZCBs (p=1)</i>	18,772	34,951	18,380	38,131	103,888	128,989	107,899	149,650	502,574	518,600	514,286	536,178
<i>15yr Risk-Free ZCBs (p=0.8)</i>	17,087	24,013	6,875	11,038	96,716	93,451	48,647	65,206	482,278	416,061	330,099	319,175
<i>15yr Corporate Bonds (p=1)</i>	23,288	46,061	30,476	53,564	110,754	144,327	126,567	171,861	504,580	521,285	519,462	549,981
<i>15yr Corporate Bonds (p=0.8)</i>	21,403	32,784	13,715	22,910	103,483	108,321	64,915	83,229	484,473	423,072	340,768	339,220
<i>Portfolio 1 (p=1)</i>	32,943	121,635	237,469	319,854	115,380	253,834	401,960	502,399	502,579	621,507	783,977	908,543
<i>Portfolio 1 (p=0.8)</i>	30,981	98,780	179,976	235,205	108,579	210,811	310,883	374,913	482,274	531,994	624,323	695,017
<i>Portfolio 2 (p=1)</i>	27,808	80,130	150,255	209,068	106,267	204,026	311,689	386,033	500,153	580,349	705,929	796,999
<i>Portfolio 2 (p=0.8)</i>	26,112	61,439	97,982	131,311	99,530	161,954	220,923	262,026	479,389	486,880	540,163	578,308
<i>Portfolio 3 (p=1)</i>	10,640	34,670	86,907	147,696	77,908	142,263	235,631	312,562	496,593	537,216	632,163	718,368
<i>Portfolio 3 (p=0.8)</i>	9,548	22,302	44,811	80,988	71,103	102,055	149,674	195,745	475,522	438,052	462,465	500,913
<i>Sterling Receiver Swaptions</i>	23.03%	19.63%	19.29%	17.08%	28.21%	25.76%	24.22%	20.82%	33.98%	31.41%	28.02%	23.61%
	<i>Swap Duration = 15 years</i>				<i>Swap Duration = 20 years</i>				<i>Swap Duration = 25 years</i>			

Notes:

Row zero shows the risk free rate rounded to two decimal places. When deriving the strike for each option we have not used the truncated risk free rate; rather we have used the risk free rate implied by the scenarios.

- (iv) The equity dividend yield and property rental yield parameters are modelled deterministically, with parameters as in table 6.6.

Income yield	
Asset Class	Income yield
Equity	2.93%
Property	4.29%

- (v) For the purposes of INSPRU 1.3.62 there are no significant overseas territories.
- (vi) The fit of the asset model to specimen swaptions is demonstrated below:

Ratio of simulated to market swaption volatilities					
		Swap length			
		5	10	20	30
Option maturity	5	103.79%			
	10		99.55%	98.06%	
	15				
	20		96.26%	99.81%	

The table demonstrated that the scenarios can be used to reproduce market volatilities. The observed errors are relatively small in the calibration range of length 10-20 years and 5 years expiry, showing that the simulation process does not introduce significant additional errors over and above that arising from the calibration process.

- (vii) We carry out comprehensive tests on the output produced by the Deloitte’s asset model as follows:

For UK and Overseas equities, UK property we have verified that the ratio of the average (over the simulated scenarios) of the discounted present values of projected asset values (with income reinvested) to the original asset value are acceptably close to unity– the martingale property.

The same test has been undertaken for 4 classes of zero-coupon gilts of term 4, 8, 11 and 13 years and for 4 classes of zero-coupon corporate bonds with terms of 4, 8, 11 and 13 years. Departures from unity in the average discounted present values have not had a significant impact on the valuation result.

We have verified that zero coupon bond yields calculated from the model cash output matches yields calculated from input Government spot rates and initial spot rates output from the model at time zero within an acceptable error margin.

For UK equity options we have verified, within acceptable limits, that the option prices calculated from the model output and converted into implied volatilities using the Black-Scholes formula reproduce the expected volatility surface.

We have also verified, within acceptable limits, that implied volatilities calculated from the simulation model output reproduces the market volatility term structure for 5, 10 and 20 year at the money swaptions

- (viii) The assets and liabilities have been computed using 1,000 (500 antithetic pairs of) simulated scenarios.

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Convergence tests were carried out to show the average cost of guarantees calculated by the model against the number of scenarios and it was found that the guarantee costs converge well within 1000 scenarios. The difference in the average cost of guarantees between 950 and 1000 scenarios is £0.1m.

- (b) Not applicable.
- (c) Not applicable.

(5) Management Actions

- (a) Reversionary bonus rates are modelled dynamically driven by targeting a final payout ratio, which is defined as the ratio of final benefits (i.e. maturity benefits) to guaranteed benefits. Bonus rates are increased if the projected payout ratio is higher than target and will be reduced if the projected payout ratio is less than target.
- (b) The following tables show the equity backing ratios for the fund, and annual bonus rates on accumulating with profits business.

% UK & Overseas Equities		Current Valuation Date	Current Valuation Date Plus 5 years	Current Valuation Date Plus 10 years
Type of business				
CWP Life (AMP/ R & T)	i	0% / 30%	0% / 30%	0% / 30%
CWP Pension	i	0%	0%	0%
UWP Life	i	38%	38%	38%
UWP Pension	i	38%	38%	38%
All	ii	Unchanged	Unchanged	Unchanged
All	iii	Unchanged	Unchanged	Unchanged

Reversionary bonus rates on accumulating with profits		Current Valuation Date	Current Valuation Date Plus 5 Years	Current Valuation Date Plus 10 Years
Type of business		p.a.	p.a.	p.a.
UWP Life	(i)	2.0%	Varies Dynamically	Varies Dynamically
UWP Pensions		2.5%	Varies Dynamically	Varies Dynamically
UWP Life	(ii)	2.0%	Varies Dynamically	Varies Dynamically
UWP Pensions		2.5%	Varies Dynamically	Varies Dynamically
UWP Life	(iii)	2.0%	Varies Dynamically	Varies Dynamically
UWP Pensions		2.5%	Varies Dynamically	Varies Dynamically

(6) Persistency Assumptions

The persistency assumptions used to determine the costs of guarantees, options and smoothing are outlined in the below table (i.e. the assumptions are consistent with those made for the with-profits benefits reserve prospective method). The assumptions are the same for both paid-up and premium-paying policies, and do not vary across policy durations.

