

LONDON LIFE LIMITED

Registered in England - No. 1179800

Registered Office

The Pearl Centre

Lynch Wood

Peterborough

PE2 6FY

Annual FSA Insurance Returns for the year ended

31 December 2009

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



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

Global business

Financial year ended **31 December 2009**

Solo solvency calculation

Company registration number	GL/UK/CM	day	month	year	Units	
R2	1179800	GL	31	12	2009	£000
			As at end of this financial year		As at end of the previous year	
			1		2	

Capital resources

Capital resources arising within the long-term insurance fund	11	125017	72800
Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund	12	162531	152087
Capital resources available to cover long-term insurance business capital resources requirement (11+12)	13	287548	224887

Guarantee fund

Guarantee fund requirement	21	18327	20384
Excess (deficiency) of available capital resources to cover guarantee fund requirement	22	269220	204503

Minimum capital requirement (MCR)

Long-term insurance capital requirement	31	54982	61150
Resilience capital requirement	32		
Base capital resources requirement	33	3128	2518
Individual minimum capital requirement	34	54982	61150
Capital requirements of regulated related undertakings	35		
Minimum capital requirement (34+35)	36	54982	61150
Excess (deficiency) of available capital resources to cover 50% of MCR	37	238228	194312
Excess (deficiency) of available capital resources to cover 75% of MCR	38	246312	179025

Enhanced capital requirement

With-profits insurance capital component	39	24313	10865
Enhanced capital requirement	40	79295	72015

Capital resources requirement (CRR)

Capital resources requirement (greater of 36 and 40)	41	79295	72015
Excess (deficiency) of available capital resources to cover long-term insurance business CRR (13-41)	42	208253	152872

Contingent liabilities

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

Form 2

Name of insurer **LONDON LIFE LIMITED**

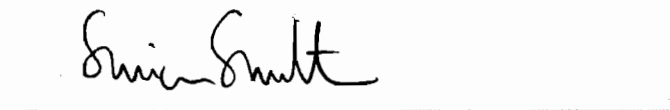
Global business

Financial year ended **31 December 2009**



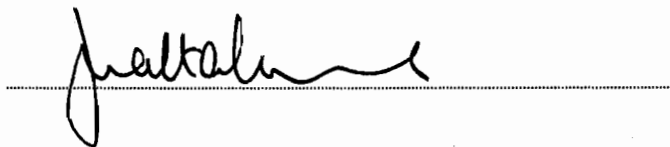
M J Merrick

Chief Executive



J S B Smith

Director



J P Evans

Director

Date

25

March 2010

Components of capital resourcesName of insurer **LONDON LIFE LIMITED**

Global business

Financial year ended **31 December 2009**

R3	Company registration number	GL/UK/CM	day month year			Units
			31	12	2009	
	1179800	GL				£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	

Core tier one capital

Permanent share capital	11		18800	18800	18800
Profit and loss account and other reserves	12		184396	184396	172769
Share premium account	13				
Positive valuation differences	14		62250	62250	48646
Fund for future appropriations	15		7517	7517	7244
Core tier one capital in related undertakings	16				
Core tier one capital (sum of 11 to 16)	19		272963	272963	247459

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		272963	272963	247459
Investments in own shares	32				
Intangible assets	33		7244	7244	7244
Amounts deducted from technical provisions for discounting	34				
Other negative valuation differences	35				
Deductions in related undertakings	36				
Deductions from tier one (32 to 36)	37		7244	7244	7244
Total tier one capital after deductions (31-37)	39		265719	265719	240215

Components of capital resourcesName of insurer **LONDON LIFE LIMITED**

Global business

Financial year ended **31 December 2009**

	Company registration number	GL/ UK/ CM	day month year			Units
R3	1179800	GL	31	12	2009	£000
		General insurance business	Long-term insurance business	Total as at the end of this financial year	Total as at the end of the previous year	
		1	2	3	4	

Tier two capital

Implicit items, (tier two waivers and amounts excluded from line 22)	41				
Perpetual non-cumulative preference shares excluded from line 25	42				
Innovative tier one capital excluded from line 27	43				
Tier two waivers, innovative tier one capital and perpetual non-cumulative preference shares treated as tier two capital (41 to 43)	44				
Perpetual cumulative preference shares	45				
Perpetual subordinated debt and securities	46		65758	65758	22898
Upper tier two capital in related undertakings	47				
Upper tier two capital (44 to 47)	49		65758	65758	22898

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

Total tier two capital before restrictions (49+59)	61		65758	65758	22898
Excess tier two capital	62				
Further excess lower tier two capital	63				
Total tier two capital after restrictions, before deductions (61-62-63)	69		65758	65758	22898

Components of capital resourcesName of insurer **LONDON LIFE LIMITED**

Global business

Financial year ended **31 December 2009**

Company registration number	GL/UK/CM	day month year			Units	
R3	1179800	GL	31	12	2009	£000
	General insurance business	Long-term insurance business	Total as at the end of this financial year	Total as at the end of the previous year		
	1	2	3	4		

Total capital resources

Positive adjustments for regulated non-insurance related undertakings	71				
Total capital resources before deductions (39+69+71)	72		331477	331477	263113
Inadmissible assets other than intangibles and own shares	73		10508	10508	12203
Assets in excess of market risk and counterparty limits	74		33421	33421	26023
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		287548	287548	224887

Available capital resources for GENPRU/INSRU tests

Available capital resources for guarantee fund requirement	81		287548	287548	224887
Available capital resources for 50% MCR requirement	82		265719	265719	224887
Available capital resources for 75% MCR requirement	83		287548	287548	224887

Financial engineering adjustments

Implicit items	91				
Financial reinsurance - ceded	92		19000	19000	21001
Financial reinsurance - accepted	93				
Outstanding contingent loans	94		57817	57817	81345
Any other charges on future profits	95				
Sum of financial engineering adjustments (91+92-93+94+95)	96		76817	76817	102346

Analysis of admissible assetsName of insurer **LONDON LIFE LIMITED**

Global business

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

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1179800	GL	31	12	2009	£000	1
					As at end of this financial year	As at end of the previous year	
					1	2	
Land and buildings			11				

Investments in group undertakings and participating interests

UK insurance dependants	Shares	21		
	Debts and loans	22		
Other insurance dependants	Shares	23		
	Debts and loans	24		
Non-insurance dependants	Shares	25	250	250
	Debts and loans	26		
Other group undertakings	Shares	27		
	Debts and loans	28	87503	86835
Participating interests	Shares	29		
	Debts and loans	30		

Other financial investments

Equity shares	41		17069
Other shares and other variable yield participations	42		
Holdings in collective investment schemes	43	73933	38362
Rights under derivative contracts	44	17	39
Fixed interest securities	Approved	45	
	Other	46	1449
Variable interest securities	Approved	47	
	Other	48	3441
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	304
	More than one month withdrawal	55	
Other financial investments	56		
Deposits with ceding undertakings	57		
Assets held to match linked liabilities	Index linked	58	
	Property linked	59	

Analysis of admissible assetsName of insurer **LONDON LIFE LIMITED**

Global business

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

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1179800	GL	31	12	2009	£000	1
					As at end of this financial year	As at end of the previous year	
					1	2	

Reinsurers' share of technical provisions

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

Debtors and salvage

Direct insurance business	Policyholders	71		
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74		
	Ceded	75		
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78		405
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	332	2444
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	2844	2844
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86	46	140

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	164925	153582
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Analysis of admissible assetsName of insurer **LONDON LIFE LIMITED**

Global business

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

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1179800	GL	31	12	2009	£000	1
					As at end of this financial year	As at end of the previous year	
					1	2	

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

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	164925	153582
Admissible assets in excess of market and counterparty limits	92	33421	26023
Inadmissible assets directly held	93	7244	7244
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	(1)	6111
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	205589	192960
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103		

Analysis of admissible assetsName of insurer **LONDON LIFE LIMITED**

Global business

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

R13	Company registration number	GL/UK/CM	day month year			Units	Category of assets
	1179800	GL	31	12	2009	£000	10
						As at end of this financial year	As at end of the previous year
						1	2
Land and buildings			11				

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	17545	17545
Participating interests	Shares	29		
	Debts and loans	30		

Other financial investments

Equity shares	41	2467	171310
Other shares and other variable yield participations	42		
Holdings in collective investment schemes	43	394998	253478
Rights under derivative contracts	44	66741	179544
Fixed interest securities	Approved	45	739033
	Other	46	341076
Variable interest securities	Approved	47	13912
	Other	48	672082
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	1932	2354
Other loans	53		
Bank and approved credit & financial institution deposits	One month or less withdrawal	54	60208
	More than one month withdrawal	55	
Other financial investments	56		
Deposits with ceding undertakings	57		
Assets held to match linked liabilities	Index linked	58	52723
	Property linked	59	294839

Analysis of admissible assetsName of insurer **LONDON LIFE LIMITED**

Global business

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

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1179800	GL	31	12	2009	£000	10
					As at end of this financial year	As at end of the previous year	
					1	2	