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Average lapse rate for the policy years	Type	1- 5	6-10	11- 15	16- 20
Conventional whole life withprofits OB	Surrender	2.6%	2.6%	2.6%	2.6%
Conventional endowment withprofits OB savings	Surrender	2.0%	2.0%	2.0%	2.0%
Conventional pensions endowment withprofits	Surrender	3.0%	3.0%	3.0%	3.0%
Conventional deferred annuity withprofits	Surrender	2.0%	2.0%	2.0%	2.0%
Group conventional deferred annuity withprofits	Surrender	2.0%	2.0%	2.0%	2.0%
Group conventional pensions endowment withprofits	Surrender	1.8%	1.8%	1.8%	1.8%
Annuity withprofits (CPA)	Surrender	0.0%	0.0%	0.0%	0.0%
Miscellaneous conventional withprofits	Surrender	2.0%	2.0%	2.0%	2.0%
Annuity nonprofit (CPA)	Surrender	2.0%	2.0%	2.0%	2.0%
Life UWP whole life regular premium	Surrender	3.0%	3.0%	3.0%	3.0%
Individual pensions UWP	Surrender	4.5%	4.5%	4.5%	4.5%

The annuitant mortality and take-up rate assumptions are shown in the below tables respectively.

Annuitant Mortality Assumptions	Males	Females
Annuitant mortality	95% PCMA00 CMI_2014 [2% to age 85, reducing linearly to 0% from age 110]	85% PCFA00 CMI_2014 [1.75% to age 85, reducing linearly to 0% from age 110]

Take Up Rates		
GAO Settings	Other Pensions	Policies within 'POLMIG' group scheme
Assumed GAO take up rate	60%	20%

(7) Policyholders' Actions

There are no dynamic policyholder actions modelled in London Life With-Profits Fund.

7. Financing Costs

The Court Scheme covering the Part VII transfer of London Life Limited With Profits business into Phoenix Life Assurance Limited specifies that capital support is to be provided.

Capital support is initially advanced from Phoenix Life Assurance Limited Non Profit Fund, and once that Funds capacity to provide capital has been exhausted, from Phoenix Life Assurance Limited Shareholder Fund. The level of capital support advanced aims to give a £5m excess (assets minus liabilities, excluding capital requirements) on the lower of the regulatory or realistic peak. No interest is payable on the capital support advanced.

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Regular investigations (at least twice a year) are carried out and the level of capital support is either increased or reduced to maintain the £5m excess on the 'biting' peak. Any excess (assets minus liabilities, excluding capital requirements) on the realistic peak is shown as financing costs in Form 19.

8. Other Long-Term Insurance Liabilities

A breakdown of the other long-term insurance liabilities before the allocation of working capital as shown in Line 47 of Form 19, is set out below.

Other Long-Term Insurance Liabilities at 31 December 2015	
	£m
MSA Expense Reserve Adjustment	1.0
Provisions	1.2
Total	2.2
Form 19 Line 47	2.2

No provisions have been included in respect of any other liabilities related to regulatory duty to treat customers fairly.

9. Realistic Current Liabilities

The realistic current liabilities at 31 December 2015 stood at £59.6m, which is the same as the regulatory current liabilities at the same date, since there is no additional provision for adverse deviations in the regulatory liabilities for the valuation at 31 December 2015.

Current liabilities at 31 December 2015 (£m)	
Liability	Value
Outstanding claims	7.0
Other provisions	0.0
Creditors	52.1
Accruals and deferred income	0.2
Direct Insurance Business	0.2
Deferred tax liability	0.0
Debenture loans - unsecured	0.0
Amounts owed to credit institutions	0.0
Total Realistic Current liabilities	59.6
Provision for "reasonably foreseeable adverse variations"	0.0
Total Regulatory Current Liabilities	59.6

10. Risk Capital Margin

- (a) The risk capital margin for London Life at 31 December 2015 is zero.

The most onerous scenario for London Life (i.e. the one which reduces the financing costs the most) is that which combines:

- (i) The market risk scenario assumes that equities fall by 20% and property falls by 12.5%. The equity fall and the property fall were the more onerous scenarios.
 - (ii) The nominal change in yields for fixed interest securities for the purpose of the market risk scenario is 0.42%. This represented a change of 17.5% in the level of the long-term gilt yield from a level of 2.42%. This is consistent with a rise or fall of 17.5% in the long term gilt yield. A fall in yields is the most onerous scenario.
 - (iii) (a) The average change in spreads for bonds was +21 basis points when weighted by value, resulting in a 2.50% fall in corporate bond asset values.
 - (b) Not applicable.
 - (c) Not material. Our interpretation of INSPRU is that intra-group reinsurance is not subject to the reinsurance credit risk event.
 - (d) Not applicable.
 - (e) Derivatives exposed to swap spread risk rather than credit spread risk are no longer re-valued as part of a credit stress.
 - (iv) The persistency risk scenario was a decrease in surrender and paid-up rates of 32.50% resulting in a 0.14% increase in the realistic value of liabilities.
 - (v) Not applicable.
- (b) No particular management actions were assumed for the purposes of calculating the risk capital margin.
- (c) (i) No additional assets are required to cover the risk capital margin.
- (ii) As described in Section 7, the Scheme provides for an inter-fund support mechanism whereby assets are transferred, via a loan, from the non-profit and Shareholder Funds.

11. Tax

The following tax treatment has been assumed:

- (i) For assets backing the with-profits benefits reserve, policyholder taxes are calculated on the "I-E" tax basis applicable to BLAGAB business and deducted from the with-profits benefit reserve. The tax rates assumed are 20% on savings income and indexed capital gains and nil on franked income received net of the non-recoverable tax credit. Tax relief on expenses are assumed to be 20%.
- (ii) Allowance is made for the "I-E" tax due on assets needed to back the excess of realistic liabilities over and above the with-profits benefits reserve and is included in the Other Long Term Insurance Liabilities.
- (iii) The allowance made for tax on the assets backing realistic current liabilities is similar to that outlined in (ii) above.

12. Derivatives

The below table describes the significant movements in the working capital of the with profits fund from the preceding financial year.

Swap	Interest Rate Swap	long	Market value (£'000)	Nominal value (£'000)
Swap	Interest Rate Swap	long	23,177	722,077
Swap	Interest Rate Swap	Short	(30,298)	435,370
Swap	Inflation Rate Swap	Short	(150)	8,330
Future	Equity index Futures	Long	-	216
Currency Forwards	Currency Forwards	Long	0	136
Currency Forwards	Currency Forwards	Short	(45)	2,502
Swaption	Interest Rate Swaption	Payer	200	134,440

13. Analysis of Working Capital

	£m
Opening Working Capital	30
Write back planned benefit enhancements to zeroise working capital	
Revised opening working capital	30
Opening Adjustments	0
Restated opening working capital	30
Impact of new business	0
Expected return on opening surplus	0
Experience variances	2
Assumption changes	
- Non-economic	5
- Economic	
- Policyholder actions	0
Model and methodology changes	6
Other Variances	
- Economic	(5)
- Non-economic	
- Management actions	
- New provisions	4
- Capital movements	(43)
- Unexplained	7
Working capital at 31 December 2015	5

Capital movement in the fund reflects the capital support provided to the fund such that the working capital on a regulatory basis is at least £5m in accordance with the regulations.

14. Optional disclosure

Not applicable.

APPENDIX 9.4A**NATIONAL PROVIDENT LIFE WITH-PROFITS FUND****2. Assets****(1) Economic Assumptions For Valuing Non-Profit Business**

The economic assumptions for non-profit policies are as follows:

Economic Assumption	Current Valuation	Previous Valuation
Gross Investment return	See below	See below
Risk discount rate	See below	See below
RPI Inflation	3.12%	3.10%
Expense inflation	4.12%	3.10%

A market-consistent valuation was used to determine the value of future profits on non-profit insurance contracts written within the National Provident Life Limited Fund. These were based on a zero coupon gilt yield curve plus 10 basis points as at the valuation date.

Earned rates of return were assumed to be annual forward yields derived from the curve, net of tax and investment fees.

The risk free yield curves (gilt yield curve plus 10 basis points) were:

Risk free yields	Risk Free Rate	
Term (years)	Current Valuation	Previous Valuation
1	0.36%	0.43%
2	0.67%	0.68%
3	1.02%	0.92%
4	1.28%	1.13%
5	1.45%	1.31%
6	1.60%	1.48%
7	1.74%	1.62%
8	1.88%	1.75%
9	2.01%	1.87%
10	2.14%	1.97%
12	2.35%	2.16%
15	2.59%	2.38%
20	2.85%	2.62%
25	2.95%	2.75%

(2) Amount Determined Under INSPRU 1.3.33R(2)

Not applicable.

(3) Valuation Of Contracts Written Outside The Fund

Not applicable.

(4) Different Sets Of Assumptions

Not applicable.

3. With-Profits Benefit Reserve Liabilities

(1) Calculation Of With-Profits Benefits Reserve

A retrospective method has been used to calculate the with-profit benefits reserves for all significant classes of with-profit insurance contracts. This method is the calculation of an asset share.

The following table shows the method used to calculate the with-profit benefits reserve for each class of product and the amount of the with-profit benefits reserve and the future policy related liabilities for each class:

Product Type	Method	With-profits benefits reserve	Future policy related liabilities
		£m	£m
UWP Life	Retrospective	98	74
CWP Life	Retrospective	14	11
Life Total		112	85
UWP Pensions	Retrospective	1,292	982
CWP Pensions	Retrospective	119	91
Total Pensions		1,411	1,072
Total		1,522	1,157
Form 19 Line 31		1,522	-
Form 19 Line 49		-	1,157

(2) Correspondence With Form 19

The with-profits benefits reserve and future policy related liability figures in the above table represent the totals in Form 19.

(3) With-Profits Benefits Reserves below De Minimis Limit

Not applicable.

(4) Types Of Products

Not applicable.

4. With-Profits Benefits Reserve – Retrospective Method

(1) Retrospective Methods

- (a) All contracts have been calculated on an individual benefit basis.
- (b) Not applicable.
- (c) Not applicable.

(2) Significant Changes To Valuation Method

- (a) Not applicable. The new methodology uses a retrospective approach for all business. In the case of policies that were previously valued using either a retrospective shadow-fund or a prospective approach, the base point for the retrospective accumulation is the asset share included for the relevant policy at the 31 December 2012 valuation based on the shadow-fund value or the prospective valuation at that time.
- (b) No contract's with-profits benefits reserve has been calculated using an approach that is more approximate that at the previous valuation date.

(3) Expense Allocation

The PLAL 2015 Scheme effected at the time of the Part VII transfer to Phoenix Life Assurance Limited, 30 June 2015, specifies the calculation basis for determining the aggregate expenses to be charged to the fund in respect of administration and investment management. The administration expenses are expressed as an amount per policy or per benefit, with the policy and benefit counts calculated as at 1 July each year. Amounts allocated to the NPL WP Fund in respect of investment management fees shall be determined by the PLAL Board on such basis as the PLAL With-Profits Committee may approve. Expenses that are not deemed to be administration or investment management expenses can only be charged to the fund if deemed appropriate by the PLAL With-Profits Committee.

- (a) The calculation of the administration expenses chargeable to the fund was last performed as at 1 July 2015.
- (b) The calculation of the administration expenses chargeable to the fund is performed annually.
- (c) (i) No expenses were identified as initial expenses.