Reinsurers' share of technical provisions

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

Debtors and salvage

Direct insurance business	Policyholders	71		1
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74		
	Ceded	75	378	1287
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	2499	21412
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	157297	56847
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	18317	21067
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86	964	2612

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	2702234	2901330
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Analysis of admissible assetsName of insurer **LONDON LIFE LIMITED**

Global business

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

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1179800	GL	31	12	2009	£000	10
					As at end of this financial year	As at end of the previous year	
					1	2	

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

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	2702234	2901330
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93	10508	12203
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	2714	
Deferred acquisition costs excluded from line 89	99		
Reinsurers' share of technical provisions excluded from line 89	100	602019	632236
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	3317475	3545769
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103	201	1085

Analysis of admissible assetsName of insurer **LONDON LIFE LIMITED**

Global business

Financial year ended **31 December 2009**Category of assets **Life Non Profit**

	Company registration number	GL/ UK/ CM	day month year			Units	Category of assets	
	R13	1179800	GL	31	12	2009	£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		
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	15113		
Rights under derivative contracts	44	325		
Fixed interest securities	Approved	45	25275	23565
	Other	46	16048	18152
Variable interest securities	Approved	47	1168	503
	Other	48	521	
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	1696	1274
	More than one month withdrawal	55		
Other financial investments	56			
Deposits with ceding undertakings	57			
Assets held to match linked liabilities	Index linked	58	177	170
	Property linked	59	12318	12040

Analysis of admissible assetsName of insurer **LONDON LIFE LIMITED**

Global business

Financial year ended **31 December 2009**Category of assets **Life Non Profit**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1179800	GL	31	12	2009	£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		
	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	2	1
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	238	2063
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	1248	1036
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86		1

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	74129	58805
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Analysis of admissible assetsName of insurer **LONDON LIFE LIMITED**

Global business

Financial year ended **31 December 2009**Category of assets **Life Non Profit**

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets
R13	1179800	GL	31	12	2009	£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	74129	58805
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93	6700	
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	13701	12936
Other asset adjustments (may be negative)	101	(275)	8751
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	94255	80492
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103	2	

Analysis of admissible assetsName of insurer **LONDON LIFE LIMITED**

Global business

Financial year ended **31 December 2009**Category of assets **Pension Non Profit**

R13	Company registration number	GL/UK/CM	day month year			Units	Category of assets
	1179800	GL	31	12	2009	£000	13
						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	17545	17545
Participating interests	Shares	29		
	Debts and loans	30		

Other financial investments

Equity shares	41		160325	
Other shares and other variable yield participations	42			
Holdings in collective investment schemes	43	220396	46322	
Rights under derivative contracts	44	22582	92001	
Fixed interest securities	Approved	45	135138	125362
	Other	46	136597	119736
Variable interest securities	Approved	47	6679	13409
	Other	48	105497	64649
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	11021	3547
	More than one month withdrawal	55		
Other financial investments	56			
Deposits with ceding undertakings	57			
Assets held to match linked liabilities	Index linked	58	54568	52553
	Property linked	59	307454	282799

Analysis of admissible assetsName of insurer **LONDON LIFE LIMITED**

Global business

Financial year ended **31 December 2009**Category of assets **Pension Non Profit**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1179800	GL	31	12	2009	£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		
	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	531	17204
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	1251	25863
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	6398	5911
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86		23

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	1025657	1027249
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Analysis of admissible assetsName of insurer **LONDON LIFE LIMITED**

Global business

Financial year ended **31 December 2009**Category of assets **Pension Non Profit**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1179800	GL	31	12	2009	£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	1025657	1027249
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93		8100
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	2714	
Deferred acquisition costs excluded from line 89	99		
Reinsurers' share of technical provisions excluded from line 89	100	515093	541309
Other asset adjustments (may be negative)	101	(1531)	9506
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	1541933	1586164
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103	14	14

Analysis of admissible assetsName of insurer **LONDON LIFE LIMITED**

Global business

Financial year ended **31 December 2009**Category of assets **With Profit Fund**

	Company registration number	GL/UK/CM	day month year			Units	Category of assets
R13	1179800	GL	31	12	2009	£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	2467	10985
Other shares and other variable yield participations	42		
Holdings in collective investment schemes	43	159489	207156
Rights under derivative contracts	44	43834	87543
Fixed interest securities	Approved	45	539702
	Other	46	183322
Variable interest securities	Approved	47	
	Other	48	501915
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	1932	2354
Other loans	53		
Bank and approved credit & financial institution deposits	One month or less withdrawal	54	55387
	More than one month withdrawal	55	
Other financial investments	56		
Deposits with ceding undertakings	57		
Assets held to match linked liabilities	Index linked	58	
	Property linked	59	

Analysis of admissible assetsName of insurer **LONDON LIFE LIMITED**

Global business

Financial year ended **31 December 2009**Category of assets **With Profit Fund**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets
R13	1179800	31	12	2009	£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		1
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74		
	Ceded	75	378	1287
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	18798	10732
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	155808	28921
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	10671	14120
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86	964	2588

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	1619280	1821801
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Analysis of admissible assetsName of insurer **LONDON LIFE LIMITED**

Global business

Financial year ended **31 December 2009**Category of assets **With Profit Fund**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1179800	GL	31	12	2009	£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	1619280	1821801
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93	3808	4103
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	73225	77991
Other asset adjustments (may be negative)	101	(15026)	(24782)
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	1681287	1879113
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103	2073	3313

Long term insurance business liabilities and marginsName of insurer **LONDON LIFE LIMITED**

Global business

Financial year ended **31 December 2009**Total business **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	1351892	1428259	
Cash bonuses which had not been paid to policyholders prior to end of the financial year	12	184	201	
Balance of surplus/(valuation deficit)	13	59259	49902	
Long term insurance business fund carried forward (11 to 13)	14	1411335	1478362	
Claims outstanding	Gross	15	6318	5999
	Reinsurers' share	16		
	Net (15-16)	17	6318	5999
Provisions	Taxation	21		
	Other risks and charges	22		1201
Deposits received from reinsurers	23	542023	552024	
Creditors	Direct insurance business	31	2543	
	Reinsurance accepted	32		
	Reinsurance ceded	33		
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions	36			
Creditors	Taxation	37	5904	
	Other	38	729031	849947
Accruals and deferred income	39	980	2827	
Provision for "reasonably foreseeable adverse variations"	41	4100	10970	
Total other insurance and non-insurance liabilities (17 to 41)	49	1290899	1422968	
Excess of the value of net admissible assets	51			
Total liabilities and margins	59	2702234	2901330	

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61	346	520
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62	319772	294839

Total liabilities (11+12+49)	71	2642975	2851428
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73	602019	632236
Other adjustments to liabilities (may be negative)	74	64964	54861
Capital and reserves and fund for future appropriations	75	7517	7244
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	3317475	3545769

Long term insurance business liabilities and marginsName of insurer **LONDON LIFE LIMITED**

Global business

Financial year ended **31 December 2009**Subfund **Life With Profit**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	289411	339449	
Cash bonuses which had not been paid to policyholders prior to end of the financial year	12	184	201	
Balance of surplus/(valuation deficit)	13	40259	28901	
Long term insurance business fund carried forward (11 to 13)	14	329854	368551	
Claims outstanding	Gross	15	2388	2239
	Reinsurers' share	16		
	Net (15-16)	17	2388	2239
Provisions	Taxation	21		
	Other risks and charges	22		448
Deposits received from reinsurers	23			
Creditors	Direct insurance business	31	961	
	Reinsurance accepted	32		
	Reinsurance ceded	33		
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions	36			
Creditors	Taxation	37	5904	
	Other	38	155717	187304
Accruals and deferred income	39	255	1005	
Provision for "reasonably foreseeable adverse variations"	41	958	2567	
Total other insurance and non-insurance liabilities (17 to 41)	49	166183	193563	
Excess of the value of net admissible assets	51			
Total liabilities and margins	59	496037	562114	

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61	131	194
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62		

Total liabilities (11+12+49)	71	455778	533213
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73	9554	
Other adjustments to liabilities (may be negative)	74	33574	
Capital and reserves and fund for future appropriations	75	4468	
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	503374	

Long term insurance business liabilities and marginsName of insurer **LONDON LIFE LIMITED**

Global business

Financial year ended **31 December 2009**Subfund **Pension With Profit**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	539774	616318	
Cash bonuses which had not been paid to policyholders prior to end of the financial year	12			
Balance of surplus/(valuation deficit)	13	3050	2585	
Long term insurance business fund carried forward (11 to 13)	14	542824	618903	
Claims outstanding	Gross	15	3930	3760
	Reinsurers' share	16		
	Net (15-16)	17	3930	3760
Provisions	Taxation	21		
	Other risks and charges	22		753
Deposits received from reinsurers	23	30351	34182	
Creditors	Direct insurance business	31	1582	
	Reinsurance accepted	32		
	Reinsurance ceded	33		
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions	36			
Creditors	Taxation	37		
	Other	38	540994	591999
Accruals and deferred income	39	420	1687	
Provision for "reasonably foreseeable adverse variations"	41	3142	8403	
Total other insurance and non-insurance liabilities (17 to 41)	49	580419	640784	
Excess of the value of net admissible assets	51			
Total liabilities and margins	59	1123243	1259687	

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61	216	327
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62		

Total liabilities (11+12+49)	71	1120193	1257102
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73	63671	
Other adjustments to liabilities (may be negative)	74	(9000)	
Capital and reserves and fund for future appropriations	75	3049	
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	1177913	

Long term insurance business liabilities and marginsName of insurer **LONDON LIFE LIMITED**

Global business

Financial year ended **31 December 2009**Subfund **Life Non Profit**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	62659	48451
Cash bonuses which had not been paid to policyholders prior to end of the financial year	12		
Balance of surplus/(valuation deficit)	13	4000	4401
Long term insurance business fund carried forward (11 to 13)	14	66659	52852
Claims outstanding	Gross	15	
	Reinsurers' share	16	
	Net (15-16)	17	
Provisions	Taxation	21	
	Other risks and charges	22	
Deposits received from reinsurers	23		
Creditors	Direct insurance business	31	
	Reinsurance accepted	32	
	Reinsurance ceded	33	
Debenture loans	Secured	34	
	Unsecured	35	
Amounts owed to credit institutions	36		
Creditors	Taxation	37	
	Other	38	7407 5905
Accruals and deferred income	39	63	48
Provision for "reasonably foreseeable adverse variations"	41		
Total other insurance and non-insurance liabilities (17 to 41)	49	7470	5953
Excess of the value of net admissible assets	51		
Total liabilities and margins	59	74129	58805

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61	272	377
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62	12318	12040

Total liabilities (11+12+49)	71	70129	54404
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73	13701	
Other adjustments to liabilities (may be negative)	74	10425	
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	94255	

Long term insurance business liabilities and marginsName of insurer **LONDON LIFE LIMITED**

Global business

Financial year ended **31 December 2009**Subfund **Pension Non Profit**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	460048	424041
Cash bonuses which had not been paid to policyholders prior to end of the financial year	12		
Balance of surplus/(valuation deficit)	13	11950	14015
Long term insurance business fund carried forward (11 to 13)	14	471998	438056
Claims outstanding	Gross	15	
	Reinsurers' share	16	
	Net (15-16)	17	
Provisions	Taxation	21	
	Other risks and charges	22	
Deposits received from reinsurers	23	511672	517842
Creditors	Direct insurance business	31	
	Reinsurance accepted	32	
	Reinsurance ceded	33	
Debenture loans	Secured	34	
	Unsecured	35	
Amounts owed to credit institutions	36		
Creditors	Taxation	37	
	Other	38	41745 71264
Accruals and deferred income	39	242	87
Provision for "reasonably foreseeable adverse variations"	41		
Total other insurance and non-insurance liabilities (17 to 41)	49	553659	589193
Excess of the value of net admissible assets	51		
Total liabilities and margins	59	1025657	1027249

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61	1822	1968
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62	307454	282799

Total liabilities (11+12+49)	71	1013707	1013234
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73	515093	
Other adjustments to liabilities (may be negative)	74	13133	
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	1541933	

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

Global business

Financial year ended **31 December 2009**

R15	Company registration number 1179800	GL/UK/CM GL	day month year			Units £000
			31	12	2009	
			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		
	Foreseeable dividend	48		
	Other	49	2385	1467
Accruals and deferred income		51	9	28
Total (19 to 51)		59	2394	1495
Provision for "reasonably foreseeable adverse variations"		61		
Cumulative preference share capital		62		
Subordinated loan capital		63		
Total (59 to 63)		69	2394	1495

Amounts included in line 69 attributable to liabilities to related insurers, other than those under contracts of insurance or reinsurance	71	1	104
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Amounts deducted from technical provisions for discounting	82		
Other adjustments (may be negative)	83	(1)	(104)
Capital and reserves	84	203196	191569
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	205589	192960

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

Global business

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

day month year

Units

		R16	1179800	GL	31	12	2009	£000
					This financial year			Previous year
					1			2
Transfer (to)/from the general insurance business technical account	From Form 20			11				
	Equalisation provisions			12				
Transfer from the long term insurance business revenue account				13			588	1139
Investment income	Income			14			8123	11834
	Value re-adjustments on investments			15				249
	Gains on the realisation of investments			16			1867	
Investment charges	Investment management charges, including interest			17			33	32
	Value re-adjustments on investments			18			116	
	Loss on the realisation of investments			19				6124
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			24	(71)
Profit or loss on ordinary activities before tax (11+12+13+14+15+16-17-18-19-20+21)				29			10453	6995
Tax on profit or loss on ordinary activities				31			(1174)	1600
Profit or loss on ordinary activities after tax (29-31)				39			11627	5395
Extraordinary profit or loss (particulars to be specified by way of supplementary note)				41				
Tax on extraordinary profit or loss				42				
Other taxes not shown under the preceding items				43				
Profit or loss for the financial year (39+41-(42+43))				49			11627	5395
Dividends (paid or foreseeable)				51				
Profit or loss retained for the financial year (49-51)				59			11627	5395

Analysis of derivative contractsName of insurer **LONDON LIFE LIMITED**

Global business

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

		Company registration number	GL/ UK/ CM	day month year			Units	Category of assets	
		R17	1179800	GL	31	12	2009	£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							
	Credit index / basket	14							
	Credit single name	15							
	Equity index	16							
	Equity stock	17							
	Land	18							
	Currencies	19		17		234	24355		1379
	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		17		234	24355		1379
Adjustment for variation margin		52							
Total (51 + 52)		53		17		234			

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 **LONDON LIFE LIMITED**

Global business

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

		Company registration number	GL/ UK/ CM	day month year			Units	Category of assets	
		R17	1179800	GL	31	12	2009	£000	10
Derivative contracts		Value as at the end of this financial year			Notional amount as at the end of this financial year				
		Assets 1		Liabilities 2		Bought / Long 3		Sold / Short 4	
Futures and contracts for differences	Fixed-interest securities	11				708	23348		
	Interest rates	12	57622			44913	1691703	565222	
	Inflation	13	320			47		23985	
	Credit index / basket	14							
	Credit single name	15	693					12385	
	Equity index	16	661			477	33992	24556	
	Equity stock	17							
	Land	18							
	Currencies	19	2039			3035	315344	76462	
	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	6067				672780		
	Equity index calls	42							
	Equity stock calls	43							
	Equity index puts	44							
	Equity stock puts	45							
	Other	46							
Total (11 to 46)		51	67402			49180	2737167	702610	
Adjustment for variation margin		52	(661)			(1185)			
Total (51 + 52)		53	66741			47995			

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 **LONDON LIFE LIMITED**

Global business

Financial year ended **31 December 2009**Category of assets **Life Non Profit**

		Company registration number	GL/ UK/ CM	day month year			Units	Category of assets	
		R17	1179800	GL	31	12	2009	£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							
	Interest rates	12	200		249			20000	
	Inflation	13	125					5135	
	Credit index / basket	14							
	Credit single name	15							
	Equity index	16							
	Equity stock	17							
	Land	18							
	Currencies	19							
	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	325		249				25135
Adjustment for variation margin		52							
Total (51 + 52)		53	325		249				

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 **LONDON LIFE LIMITED**

Global business

Financial year ended **31 December 2009**Category of assets **Pension Non Profit**

		Company registration number	GL/ UK/ CM	day month year			Units	Category of assets	
		R17	1179800	GL	31	12	2009	£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		708		23348			
	Interest rates	12	20725	13199		464150		268972	
	Inflation	13							
	Credit index / basket	14							
	Credit single name	15	693					12385	
	Equity index	16							
	Equity stock	17							
	Land	18							
	Currencies	19	1164	2924		286039		39026	
	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	22582	16831		773537		320383	
Adjustment for variation margin		52		(708)					
Total (51 + 52)		53	22582	16123					

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 **LONDON LIFE LIMITED**

Global business

Financial year ended **31 December 2009**Category of assets **With Profit Fund**

		Company registration number	GL/ UK/ CM	day month year			Units	Category of assets	
		R17	1179800	GL	31	12	2009	£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	36697		31465		1227553	276250	
	Inflation	13	195		47			18850	
	Credit index / basket	14							
	Credit single name	15							
	Equity index	16	661		477		33992	24556	
	Equity stock	17							
	Land	18							
	Currencies	19	875		111		29305	37436	
	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	6067				672780		
	Equity index calls	42							
	Equity stock calls	43							
	Equity index puts	44							
	Equity stock puts	45							
	Other	46							
Total (11 to 46)		51	44495		32100		1963630	357092	
Adjustment for variation margin		52	(661)		(477)				
Total (51 + 52)		53	43834		31623				