(ii) A table of maintenance expenses allocated to the with-profit benefit reserves during 2015:

Product Class	Maintenance expenses £m	Investment management expenses £m
Conventional with-profit life	0.0	0.0
Conventional with-profit pensions	0.8	0.2
Accumulating with-profit with guaranteed bonuses	7.3	1.5
Accumulating with-profit with no guaranteed bonuses	0.6	0.1
Capital Account/Deposit Administration	0.4	0.1
Total	9.2	1.8

The maintenance expenses above are in line with the Demutualisation Scheme.

(iii) For conventional with-profit policies, the expenses charged to individual with-profit benefits reserves are the maintenance expenses expressed as per policy amounts, together with investment management expenses expressed as a percentage of the with-profit benefits reserves. The maintenance expenses vary by product line, as set out in the Demutualisation Scheme.

For unitised with-profit, capital account and deposit administration policies, an allowance for expenses is made through the annual management charge expressed as a percentage of the with-profit benefits reserves rather than the per policy amount set out in the Demutualisation Scheme.

(iv) Additional maintenance expenses were charged to the fund in respect of non-profit and unit-linked business of £15.3m. Including the investment management fees of £3.7 million charges to with-profits asset share, investment management fees of £3.8 million were charged to the fund.

The following table shows the expense amounts charged to the fund in addition to the administration expenses and investment management fees. None of these expenses were charged to the with-profit benefits reserves.

	Additional expenses, £m
Audit fees	0.07
Regulatory fees	0.12
Securitised loan/Bank of Ireland administration costs	0.46
Charge for AFH and WPA services	0.15
Other expenses	0.98
Total	1.78

(4) Significant Charges

A charge of 2% was deducted from the with-profit benefits reserves during the financial year and held in an earmarked account in accordance with the management actions described below. Smoothing account recharges of £10.7 million were credited to the with-profit benefits reserves during the financial year. For the previous financial year, a similar charge of 2% was deducted from the with-profit benefits reserves and held in the earmarked account. Smoothing recharges of £0.7 million were credited to the with-profit benefits reserves during the previous financial year.

(5) Charges For Non-Insurance Risk

No charges were deducted from the with-profit benefits reserves in respect of non-insurance risk.

(6) Ratio Of Claims To Reserve

The average claim to with-profit benefit reserve payout ratio for each year is shown in the table below:

Average Claim Payout Ratio (%)	
Year	Payout Ratio
2015	137%
2014	123%
2013	123%

(7) Allocated Return

The investment return allocated to the with-profit benefits reserve for Capital Account and Deposit Administration business in respect of the financial year was 0.94%. The investment return in respect of Capital Account and Deposit Administration business is calculated from the assets hypothecated to that business.

The investment return allocated to the with-profits benefits reserve for these policies in respect of the financial year can be found below.

Type of business	Investment return
Life UWP Series 1 – 3% guaranteed bonus	-0.29%
Pension UWP Series 1 – 4% guaranteed bonus	0.12%
Life UWP – non guaranteed bonus	-1.00%
Pension UWP – non guaranteed bonus	-0.79%
CA/DA	0.94%
Other Life with-profits business	-0.36%
Other Pension with-profits business	0.12%

5. With-Profits Benefits Reserve – Prospective Method

(1) Key Assumptions

Not applicable.

(2) Different Sets Of Assumptions

Not applicable.

6. Costs of Guarantees, Options and Smoothing

(1) De Minimis Limit

Not applicable.

(2) Valuation Methods For Guarantees etc.

(a) The cost of all significant guarantees, options and smoothing have been valued using a full stochastic approach.

(b) (i) Not applicable.

(ii) All of the contracts are valued on a grouped basis.

(iii) At the current valuation date a cluster modelling technique has been used to reduce the number of modelled policies whereby all individual policies are assigned to one of a smaller number of representative model points in such a way that the sum of the differences between each individual policy and the representative policy to which it has been assigned in certain key metrics are minimised. Validation of the technique involves ensuring that the difference between the total realistic liabilities, and separately, the asset shares on a deterministic basis calculated on the seriatim data and on the clustered data falls within a set tolerance.

In total there are 118,003 individual policies and members of group schemes, which have been grouped together into 4,801 model points.

(c) Not applicable.

(3) Significant Changes

Cost of significant guarantees and options

At the valuation date all guarantees and options are valued using a stochastic approach. At the previous valuation date, liabilities relating to the Guaranteed Minimum Pension under the Pension Transfer Plan product were valued using a deterministic approach.

Dynamic asset share charging

At the valuation date, the assumptions used to charge future asset shares for some of the cost of providing policy guarantees are remain constant in all scenarios. At the previous valuation date, these assumptions were set dynamically and could vary by scenario with the maximum charge being determined by the constant assumption.

(4) Further Information on Stochastic Approach

(a) (i) The main contractual guarantee costs valued are:

- Lump sum benefits, where the sum assured and attaching reversionary bonuses, plus any guaranteed or discretionary future reversionary bonuses, is payable either at maturity, death or at points where no MVA can be applied. The vast majority of these guarantees are in the money.
- The Pension Transfer Plan product includes, for a large proportion of cases, a commitment to pay a pension of at least the amount of the attaching Guaranteed Minimum Pension. These guarantees are largely in the money.

The non-contractual guarantee costs valued are:

- The Mortgage Endowment Promise where National Provident Life Limited will pay an amount at least equal to the mortgage the policy was originally taken out to cover, subject to certain conditions on the fund's investment performance. These guarantees are largely in the money.

The costs of financial options relate to:

- Guaranteed annuity rates applying on Deposit Administration business, where a guaranteed annuity rate specified in the contract can be applied at retirement to convert the cash benefits into annuity benefits. Generally, these annuity rate guarantees are in the money.
- The cost of smoothing arises due to the policy of constraining the change in payouts from year to year. This acts as a constraint on targeting payouts to 100% of asset share.