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 **LONDON LIFE LIMITED**With-profits fund **Life With Profit**Financial year ended **31 December 2009**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	496037	562114
	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	496037	562114
Regulatory value of liabilities	Mathematical reserves (after distribution of surplus) in respect of the fund's with-profits insurance contracts	21	289595	339650
	Regulatory current liabilities of the fund	22	166183	193563
	Total (21+22)	29	455778	533213
Long-term insurance capital requirement in respect of the fund's with-profits insurance contracts		31	12016	14023
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	467794	547236
Regulatory excess capital (19-39)		49	28243	14878

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	28243	14878
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	3930	4013
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	24313	10865

With-profits insurance capital component for the fund

Name of insurer **LONDON LIFE LIMITED**
 With-profits fund **Pension With Profit**
 Financial year ended **31 December 2009**
 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	1123243	1259687
	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	1123243	1259687
Regulatory value of liabilities	Mathematical reserves (after distribution of surplus) in respect of the fund's with-profits insurance contracts	21	539774	616318
	Regulatory current liabilities of the fund	22	580419	640784
	Total (21+22)	29	1120193	1257102
Long-term insurance capital requirement in respect of the fund's with-profits insurance contracts		31	21454	24650
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	1141647	1281752
Regulatory excess capital (19-39)		49	(18404)	(22065)

Realistic excess capital

Realistic excess capital	51	(5400)	(7252)
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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	(13004)	(14813)
Face amount of capital instruments attributed to the fund and included in capital resources (unstressed)	62	5466	
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	2596	
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 **LONDON LIFE LIMITED**
 With-profits fund **Life With Profit**
 Financial year ended **31 December 2009**
 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	496037	562114
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	496037	562114
Support arrangement assets	27		
Assets available to the fund (26+27)	29	496037	562114

Realistic value of liabilities of fund

With-profits benefit reserve	31	284832	312176	
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	13388	17285
	Future costs of non-contractual commitments	42	9068	9982
	Future costs of financial options	43		
	Future costs of smoothing (possibly negative)	44	2134	3485
	Financing costs	45		
	Any other liabilities related to regulatory duty to treat customers fairly	46		
	Other long-term insurance liabilities	47	21390	28190
	Total (32+34+41+42+43+44+45+46+47-(33+35+36))	49	45980	58942
Realistic current liabilities of the fund	51	165225	190996	
Realistic value of liabilities of fund (31+49+51)	59	496037	562114	

Realistic balance sheet

Name of insurer **LONDON LIFE LIMITED**
 With-profits fund **Life With Profit**
 Financial year ended **31 December 2009**
 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	496037	562114
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	496037	562114
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	49789	46926
Additional amount potentially available for inclusion in line 63	82		

Realistic balance sheet

Name of insurer **LONDON LIFE LIMITED**
 With-profits fund **Pension With Profit**
 Financial year ended **31 December 2009**
 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	1123243	1259687
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	1123243	1259687
Support arrangement assets	27		
Assets available to the fund (26+27)	29	1123243	1259687

Realistic value of liabilities of fund

With-profits benefit reserve	31	409596	453306	
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	104410	126267
	Future costs of non-contractual commitments	42		
	Future costs of financial options	43	12398	14959
	Future costs of smoothing (possibly negative)	44	(6405)	(4727)
	Financing costs	45	20826	32801
	Any other liabilities related to regulatory duty to treat customers fairly	46		
	Other long-term insurance liabilities	47	5141	4700
	Total (32+34+41+42+43+44+45+46+47-(33+35+36))	49	136370	174000
Realistic current liabilities of the fund	51	577277	632381	
Realistic value of liabilities of fund (31+49+51)	59	1123243	1259687	

Realistic balance sheet

Name of insurer **LONDON LIFE LIMITED**
 With-profits fund **Pension With Profit**
 Financial year ended **31 December 2009**
 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	1128643	1266939
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	1128643	1266939
Risk capital margin for fund (62-59)	65	5400	7252
Realistic excess capital for fund (26-(59+65))	66	(5400)	(7252)
Realistic excess available capital for fund (29-(59+65))	67	(5400)	(7252)
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	112742	105161
Additional amount potentially available for inclusion in line 63	82		

Long-term insurance business : Revenue account

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

Financial year 1	Previous year 2
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Income

Earned premiums	11	13943	17178
Investment income receivable before deduction of tax	12	88321	139110
Increase (decrease) in the value of non-linked assets brought into account	13	(4142)	(42392)
Increase (decrease) in the value of linked assets	14	36532	(89825)
Other income	15		
Total income	19	134654	24071

Expenditure

Claims incurred	21	108517	184782
Expenses payable	22	9810	10088
Interest payable before the deduction of tax	23	7575	38421
Taxation	24	20600	(47013)
Other expenditure	25	27933	23314
Transfer to (from) non technical account	26	588	1139
Total expenditure	29	175023	210731

Business transfers - in	31		
Business transfers - out	32	26658	
Increase (decrease) in fund in financial year (19-29+31-32)	39	(67027)	(186660)
Fund brought forward	49	1478362	1665022
Fund carried forward (39+49)	59	1411335	1478362

Long-term insurance business : Revenue account

Name of insurer **LONDON LIFE LIMITED**
Subfund **Life With Profit**
Financial year ended **31 December 2009**
Units **£000**

Financial year 1	Previous year 2
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Income

Earned premiums	11	6576	7911
Investment income receivable before deduction of tax	12	13433	(8460)
Increase (decrease) in the value of non-linked assets brought into account	13	(4909)	26335
Increase (decrease) in the value of linked assets	14		
Other income	15		
Total income	19	15100	25786

Expenditure

Claims incurred	21	47442	80786
Expenses payable	22	2055	2618
Interest payable before the deduction of tax	23	1744	7857
Taxation	24	2000	1678
Other expenditure	25		
Transfer to (from) non technical account	26	233	749
Total expenditure	29	53474	93688

Business transfers - in	31		
Business transfers - out	32	323	1787
Increase (decrease) in fund in financial year (19-29+31-32)	39	(38697)	(69689)
Fund brought forward	49	368551	438240
Fund carried forward (39+49)	59	329854	368551

Long-term insurance business : Revenue account

Name of insurer **LONDON LIFE LIMITED**
Subfund **Pension With Profit**
Financial year ended **31 December 2009**
Units **£000**

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

Income

Earned premiums	11	1735	3782
Investment income receivable before deduction of tax	12	39331	106828
Increase (decrease) in the value of non-linked assets brought into account	13	(10957)	(72544)
Increase (decrease) in the value of linked assets	14		
Other income	15		24782
Total income	19	30109	62848

Expenditure

Claims incurred	21	31625	65462
Expenses payable	22	4246	5415
Interest payable before the deduction of tax	23	6152	30132
Taxation	24		
Other expenditure	25	24782	
Transfer to (from) non technical account	26	355	390
Total expenditure	29	67160	101399

Business transfers - in	31		
Business transfers - out	32	39028	9611
Increase (decrease) in fund in financial year (19-29+31-32)	39	(76079)	(48162)
Fund brought forward	49	618903	667065
Fund carried forward (39+49)	59	542824	618903

Long-term insurance business : Revenue account

Name of insurer **LONDON LIFE LIMITED**
 Subfund **Life Non Profit**
 Financial year ended **31 December 2009**
 Units **£000**

Financial year 1	Previous year 2
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Income

Earned premiums	11	1301	1443
Investment income receivable before deduction of tax	12	3270	3775
Increase (decrease) in the value of non-linked assets brought into account	13	(799)	(437)
Increase (decrease) in the value of linked assets	14	1407	(3638)
Other income	15	13600	
Total income	19	18779	1143

Expenditure

Claims incurred	21	4774	7393
Expenses payable	22	421	271
Interest payable before the deduction of tax	23		13
Taxation	24	100	(1891)
Other expenditure	25		13600
Transfer to (from) non technical account	26		
Total expenditure	29	5295	19386

Business transfers - in	31	323	1787
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	13807	(16456)
Fund brought forward	49	52852	69308
Fund carried forward (39+49)	59	66659	52852

Long-term insurance business : Revenue account

Name of insurer **LONDON LIFE LIMITED**
Subfund **Pension Non Profit**
Financial year ended **31 December 2009**
Units **£000**

Financial year 1	Previous year 2
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Income

Earned premiums	11	4331	4042
Investment income receivable before deduction of tax	12	32660	36967
Increase (decrease) in the value of non-linked assets brought into account	13	12523	4254
Increase (decrease) in the value of linked assets	14	35125	(86187)
Other income	15	11182	
Total income	19	95821	(40924)

Expenditure

Claims incurred	21	24676	31141
Expenses payable	22	3088	1784
Interest payable before the deduction of tax	23	52	419
Taxation	24	18500	(46800)
Other expenditure	25	27933	34496
Transfer to (from) non technical account	26		
Total expenditure	29	74249	21040

Business transfers - in	31	12370	9611
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	33942	(52353)
Fund brought forward	49	438056	490409
Fund carried forward (39+49)	59	471998	438056

Long-term insurance business : Analysis of premiums

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

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

Regular premiums	11	8028	3776		11804	14332
Single premiums	12	1	414		415	3273

Reinsurance - external

Regular premiums	13	152	26		178	355
Single premiums	14					

Reinsurance - intra-group

Regular premiums	15					
Single premiums	16		(1902)		(1902)	72

Net of reinsurance

Regular premiums	17	7876	3750		11626	13977
Single premiums	18	1	2316		2317	3201

Total

Gross	19	8029	4190		12219	17605
Reinsurance	20	152	(1876)		(1724)	427
Net	21	7877	6066		13943	17178

Long-term insurance business : Analysis of premiums

Name of insurer **LONDON LIFE LIMITED**
 Subfund **Life With Profit**
 Financial year ended **31 December 2009**
 Units **£000**

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

Gross

Regular premiums	11	6651		6651	8114
Single premiums	12	1		1	13

Reinsurance - external

Regular premiums	13	76		76	216
Single premiums	14				

Reinsurance - intra-group

Regular premiums	15				
Single premiums	16				

Net of reinsurance

Regular premiums	17	6575		6575	7898
Single premiums	18	1		1	13

Total

Gross	19	6652		6652	8127
Reinsurance	20	76		76	216
Net	21	6576		6576	7911

Long-term insurance business : Analysis of premiums

Name of insurer **LONDON LIFE LIMITED**
 Subfund **Pension With Profit**
 Financial year ended **31 December 2009**
 Units **£000**

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

Gross

Regular premiums	11		1923		1923	2366
Single premiums	12		97		97	1510

Reinsurance - external

Regular premiums	13		37		37	22
Single premiums	14					

Reinsurance - intra-group

Regular premiums	15					
Single premiums	16		248		248	72

Net of reinsurance

Regular premiums	17		1886		1886	2344
Single premiums	18		(151)		(151)	1438

Total

Gross	19		2020		2020	3876
Reinsurance	20		285		285	94
Net	21		1735		1735	3782

Long-term insurance business : Analysis of premiums

Name of insurer **LONDON LIFE LIMITED**
 Subfund **Life Non Profit**
 Financial year ended **31 December 2009**
 Units **£000**

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

Gross

Regular premiums	11	1377			1377	1515
Single premiums	12					9

Reinsurance - external

Regular premiums	13	76			76	81
Single premiums	14					

Reinsurance - intra-group

Regular premiums	15					
Single premiums	16					

Net of reinsurance

Regular premiums	17	1301			1301	1434
Single premiums	18					9

Total

Gross	19	1377			1377	1524
Reinsurance	20	76			76	81
Net	21	1301			1301	1443

Long-term insurance business : Analysis of premiums

Name of insurer **LONDON LIFE LIMITED**
 Subfund **Pension Non Profit**
 Financial year ended **31 December 2009**
 Units **£000**

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

Gross

Regular premiums	11		1853		1853	2337
Single premiums	12		317		317	1741

Reinsurance - external

Regular premiums	13		(11)		(11)	36
Single premiums	14					

Reinsurance - intra-group

Regular premiums	15					
Single premiums	16		(2150)		(2150)	

Net of reinsurance

Regular premiums	17		1864		1864	2301
Single premiums	18		2467		2467	1741

Total

Gross	19		2170		2170	4078
Reinsurance	20		(2161)		(2161)	36
Net	21		4331		4331	4042

Long-term insurance business : Analysis of claims

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

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

Gross

Death or disability lump sums	11	6876	2687		9563	10811
Disability periodic payments	12	377			377	403
Surrender or partial surrender	13	7463	29809		37272	54093
Annuity payments	14	1326	54112		55438	56628
Lump sums on maturity	15	37971	13416		51387	109918
Total	16	54013	100024		154037	231853

Reinsurance - external

Death or disability lump sums	21	801			801	630
Disability periodic payments	22					
Surrender or partial surrender	23	847			847	986
Annuity payments	24					40101
Lump sums on maturity	25	149			149	879
Total	26	1797			1797	42596

Reinsurance - intra-group

Death or disability lump sums	31					
Disability periodic payments	32					
Surrender or partial surrender	33					
Annuity payments	34		43723		43723	4475
Lump sums on maturity	35					
Total	36		43723		43723	4475

Net of reinsurance

Death or disability lump sums	41	6075	2687		8762	10181
Disability periodic payments	42	377			377	403
Surrender or partial surrender	43	6616	29809		36425	53107
Annuity payments	44	1326	10389		11715	12052
Lump sums on maturity	45	37822	13416		51238	109039
Total	46	52216	56301		108517	184782

Long-term insurance business : Analysis of claims

Name of insurer **LONDON LIFE LIMITED**
 Subfund **Life With Profit**
 Financial year ended **31 December 2009**
 Units **£000**

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

Gross

Death or disability lump sums	11	6521			6521	7303
Disability periodic payments	12					
Surrender or partial surrender	13	6223			6223	10387
Annuity payments	14					
Lump sums on maturity	15	36462			36462	65561
Total	16	49206			49206	83251

Reinsurance - external

Death or disability lump sums	21	801			801	630
Disability periodic payments	22					
Surrender or partial surrender	23	814			814	956
Annuity payments	24					
Lump sums on maturity	25	149			149	879
Total	26	1764			1764	2465

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	5720			5720	6673
Disability periodic payments	42					
Surrender or partial surrender	43	5409			5409	9431
Annuity payments	44					
Lump sums on maturity	45	36313			36313	64682
Total	46	47442			47442	80786

Long-term insurance business : Analysis of claims

Name of insurer **LONDON LIFE LIMITED**
 Subfund **Pension With Profit**
 Financial year ended **31 December 2009**
 Units **£000**

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

Gross

Death or disability lump sums	11		1462		1462	1499
Disability periodic payments	12					
Surrender or partial surrender	13		17683		17683	24419
Annuity payments	14		11367		11367	11546
Lump sums on maturity	15		5563		5563	32473
Total	16		36075		36075	69937

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		4450		4450	4475
Lump sums on maturity	35					
Total	36		4450		4450	4475

Net of reinsurance

Death or disability lump sums	41		1462		1462	1499
Disability periodic payments	42					
Surrender or partial surrender	43		17683		17683	24419
Annuity payments	44		6917		6917	7071
Lump sums on maturity	45		5563		5563	32473
Total	46		31625		31625	65462

Long-term insurance business : Analysis of claims

Name of insurer **LONDON LIFE LIMITED**
 Subfund **Life Non Profit**
 Financial year ended **31 December 2009**
 Units **£000**

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

Gross

Death or disability lump sums	11	355		355	672
Disability periodic payments	12	377		377	403
Surrender or partial surrender	13	1240		1240	1650
Annuity payments	14	1326		1326	1507
Lump sums on maturity	15	1509		1509	3191
Total	16	4807		4807	7423

Reinsurance - external

Death or disability lump sums	21				
Disability periodic payments	22				
Surrender or partial surrender	23	33		33	30
Annuity payments	24				
Lump sums on maturity	25				
Total	26	33		33	30

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	355		355	672
Disability periodic payments	42	377		377	403
Surrender or partial surrender	43	1207		1207	1620
Annuity payments	44	1326		1326	1507
Lump sums on maturity	45	1509		1509	3191
Total	46	4774		4774	7393

Long-term insurance business : Analysis of claims

Name of insurer **LONDON LIFE LIMITED**
 Subfund **Pension Non Profit**
 Financial year ended **31 December 2009**
 Units **£000**

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

Gross

Death or disability lump sums	11		1225		1225	1337
Disability periodic payments	12					
Surrender or partial surrender	13		12126		12126	17637
Annuity payments	14		42745		42745	43575
Lump sums on maturity	15		7853		7853	8693
Total	16		63949		63949	71242

Reinsurance - external

Death or disability lump sums	21					
Disability periodic payments	22					
Surrender or partial surrender	23					
Annuity payments	24					40101
Lump sums on maturity	25					
Total	26					40101

Reinsurance - intra-group

Death or disability lump sums	31					
Disability periodic payments	32					
Surrender or partial surrender	33					
Annuity payments	34		39273		39273	
Lump sums on maturity	35					
Total	36		39273		39273	

Net of reinsurance

Death or disability lump sums	41		1225		1225	1337
Disability periodic payments	42					
Surrender or partial surrender	43		12126		12126	17637
Annuity payments	44		3472		3472	3474
Lump sums on maturity	45		7853		7853	8693
Total	46		24676		24676	31141

Long-term insurance business : Analysis of expenses

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

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

Gross

Commission - acquisition	11				
Commission - other	12				
Management - acquisition	13				
Management - maintenance	14	2485	7394	9879	10154
Management - other	15				
Total	16	2485	7394	9879	10154