NPL WITH-PROFITS FUND

- (ii) The fund uses the Deloitte ESG calibration for internal production. This model assumes:
- A LIBOR Market Model with displaced diffusion and stochastic volatility (LMM-DDSV) is used to generate risk-free rates over a complete yield curve, calibrated to the UK nominal spot curve plus 10 basis points, consistent with the deterministic projections. Interest rate volatility is calibrated to swaption implied volatilities. Both the nominal yield curve and interest rate volatilities are provided directly by Deloitte.
 - Corporate bond returns are modelled using the extended Jarrow-Lando-Turnbull model. This describes bond prices in terms of a risk-neutral transition matrix, which gives the probability of transitions between credit ratings over one year. Risk neutral transition probabilities are assumed to vary stochastically. The transition matrix is calibrated to the credit spreads on corporate bonds for various ratings and terms. The model was fitted to a sample of predominantly investment grade sterling corporate bonds.
 - Domestic equity processes are modelled using a Stochastic Volatility Jump Diffusion (SVJD) model. Where funds contain European business, the domestic equities for both GBP and Euro business are modelled using SVJD.
 - Overseas equity, direct property, indirect property and alternative assets are all modelled using a constant volatility Black-Scholes model.

Interest rates

The interest rate calibration process is in two steps:

- A zero-coupon yield curve is initially derived, which is calibrated to the gilt curve with a +10bp adjustment.
- Interest rate volatilities are calibrated to swaption implied volatilities using weighted least squares over the swaption volatility surface. Additional weightings are applied on contracts with longer swap tenors and longer dated option maturities.

The gilt curve with a +10bp adjustment is as supplied by Deloitte's.

The market swaption volatilities were supplied by Deloitte's.

Corporate bond spreads

The corporate bond portfolio is modelled as a constant-weight mixture by credit rating as follows: AAA, AA, A and BBB. In each portfolio, the corporate bond process models the variation in the spread over risk free bonds.

There are two elements to the credit spread calibration process:

- The credit transition matrix is calibrated to historic data based on historical 1 year transition probabilities and the long term historical default probabilities.
- The credit risk premium process is initialised to current market data.

The asset model uses a credit transition matrix. The fit of the model is designed to exactly target the market spread on a 7 year A rated bond. Credit derivatives are not used to derive market implied transition probabilities.

NPL WITH-PROFITS FUND

The following table show the credit spreads over gilts + 10bp at 31 December 2015 in basis points:

Corporate Bond Spread				
Term	AAA	AA	A	BBB
2	0	69	105	162
4	0	89	120	218
7	60	105	160	236
9	77	98	152	220
12	0	99	156	212
15	46	113	166	208

For some AAA rated bonds the initial spread information is not available as there were insufficient bonds of the relevant term to produce reliable index values. This does not cause a problem for the stochastic model as only the initial spread of the 7 year A-rated bond is used directly in calibrating the model

Equity and Property

Five asset classes are modelled as equity-type processes: domestic equities, overseas equities, direct property, indirect property and alternative assets.

The Economic Scenario Generator (domestic equity) asset modelling remains in line with the latest industry practice, employing the SVJD equity model. The model uses a local volatility surface calibrated to market implied volatilities for a range of strikes and maturities, using a constant-weight least squares approach. The equity index is modelled stochastically using Heston's stochastic volatility model and incorporates a discontinuous jump diffusion component driven by a Poisson process.

The generated implied volatility surface for domestic equities in the calibration is shown below:

	Strike							
	%	0.7	0.8	0.9	1	1.1	1.2	1.3
Maturity	1							
	3	23.9	21.8	19.3	16.7	14.7	14.2	14.8
	5	22.9	20.8	19.1	17.6	16.4	15.2	14.0
	7	22.3	20.6	19.2	18.1	17.0	15.9	15.0
	9	22.4	21.1	20.0	19.1	18.3	17.6	16.9
		22.1	21.0	20.2	19.5	18.8	18.2	17.7

All other equity type asset classes are modelled using constant volatility. These parameters are shown below:

OS equity volatility	26.96%
Property volatility	15.00%
Quant fund volatility	4.59%
Fundamental volatility	7.12%

The correlations between the log-normal processes are equated to the correlations between asset classes and between changes in risk-free bond yields.

NPL WITH-PROFITS FUND

The correlations assumed are as follows:

	UK equities	OS equities	Property	Interest rates	Quant	Fundamental
UK equities	1.00	0.40	0.14	-0.06	0.22	0.22
OS equities		1.00	0.10	0.11	0.30	0.38
Property			1.00	0.16	0.16	0.30
Interest rates				1.00	-0.22	-0.35
Quant					1.00	0.54
Fundamental						1.00

The volatility and correlation assumptions for standard asset classes are derived from best estimate assumptions. The correlation assumptions for the two hedge fund asset classes, Quant and Fundamental, are those recommended by Ignis.

(iii) The following table shows the simulated values of specific options and/or contracts.

The table contains the values derived from the same set of 1000 scenarios that are used for the base realistic balance sheet.