Reinsurance - external

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

Reinsurance - intra-group

Commission - acquisition	31				
Commission - other	32				
Management - acquisition	33				
Management - maintenance	34		57	57	57
Management - other	35				
Total	36		57	57	57

Net of reinsurance

Commission - acquisition	41				
Commission - other	42				
Management - acquisition	43				
Management - maintenance	44	2476	7334	9810	10088
Management - other	45				
Total	46	2476	7334	9810	10088

Long-term insurance business : Analysis of expenses

Name of insurer **LONDON LIFE LIMITED**
 Subfund **Life With Profit**
 Financial year ended **31 December 2009**
 Units **£000**

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

Gross

Commission - acquisition	11				
Commission - other	12				
Management - acquisition	13				
Management - maintenance	14	2057		2057	2620
Management - other	15				
Total	16	2057		2057	2620

Reinsurance - external

Commission - acquisition	21				
Commission - other	22				
Management - acquisition	23				
Management - maintenance	24	2		2	2
Management - other	25				
Total	26	2		2	2

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	2055		2055	2618
Management - other	45				
Total	46	2055		2055	2618

Long-term insurance business : Analysis of expenses

Name of insurer **LONDON LIFE LIMITED**
 Subfund **Pension With Profit**
 Financial year ended **31 December 2009**
 Units **£000**

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

Gross

Commission - acquisition	11				
Commission - other	12				
Management - acquisition	13				
Management - maintenance	14		4306	4306	5474
Management - other	15				
Total	16		4306	4306	5474

Reinsurance - external

Commission - acquisition	21				
Commission - other	22				
Management - acquisition	23				
Management - maintenance	24		3	3	2
Management - other	25				
Total	26		3	3	2

Reinsurance - intra-group

Commission - acquisition	31				
Commission - other	32				
Management - acquisition	33				
Management - maintenance	34		57	57	57
Management - other	35				
Total	36		57	57	57

Net of reinsurance

Commission - acquisition	41				
Commission - other	42				
Management - acquisition	43				
Management - maintenance	44		4246	4246	5415
Management - other	45				
Total	46		4246	4246	5415

Long-term insurance business : Analysis of expenses

Name of insurer **LONDON LIFE LIMITED**
 Subfund **Life Non Profit**
 Financial year ended **31 December 2009**
 Units **£000**

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

Gross

Commission - acquisition	11				
Commission - other	12				
Management - acquisition	13				
Management - maintenance	14	428		428	276
Management - other	15				
Total	16	428		428	276

Reinsurance - external

Commission - acquisition	21				
Commission - other	22				
Management - acquisition	23				
Management - maintenance	24	7		7	5
Management - other	25				
Total	26	7		7	5

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	421		421	271
Management - other	45				
Total	46	421		421	271

Long-term insurance business : Analysis of expenses

Name of insurer **LONDON LIFE LIMITED**
 Subfund **Pension Non Profit**
 Financial year ended **31 December 2009**
 Units **£000**

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

Gross

Commission - acquisition	11				
Commission - other	12				
Management - acquisition	13				
Management - maintenance	14		3088	3088	1784
Management - other	15				
Total	16		3088	3088	1784

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		3088	3088	1784
Management - other	45				
Total	46		3088	3088	1784

Long-term insurance business : Linked funds balance sheet

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

Financial year	Previous year
1	2

Internal linked funds (excluding cross investment)

Directly held assets (excluding collective investment schemes)	11	31948	12744
Directly held assets in collective investment schemes of connected companies	12		
Directly held assets in other collective investment schemes	13	287456	281510
Total assets (excluding cross investment) (11+12+13)	14	319404	294254
Provision for tax on unrealised capital gains	15	(402)	(633)
Secured and unsecured loans	16		
Other liabilities	17	34	48
Total net assets (14-15-16-17)	18	319772	294839

Directly held linked assets

Value of directly held linked assets	21		
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Total

Value of directly held linked assets and units held (18+21)	31	319772	294839
Surplus units	32		
Deficit units	33		
Net unit liability (31-32+33)	34	319772	294839

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

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

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

Income

Value of total creation of units	11	1921	3069
Investment income attributable to the funds before deduction of tax	12	11105	14948
Increase (decrease) in the value of investments in the financial year	13	36532	(89825)
Other income	14	35	129
Total income	19	49593	(71679)

Expenditure

Value of total cancellation of units	21	22872	28998
Charges for management	22	683	825
Charges in respect of tax on investment income	23	887	1131
Taxation on realised capital gains	24		(103)
Increase (decrease) in amount set aside for tax on capital gains not yet realised	25	218	(633)
Other expenditure	26		2
Total expenditure	29	24660	30220

Increase (decrease) in funds in financial year (19-29)	39	24933	(101899)
Internal linked fund brought forward	49	294839	396738
Internal linked funds carried forward (39+49)	59	319772	294839

Long-term insurance business : Summary of new business

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

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

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

Regular premium business	11				
Single premium business	12				76
Total	13				76

**Amount of new regular
premiums**

Direct insurance business	21	9	25		34	89
External reinsurance	22					
Intra-group reinsurance	23					
Total	24	9	25		34	89

**Amount of new single
premiums**

Direct insurance business	25	1	413		414	3273
External reinsurance	26					
Intra-group reinsurance	27					
Total	28	1	413		414	3273

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

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

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

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

Land and buildings	11					
Approved fixed interest securities	12	163938	163938	8656	4.94	
Other fixed interest securities	13	155844	155844	9622	5.23	
Variable interest securities	14	114770	114770	2652	3.59	
UK listed equity shares	15					
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18	288911	288911	3235	1.13	
Total	19	723463	723463	24165	3.27	

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

Land and buildings	21		48126	691	1.44	
Approved fixed interest securities	22	545923	550170	16866	3.07	0.55
Other fixed interest securities	23	187057	201741	13087	6.49	7.81
Variable interest securities	24	502376	447455	28529	6.15	
UK listed equity shares	25		16215	566	3.49	
Non-UK listed equity shares	26		2450	58	2.35	
Unlisted equity shares	27	2467	1594	55	3.47	
Other assets	28	366431	336503	11836	3.09	1.41
Total	29	1604254	1604254	71688	4.30	1.46

Overall return on with-profits assets

Post investment costs but pre-tax	31					2.46
Return allocated to non taxable 'asset shares'	32					1.78
Return allocated to taxable 'asset shares'	33					3.79

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

Name of insurer **LONDON LIFE LIMITED**
 Category of assets **Life Non Profit**
 Financial year ended **31 December 2009**
 Units **£000**

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

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

Land and buildings	11					
Approved fixed interest securities	12	25805	25805	1263	3.78	
Other fixed interest securities	13	16713	16713	1232	4.35	
Variable interest securities	14	1742	1742	76	6.13	
UK listed equity shares	15					
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18	17374	17374	298	1.75	
Total	19	61634	61634	2869	3.43	

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 **LONDON LIFE LIMITED**
 Category of assets **Pension Non Profit**
 Financial year ended **31 December 2009**
 Units **£000**

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

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

Land and buildings	11					
Approved fixed interest securities	12	138133	138133	7393	5.16	
Other fixed interest securities	13	139131	139131	8390	5.34	
Variable interest securities	14	113028	113028	2576	3.55	
UK listed equity shares	15					
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18	273343	273343	2937	1.08	
Total	19	663635	663635	21296	3.24	

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 **LONDON LIFE LIMITED**
 Category of assets **With Profit Fund**
 Financial year ended **31 December 2009**
 Units **£000**

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

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

Land and buildings	11				
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		48126	691	1.44	
Approved fixed interest securities	22	545923	550170	16866	3.07	0.55
Other fixed interest securities	23	187057	201741	13087	6.49	7.81
Variable interest securities	24	502376	447455	28529	6.15	
UK listed equity shares	25		16215	566	3.49	
Non-UK listed equity shares	26		2450	58	2.35	
Unlisted equity shares	27	2467	1594	55	3.47	
Other assets	28	381457	351529	11836	3.09	1.41
Total	29	1619280	1619280	71688	4.30	1.46

Overall return on with-profits assets

Post investment costs but pre-tax	31					2.46
Return allocated to non taxable 'asset shares'	32					1.78
Return allocated to taxable 'asset shares'	33					3.79

Long-term insurance business : Fixed and variable interest assets

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

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	11	512035	6.97	2.96	2.96
Other approved fixed interest securities	21	202073	12.89	4.86	4.86
Other fixed interest securities					
AAA/Aaa	31	59650	8.65	3.60	3.41
AA/Aa	32	54626	8.97	5.65	5.09
A/A	33	178559	9.04	5.79	5.00
BBB/Baa	34	31993	9.72	6.83	5.40
BB/Ba	35	17404	8.82	12.86	11.34
B/B	36	14494	6.68	7.95	2.50
CCC/Caa	37	182	7.70	0.87	
Other (including unrated)	38	677	8.80	14.39	
Total other fixed interest securities	39	357585	8.92	5.94	4.98
Approved variable interest securities	41	63975	6.74	2.92	2.92
Other variable interest securities	51	498250	3.09	5.98	4.73
Total (11+21+39+41+51)	61	1633918	6.94	4.77	4.18