K	0.75				1				1.5			
	5	15	25	35	5	15	25	35	5	15	25	35
<i>Annualised compound equivalent of the risk free rate assumed for the period (r)</i>	1.45%	2.59%	2.95%	2.75%	x	x	x	x	x	x	x	x
<i>Risk-Free Zero Coupon Bond</i>	930,485	681,101	483,335	386,522	x	x	x	x	x	x	x	x
<i>FTSE All Share Index (p=1)</i>	66,370	178,776	301,361	379,080	155,104	313,368	471,084	566,802	512,739	671,737	857,772	974,654
<i>FTSE All Share Index (p=0.8)</i>	63,766	153,788	240,309	291,873	148,471	270,635	377,622	436,633	493,343	585,331	697,296	760,151
<i>Property (p=1)</i>	36,450	139,332	244,498	330,507	142,117	279,997	412,583	516,204	523,277	652,270	795,402	925,221
<i>Property (p=0.8)</i>	33,633	114,404	184,714	242,916	134,139	234,405	319,802	387,052	504,066	563,952	635,270	709,940
<i>15yr Risk-Free ZCBs (p=1)</i>	18,772	34,951	18,380	38,131	103,888	128,989	107,899	149,650	502,574	518,600	514,286	536,178
<i>15yr Risk-Free ZCBs (p=0.8)</i>	17,087	24,013	6,875	11,038	96,716	93,451	48,647	65,206	482,278	416,061	330,099	319,175
<i>15yr Corporate Bonds (p=1)</i>	23,288	46,061	30,476	53,564	110,754	144,327	126,567	171,861	504,580	521,285	519,462	549,981
<i>15yr Corporate Bonds (p=0.8)</i>	21,403	32,784	13,715	22,910	103,483	108,321	64,915	83,229	484,473	423,072	340,768	339,220
<i>Portfolio 1 (p=1)</i>	32,943	121,635	237,469	319,854	115,380	253,834	401,960	502,399	502,579	621,507	783,977	908,543
<i>Portfolio 1 (p=0.8)</i>	30,981	98,780	179,976	235,205	108,579	210,811	310,883	374,913	482,274	531,994	624,323	695,017
<i>Portfolio 2 (p=1)</i>	27,808	80,130	150,255	209,068	106,267	204,026	311,689	386,033	500,153	580,349	705,929	796,999
<i>Portfolio 2 (p=0.8)</i>	26,112	61,439	97,982	131,311	99,530	161,954	220,923	262,026	479,389	486,880	540,163	578,308
<i>Portfolio 3 (p=1)</i>	10,640	34,670	86,907	147,696	77,908	142,263	235,631	312,562	496,593	537,216	632,163	718,368
<i>Portfolio 3 (p=0.8)</i>	9,548	22,302	44,811	80,988	71,103	102,055	149,674	195,745	475,522	438,052	462,465	500,913
<i>Sterling Receiver Swaptions</i>	23.03%	19.63%	19.29%	17.08%	28.21%	25.76%	24.22%	20.82%	33.98%	31.41%	28.02%	23.61%
	<i>Swap Duration = 15 years</i>				<i>Swap Duration = 20 years</i>				<i>Swap Duration = 25 years</i>			

Notes:

Row zero shows the risk free rate rounded to two decimal places. When deriving the strike for each option we have not used the truncated risk free rate; rather we have used the risk free rate implied by the scenarios.

(iv) The equity dividend yield has been set to 2.93% and the property rental yield has been set to 4.29%.

(v) For the purposes of INSPRU 1.3.63R there are no significant overseas territories.

(vi) The fit of the asset model to specimen swaptions is demonstrated below:

Ratio of simulated to market swaption volatilities					
		Swap length			
		5	10	20	30
Option maturity	5	103.79%			
	10		99.55%	98.06%	
	15				
	20		96.26%	99.81%	

The table demonstrated that the scenarios can be used to reproduce market volatilities. The observed errors are relatively small in the calibration range of length 10-20 years and 5 years expiry, showing that the simulation process does not introduce significant additional errors over and above that arising from the calibration process.

(vii) We carry out comprehensive tests on the output produced by the Deloitte's asset model as follows:

For UK and Overseas equities, UK property, Quant and Fundamentals we have verified that the ratio of the average (over the simulated scenarios) of the discounted present values of projected asset values (with income reinvested) to the original asset value are acceptably close to unity– the martingale property.

The same test has been undertaken for 4 classes of zero-coupon gilts of term 4, 8, 11 and 13 years and for 4 classes of zero-coupon corporate bonds with terms of 4, 8, 11 and 13 years. Departures from unity in the average discounted present values have not had a significant impact on the valuation result.

We have verified that zero coupon bond yields calculated from the model cash output matches yields calculated from input Government spot rates and initial spot rates output from the model at time zero within an acceptable error margin.

For UK equity options we have verified, within acceptable limits, that the option prices calculated from the model output and converted into implied volatilities using the Black-Scholes formula reproduce the expected volatility surface.

We have also verified, within acceptable limits, that implied volatilities calculated from the simulation model output reproduces the market volatility term structure for 5, 10 and 20 year at the money swaptions.

(viii) The assets and liabilities have been computed using 1,000 (500 antithetic pairs of) simulated scenarios.

(b) Not applicable.

(c) Not applicable.

(5) Management Actions

On 30 June 2015 under the Part VII transfer, assets within the Transfer Capital Fund were combined with the Estate.

- (a) The management actions implemented in the model assume that the maximum charge of 2% per annum is deducted from projected asset shares, subject to the overall cap of 25%. No other management actions were assumed.

If the Estate is not needed to meet the cost of guarantees and other calls upon it, it will be payable to policyholders by way of Estate distributions

- (b) The estimated proportions of equities (both UK and non-UK) backing the with-profit benefits reserves are as follows:

	31 December 2015	31 December 2020	31 Decemeber 2025
Proportion of quities backing with-profit benefit reserves	4%	4%	4%

These proportions apply in each of the three scenarios.

Current reversionary bonus rates on UWP Life business are 3% on Series I units and 0% on Series II to Series VII units. Current reversionary bonus rates are 4% on Pensions UWP Series I ordinary units and 0% on both Pensions UWP Series I initial units and Series II ordinary units. These rates are not expected to change in the future and the modelling assumes that this is the case.

(6) Demographic Assumptions

The persistency assumptions used to determine the costs of guarantees, options and smoothing are outlined in the following table.

Product		Average lapse / surrender / paid up rate for the policy years
		All Durations
CWP savings endowment	surrender	0.80%
CWP target cash endowment	surrender	0.80%
UWP bond	surrender	5.00%
UWP bond	automatic withdrawal	100% of current
UWP ind pension regular premium	PUP	15.00%
UWP ind pension regular premium	surrender	4.50%
UWP ind pension single premium	surrender	1.40%

Note: the “UWP ind pension regular premium” surrender rate is assumed for single and regular premium UWP non-DSS pensions. The “UWP ind pension single premium” surrender rate is assumed for UWP DSS pensions.

100% take up rate is assumed on all guaranteed annuity options or guaranteed conversion options.

The annuitant mortality assumptions are 102.5% of RMV00 for male lives and 102.5% of RFV00 for female lives.

Future mortality improvements are based on the CMI 2014 tables with a long term annual improvement assumption of 2% for males and 1.75% for females up to age 85 reducing linearly to 0% at age 110.

(7) Policyholders' Actions

There is no allowance for any actions that would be taken by policyholders in the projection of the assets and the liabilities.

7. Financing Costs

The future policy related liabilities also include allowance for a number of financing arrangements:

Breakdown of financing costs in Form 19 (F19 L45)	£m
Securitised loan	93.0
Earmarked Portfolio	-
Shareholder equalisation fund	-
Capital funds	-
Financing costs	93.0

(1) Securitised loan

Future profits from a particular block of accumulating with-profit and unit linked business have been securitised. The repayments to the bondholders follow a fixed payments schedule until 2023 and are met from the surplus arising on the securitised block of business. The nominal amount outstanding currently stands at £83 million and nominal amount outstanding including interest payments currently stands at £108.3 million, where interest payments are calculated at 7.59730% for the Class A2 bonds (the Class A1 bonds have been repaid in full as at September 2012). The stochastic model tests whether the surplus on the appropriate classes of business is sufficient to meet the scheduled payment, and the cashflows are then discounted using the scenario specific discount rates. The expected market consistent value of the amounts to be repaid is £93.0 million.

(2) Earmarked Portfolio, Shareholder Equalisation Fund and Earmarked Portfolio.

On 30 June 2015 under the Part VII transfer

- assets within the Capital Funds were combined with the Estate
- assets within the Earmarked Portfolio and Shareholder Equalisation Fund were repaid to PLAL and replaced with an initial instalment of non-interest bearing replacement capital support.

8. Other Long-Term Insurance Liabilities

A breakdown of the other long-term insurance liabilities is set out below.

Other Long-Term Insurance Liabilities at 31 December 2015	
Liability	Value, £m
An additional liability to shareholders	169.5
Additional Expense Reserve	10.9
Other Provisions	-
Total	180.4
Form 19 Line 47	180.4

No provisions have been included in respect of 'Any other liabilities related to regulatory duty to treat customers fairly'.

9. Realistic Current Liabilities

The regulatory current liabilities comprise of the other current liabilities as reported within Form 14 lines 17 to 41.

The realistic current liabilities of £133.5 million shown at line 51 of Form 19 are the same as the regulatory current liabilities.

10. Risk Capital Margin

(a) The risk capital margin for National Provident Life Limited at 31 December 2015 is nil.

The most onerous scenario for National Provident Life Limited is that which combines:

(i) The percentage changes in the market value of equities and real estate for the purposes of the market risk scenario for UK assets were 20% and 12.5% respectively. A fall in the market value of these assets was the more onerous in each case.

There were no significant territories for the purposes of INSPRU 1.3.62R(1)(b).

(ii) The nominal change in yields assumed for fixed interest securities for the purpose of the market risk scenario for UK assets was 0.38%. This represented a change of 17.5% in the level of the long-term gilt yield from a level of 2.19%. A fall in the level of yields was the more onerous change.

There were no significant territories for the purposes of INSPRU 1.3.62R(1)(b).

(iii) The average increase in spread for bonds (weighted by value) that resulted from applying the credit risk scenario to the with-profit sub fund's assets was 24 basis points.

- The change in value for the with-profit sub fund bond assets was a 0.55% decrease in asset value.
- Not applicable.
- Not applicable.
- Not applicable.
- There was no change in value for other assets in the with-profit sub fund.

(iv) The persistency risk scenario resulted in a 3.36% increase in the realistic value of liabilities.

(v) Not applicable.

(b)

(i) No management actions additional to those described in 6(5)(a) above were assumed for the purposes of calculating the risk capital margin.

(ii) Not applicable.

(iii) Not applicable.

(iv) Not applicable.

(c) (i) No additional assets are required to cover the risk capital margin.

(ii) As described in Section 7, the Scheme provides for an inter-fund support mechanism whereby assets are transferred, via a loan, from the non-profit and Shareholder Funds.

11. Tax

- (i) For assets backing the with-profit benefits reserve, policyholder taxes are calculated on an "I-E" tax basis applicable to BLAGAB business and deducted from the with-profit benefit reserve. The tax rate assumed was 20% on savings income, rental income and indexed capital gains. Tax relief on expenses has been assumed to be at 20%. No tax is assumed on pensions business.
- (ii) Allowance is made for the "I-E" tax due on assets needed to back the excess of realistic liabilities over and above the with-profit benefits reserve and is included in the other long term insurance liabilities shown in Form 19 line 47.
- (iii) The allowance made for tax on the assets backing realistic current liabilities is similar to that outlined in (ii) above.

12. Derivatives

Broad type of derivative	Description	Details	Market value (£'000)	Nominal value (£'000)
Swap	UK Interest Rate Swap	Receiver	118,493	1,213,725
Swap	UK Interest Rate Swap	Payer	(134,364)	733,848
Swap	Inflation indexed swaps	Receiver of RPI	(1,981)	88,020
Future	Equity index Futures	Short	(2,745)	59
Currency Forwards	Currency Forwards	Buy GBP	(212)	12,801
Future Gilt	Future Gilt		149	23,300

13. Analysis of Working Capital

The following table sets out the significant movements in the working capital, shown in Form 19 line 68, from 30 June 2015 to 31 December 2015.

	£m
Opening Working Capital	0.0
Working Capital transferred in	140
Revised opening working capital	140
Opening Adjustments	0
Restated opening working capital	140
Impact of new business	0
Expected return on opening surplus	0
Assumption changes	
- Non-economic	12
- Economic	
- Policyholder actions	(5)
Model and methodology changes	54
Other Variances	
- Economic	(23)
- Non-economic	(1)
- Management actions	
- New provisions	
- Capital movements	(10)
- Unexplained	2
Closing working capital before zeroisation	169
Impact of planned enhancement on future policy related liabilities	0
Working capital at 31 December 2015	169

14. Optional Disclosure

Not applicable.