Long-term insurance business : Fixed and variable interest assets

Name of insurer **LONDON LIFE LIMITED**
 Category of assets **Pension Non Profit**
 Financial year ended **31 December 2009**
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	11	10207	16.81	4.39	4.39

Other approved fixed interest securities	21	127926	14.57	5.22	5.22
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Other fixed interest securities

AAA/Aaa	31	36387	8.18	2.48	2.46
AA/Aa	32	18737	8.57	5.60	5.10
A/A	33	52318	10.17	5.83	5.04
BBB/Baa	34	13671	7.51	6.21	4.85
BB/Ba	35	6093	5.85	11.29	10.39
B/B	36	11925	4.99	7.48	1.11
CCC/Caa	37				
Other (including unrated)	38				
Total other fixed interest securities	39	139131	8.54	5.34	4.25

Approved variable interest securities	41	62800	6.46	2.95	2.95
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Other variable interest securities	51	50228	2.81	4.33	4.14
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Total (11+21+39+41+51)	61	390292	9.66	4.76	4.35
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Long-term insurance business : Fixed and variable interest assets

Name of insurer **LONDON LIFE LIMITED**
 Category of assets **With Profit Fund**
 Financial year ended **31 December 2009**
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	11	499919	6.79	2.94	2.94
Other approved fixed interest securities	21	50251	10.25	4.36	4.36
Other fixed interest securities					
AAA/Aaa	31	20019	10.58	5.77	5.30
AA/Aa	32	33495	9.62	5.81	5.20
A/A	33	117106	8.76	5.86	5.08
BBB/Baa	34	16529	12.31	7.34	5.77
BB/Ba	35	11311	10.42	13.70	11.84
B/B	36	2569	14.54	10.16	8.93
CCC/Caa	37	35	39.35	4.53	
Other (including unrated)	38	677	8.80	14.39	
Total other fixed interest securities	39	201741	9.55	6.49	5.59
Approved variable interest securities	41				
Other variable interest securities	51	447455	3.13	6.15	4.79
Total (11+21+39+41+51)	61	1199366	6.03	4.79	4.13

Long-term insurance business : Summary of mathematical reserves

Name of insurer LONDON LIFE LIMITED

Total business Summary

Financial year ended 31 December 2009

Units

£000

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

Gross

Form 51 - with-profits	11	291837	586804		878641	1007454
Form 51 - non-profit	12	54825	627603		682428	688092
Form 52	13	6950	10393		17343	17980
Form 53 - linked	14	25160	307454		332614	306832
Form 53 - non-linked	15	215	5471		5686	6743
Form 54 - linked	16	177	54568		54745	52723
Form 54 - non-linked	17					
Total	18	379164	1592293		1971457	2079824

Reinsurance - external

Form 51 - with-profits	21	9537	7		9544	10308
Form 51 - non-profit	22	859	107		966	492080
Form 52	23					
Form 53 - linked	24					
Form 53 - non-linked	25					
Form 54 - linked	26					50057
Form 54 - non-linked	27					
Total	28	10396	114		10510	552445

Reinsurance - intra-group

Form 51 - with-profits	31		66714		66714	70252
Form 51 - non-profit	32	4000	475753		479753	18514
Form 52	33					
Form 53 - linked	34	12842			12842	11993
Form 53 - non-linked	35	17			17	16
Form 54 - linked	36		51183		51183	
Form 54 - non-linked	37					
Total	38	16859	593650		610509	100775

Net of reinsurance

Form 51 - with-profits	41	282300	520083		802383	926894
Form 51 - non-profit	42	49966	151743		201709	177498
Form 52	43	6950	10393		17343	17980
Form 53 - linked	44	12318	307454		319772	294839
Form 53 - non-linked	45	198	5471		5669	6727
Form 54 - linked	46	177	3385		3562	2666
Form 54 - non-linked	47					
Total	48	351909	998529		1350438	1426604

Long-term insurance business : Summary of mathematical reserves

Name of insurer **LONDON LIFE LIMITED**
 Subfund **Life With Profit**
 Financial year ended **31 December 2009**
 Units **£000**

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

Gross

Form 51 - with-profits	11	291837		291837	342621
Form 51 - non-profit	12				
Form 52	13	6950		6950	6966
Form 53 - linked	14				
Form 53 - non-linked	15	17		17	16
Form 54 - linked	16				
Form 54 - non-linked	17				
Total	18	298804		298804	349603

Reinsurance - external

Form 51 - with-profits	21	9537		9537	10301
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	9537		9537	10301

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	17		17	16
Form 54 - linked	36				
Form 54 - non-linked	37				
Total	38	17		17	16

Net of reinsurance

Form 51 - with-profits	41	282300		282300	332320
Form 51 - non-profit	42				
Form 52	43	6950		6950	6966
Form 53 - linked	44				
Form 53 - non-linked	45				
Form 54 - linked	46				
Form 54 - non-linked	47				
Total	48	289250		289250	339286

Long-term insurance business : Summary of mathematical reserves

Name of insurer LONDON LIFE LIMITED

Subfund Pension With Profit

Financial year ended 31 December 2009

Units £000

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

Gross

Form 51 - with-profits	11		586804		586804	664833
Form 51 - non-profit	12		3050		3050	3288
Form 52	13		10393		10393	11014
Form 53 - linked	14					
Form 53 - non-linked	15		4955		4955	5950
Form 54 - linked	16					
Form 54 - non-linked	17					
Total	18		605202		605202	685085

Reinsurance - external

Form 51 - with-profits	21		7		7	7
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		7		7	7

Reinsurance - intra-group

Form 51 - with-profits	31		66714		66714	70252
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		66714		66714	70252

Net of reinsurance

Form 51 - with-profits	41		520083		520083	594574
Form 51 - non-profit	42		3050		3050	3288
Form 52	43		10393		10393	11014
Form 53 - linked	44					
Form 53 - non-linked	45		4955		4955	5950
Form 54 - linked	46					
Form 54 - non-linked	47					
Total	48		538481		538481	614826

Long-term insurance business : Summary of mathematical reserves

Name of insurer **LONDON LIFE LIMITED**
 Subfund **Life Non Profit**
 Financial year ended **31 December 2009**
 Units **£000**

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

Gross

Form 51 - with-profits	11				
Form 51 - non-profit	12	54825		54825	41391
Form 52	13				
Form 53 - linked	14	25160		25160	24033
Form 53 - non-linked	15	198		198	177
Form 54 - linked	16	177		177	170
Form 54 - non-linked	17				
Total	18	80360		80360	65771

Reinsurance - external

Form 51 - with-profits	21				
Form 51 - non-profit	22	859		859	828
Form 52	23				
Form 53 - linked	24				
Form 53 - non-linked	25				
Form 54 - linked	26				
Form 54 - non-linked	27				
Total	28	859		859	828

Reinsurance - Intra-group

Form 51 - with-profits	31				
Form 51 - non-profit	32	4000		4000	4499
Form 52	33				
Form 53 - linked	34	12842		12842	11993
Form 53 - non-linked	35				
Form 54 - linked	36				
Form 54 - non-linked	37				
Total	38	16842		16842	16492

Net of reinsurance

Form 51 - with-profits	41				
Form 51 - non-profit	42	49966		49966	36064
Form 52	43				
Form 53 - linked	44	12318		12318	12040
Form 53 - non-linked	45	198		198	177
Form 54 - linked	46	177		177	170
Form 54 - non-linked	47				
Total	48	62659		62659	48451

Long-term insurance business : Summary of mathematical reserves

Name of insurer **LONDON LIFE LIMITED**
 Subfund **Pension Non Profit**
 Financial year ended **31 December 2009**
 Units **£000**

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

Gross

Form 51 - with-profits	11				
Form 51 - non-profit	12		624553	624553	643413
Form 52	13				
Form 53 - linked	14		307454	307454	282799
Form 53 - non-linked	15		516	516	600
Form 54 - linked	16		54568	54568	52553
Form 54 - non-linked	17				
Total	18		987091	987091	979365

Reinsurance - external

Form 51 - with-profits	21				
Form 51 - non-profit	22		107	107	491252
Form 52	23				
Form 53 - linked	24				
Form 53 - non-linked	25				
Form 54 - linked	26				50057
Form 54 - non-linked	27				
Total	28		107	107	541309

Reinsurance - intra-group

Form 51 - with-profits	31				
Form 51 - non-profit	32		475753	475753	14015
Form 52	33				
Form 53 - linked	34				
Form 53 - non-linked	35				
Form 54 - linked	36		51183	51183	
Form 54 - non-linked	37				
Total	38		526936	526936	14015