Returns under the Accounts and Statements Rules

Statement of information on the with-profits actuary required by rule 9.36

PHOENIX LIFE ASSURANCE LIMITED

Global Business

Financial year ended 31 December 2015

Throughout the year, the actuary who was appointed to perform the with-profits actuary function was K J Arnott.

1.
 - a) During the year, K J Arnott held up to 865 shares in Phoenix Group Holdings ("PGH"), the ultimate holding company, under the Company's Share Incentive Plan. He also held options to subscribe for up to 66,072 shares in PGH granted under the Company's Deferred Bonus Scheme and Long Term Incentive Plan.
 - b) Mr Arnott held an insurance policy issued by the insurer in the normal course of business, the transactions being of a minor nature.
 - c) The aggregate of the remuneration and value of other benefits receivable by K J Arnott from the insurer in respect of 2014 was £457,570 including the proceeds from the vesting of options to subscribe for shares in PGH granted under the Company's Long Term Incentive Plan.
 - d) Mr Arnott was a member of the PGL Pension Scheme throughout the year, and was entitled to the standard benefits under the rules of the scheme.
2. The insurer has made a request to K J Arnott to furnish it the particulars specified in rule 9.36(1) of IPRU(INS). The above particulars were obtained from the insurer's Human Resources records with the agreement of K J Arnott.

Note 1

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

Returns under the Accounts and Statements Rules

Certificate required by rule 9.34(1)

PHOENIX LIFE ASSURANCE LIMITED

Global Business

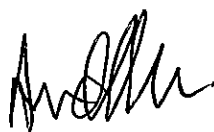
Financial year ended 31 December 2015

We certify that: -

1. (a) the return has been properly prepared in accordance with the requirements in IPRU(INS), GENPRU and INSPRU as modified by the waiver in supplementary note 0201; and
- (b) we are satisfied that:
 - (i) throughout the financial year in question, the insurer has complied in all material respects with the requirements of the Fundamental Rules, SYSC and as well as the provisions of IPRU(INS), GENPRU and INSPRU.

The certificate required by IPRU(INS) Appendix 9.6 paragraph 1(1)(b)(ii) in respect of compliance since the end of the financial year in question with the requirements in SYSC, Fundamental Rules and the provisions of IPRU(INS), GENPRU and INSPRU and ongoing compliance has not been provided. This is because these requirements have been replaced as from 1 January 2016, the commencement date of Solvency II, so the firm is subject to a new regulatory regime.

2. (a) in our opinion, premiums for contracts of long-term insurance 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;
- (c) the with profits funds have been managed in accordance with the Principles and Practices of Financial Management, as established, maintained and recorded under COBS 20.3; and
- (d) the directors have, in preparing the return, taken and paid due regard to:
 - (i) advice from every actuary appointed by the insurer to perform the actuarial function in accordance with SUP 4.3.13R; and
 - (ii) advice from every actuary appointed by the insurer to perform the with-profits actuary function in accordance with SUP 4.3.16AR.



A Moss
Chief Executive



S Mohammed
Director



S C True
Director

Date: 16 March 2016

Returns under the Accounts and Statements Rules

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

PHOENIX LIFE ASSURANCE LIMITED

Global business

Financial year ended 31 December 2015

We have audited the following documents prepared by the insurer pursuant to the Accounts and Statements Rules set out in Part I and Part IV of Chapter 9 to IPRU(INS) the Interim Prudential Sourcebook for Insurers, GENPRU the General Prudential Sourcebook and INSPRU the Prudential Sourcebook for Insurers ("the Rules") made by the Prudential Regulation Authority under section 137G of the Financial Services and Markets Act 2000:

- Forms 2, 3, 11 to 19, 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 valuation reports required by IPRU(INS) rule 9.31 ("the valuation reports").

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

- 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 required by 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 audit work 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 auditor's 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 audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the insurer and its auditor

The insurer is responsible for the preparation of an annual return (including the Forms, the statement and the valuation reports) under the provisions of the Rules. The requirements of the Rules have been modified by the direction on 6 December 2012 made by the Prudential Regulation Authority under section 138A of the Financial Services and Markets Act 2000 and referred to in supplementary note 0201. Under IPRU(INS) rule 9.11 the Forms, the statement and the valuation reports are required to be prepared in the manner specified by the Rules and to state fairly the information provided on the basis required by the Rules. The methods and assumptions determined by the insurer and used to perform the actuarial investigation as set out in the valuation reports are required to reflect appropriately the requirements of INSPRU 1.2 and 1.3.

It is our responsibility to form an independent opinion as to whether the Forms, the statement and the valuation reports meet these requirements, and to report our opinion to you. We also report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the Forms, the statement and the valuation reports are not in agreement with the accounting records and returns; or

Returns under the Accounts and Statements Rules

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

PHOENIX LIFE ASSURANCE LIMITED

Global business

Financial year ended 31 December 2015

(continued)

- we have not received all the information we require for our audit.

Basis of opinion

We conducted our work in accordance with Practice Note 20 'The audit of insurers in the United Kingdom (revised)' issued by the Auditing Practices Board. Our work included examination, on a test basis, of evidence relevant to the amounts and disclosures in the Forms, the statement and the valuation reports. The evidence included that previously obtained by us relating to the audit of the financial statements of the insurer for the financial year on which we reported on 17 March 2016. It also included an assessment of the significant estimates and judgments made by the insurer in the preparation of the Forms, the statement and the valuation reports.

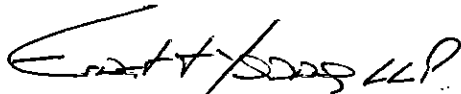
We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Forms, the statements and the valuation reports are free from material misstatement, whether caused 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 reports 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 reports appropriately reflect the requirements of INSPRU 1.2 and 1.3.



Ernst & Young LLP

Statutory Auditor

London

17 March 2016