Net of reinsurance

Form 51 - with-profits	41				
Form 51 - non-profit	42		148693	148693	138146
Form 52	43				
Form 53 - linked	44		307454	307454	282799
Form 53 - non-linked	45		516	516	600
Form 54 - linked	46		3385	3385	2496
Form 54 - non-linked	47				
Total	48		460048	460048	424041

Long-term insurance business : Distribution of surplus

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

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

Valuation result

Fund carried forward	11	1411335	1478362
Bonus payments in anticipation of a surplus	12	3656	8389
Transfer to non-technical account	13	588	1139
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	1415579	1487890
Mathematical reserves	21	1350438	1426604
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	65141	61286

Composition of surplus

Balance brought forward	31	49902	64247
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	15239	(2961)
Total	39	65141	61286

Distribution of surplus

Bonus paid in anticipation of a surplus	41	3656	8389
Cash bonuses	42	184	201
Reversionary bonuses	43	1454	1655
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	5294	10245
Net transfer out of fund / part of fund	47	588	1139
Total distributed surplus (46+47)	48	5882	11384
Surplus carried forward	49	59259	49902
Total (48+49)	59	65141	61286

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 **LONDON LIFE LIMITED**
 Subfund **Life With Profit**
 Financial year ended **31 December 2009**
 Units **£000**

Financial year	Previous year
1	2

Valuation result

Fund carried forward	11	329854	368551
Bonus payments in anticipation of a surplus	12	1756	6376
Transfer to non-technical account	13	233	749
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	331843	375676
Mathematical reserves	21	289250	339286
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	42593	36390

Composition of surplus

Balance brought forward	31	28901	38383
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	13692	(1993)
Total	39	42593	36390

Distribution of surplus

Bonus paid in anticipation of a surplus	41	1756	6376
Cash bonuses	42	184	201
Reversionary bonuses	43	161	163
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	2101	6740
Net transfer out of fund / part of fund	47	233	749
Total distributed surplus (46+47)	48	2334	7489
Surplus carried forward	49	40259	28901
Total (48+49)	59	42593	36390

Percentage of distributed surplus allocated to policyholders

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

Long-term insurance business : Distribution of surplus

Name of insurer **LONDON LIFE LIMITED**
Subfund **Pension With Profit**
Financial year ended **31 December 2009**
Units **£000**

Financial year	Previous year
1	2

Valuation result

Fund carried forward	11	542824	618903
Bonus payments in anticipation of a surplus	12	1900	2013
Transfer to non-technical account	13	355	390
Transfer to other funds / parts of funds	14	24782	
Subtotal (11 to 14)	15	569861	621306
Mathematical reserves	21	538481	614826
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	31380	6480

Composition of surplus

Balance brought forward	31	2585	2863
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		24782
Surplus arising since the last valuation	34	28795	(21165)
Total	39	31380	6480

Distribution of surplus

Bonus paid in anticipation of a surplus	41	1900	2013
Cash bonuses	42		
Reversionary bonuses	43	1293	1492
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	3193	3506
Net transfer out of fund / part of fund	47	25137	390
Total distributed surplus (46+47)	48	28330	3895
Surplus carried forward	49	3050	2585
Total (48+49)	59	31380	6480

Percentage of distributed surplus allocated to policyholders

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

Long-term insurance business : Distribution of surplus

Name of insurer **LONDON LIFE LIMITED**
 Subfund **Life Non Profit**
 Financial year ended **31 December 2009**
 Units **£000**

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

Valuation result

Fund carried forward	11	66659	52852
Bonus payments in anticipation of a surplus	12		
Transfer to non-technical account	13		
Transfer to other funds / parts of funds	14		13600
Subtotal (11 to 14)	15	66659	66452
Mathematical reserves	21	62659	48451
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	4000	18001

Composition of surplus

Balance brought forward	31	4401	13454
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33	13600	
Surplus arising since the last valuation	34	(14001)	4547
Total	39	4000	18001

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		13600
Total distributed surplus (46+47)	48		13600
Surplus carried forward	49	4000	4401
Total (48+49)	59	4000	18001

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 **LONDON LIFE LIMITED**
 Subfund **Pension Non Profit**
 Financial year ended **31 December 2009**
 Units **£000**

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

Valuation result

Fund carried forward	11	471998	438056
Bonus payments in anticipation of a surplus	12		
Transfer to non-technical account	13		
Transfer to other funds / parts of funds	14		11182
Subtotal (11 to 14)	15	471998	449238
Mathematical reserves	21	460048	424041
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	11950	25197

Composition of surplus

Balance brought forward	31	14015	9547
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33	11182	
Surplus arising since the last valuation	34	(13247)	15650
Total	39	11950	25197

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		11182
Total distributed surplus (46+47)	48		11182
Surplus carried forward	49	11950	14015
Total (48+49)	59	11950	25197

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 LONDON LIFE LIMITED
 Original insurer LONDON LIFE LIMITED
 Date of maturity value / open market option 01 March 2010

1	2	3	4	5	6	7	8
Category of with-profits policy	Original term (years)	Maturity value / open market option	Terminal bonus	MVA	CWP / UWP	MVA permitted?	Death benefit
Endowment assurance	10	5236	0	N/A	CWP	N	N/A
Endowment assurance	15	9422	0	N/A	CWP	N	N/A
Endowment assurance	20	16046	198	N/A	CWP	N	N/A
Endowment assurance	25	27739	342	N/A	CWP	N	N/A
Regular premium pension	5	N/A	N/A	N/A	N/A	N/A	N/A
Regular premium pension	10	28235	920	N/A	UWP	N	N/A
Regular premium pension	15	45587	1813	N/A	UWP	N	N/A
Regular premium pension	20	74750	8591	N/A	CWP	N	N/A
Single premium pension	5	N/A	N/A	N/A	N/A	N/A	N/A
Single premium pension	10	12783	0	N/A	UWP	N	N/A
Single premium pension	15	20844	3535	N/A	UWP	N	N/A
Single premium pension	20	30283	6249	N/A	CWP	N	N/A

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

Name of insurer LONDON LIFE LIMITED
 Original insurer LONDON LIFE LIMITED
 Date of surrender value 01 March 2010

1	2	3	4	5	6	7	8
Category of with-profits policy	Duration at surrender (years)	Surrender value	Terminal bonus	MVA	CWP / UWP	MVA permitted?	Death benefit
Endowment assurance	5	N/A	N/A	N/A	N/A	N/A	N/A
Endowment assurance	10	3772	N/A	N/A	CWP	N	N/A
Endowment assurance	15	8241	N/A	N/A	CWP	N	N/A
Endowment assurance	20	14590	36	N/A	CWP	N	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	10175	N/A	2234	UWP	Y	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	10477	N/A	2300	UWP	Y	N/A

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

Name of insurer **LONDON LIFE LIMITED**

Original insurer **AMP UK**

Date of maturity value / open market option **01 March 2010**

Category of with-profits policy	Original term (years)	Maturity value / open market option	Terminal bonus	MVA	CWP / UWP	MVA permitted?	Death benefit
1	2	3	4	5	6	7	8
Endowment assurance	10	N/A	N/A	N/A	N/A	N/A	N/A
Endowment assurance	15	N/A	N/A	N/A	N/A	N/A	N/A
Endowment assurance	20	18630	N/A	N/A	CWP	N	N/A
Endowment assurance	25	30540	N/A	N/A	CWP	N	N/A
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	85578	N/A	N/A	CWP	N	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
Single premium pension	15	N/A	N/A	N/A	N/A	N/A	N/A
Single premium pension	20	36826	N/A	N/A	CWP	N	N/A

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

Name of insurer LONDON LIFE LIMITED
 Original insurer AMP UK
 Date of surrender value 01 March 2010

Category of with-profits policy	Duration at surrender (years)	Surrender value	Terminal bonus	MVA	CWP / UWP	MVA permitted?	Death benefit
1	2	3	4	5	6	7	8
Endowment assurance	5	N/A	N/A	N/A	N/A	N/A	N/A
Endowment assurance	10	N/A	N/A	N/A	N/A	N/A	N/A
Endowment assurance	15	N/A	N/A	N/A	N/A	N/A	N/A
Endowment assurance	20	15058	0	N/A	CWP	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 **LONDON LIFE LIMITED**

Global business

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

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

Insurance death risk capital component

Life protection reinsurance	11	0.0%				
Classes I (other), II and IX	12	0.1%	105200		75	78
Classes I (other), II and IX	13	0.15%	35769	0.71	38	46
Classes I (other), II and IX	14	0.3%	440114	411741	936	1018
Classes III, VII and VIII	15	0.3%				
Total	16		581083	411741	1049	1142

Insurance health risk and life protection reinsurance capital component

Class IV supplementary classes 1 and 2 and life protection reinsurance	21				48	48
--	----	--	--	--	----	----

Insurance expense risk capital component

Life protection and permanent health reinsurance	31	0%				
Classes I (other), II and IX	32	1%	1545962	957400	0.85	13141
Classes III, VII and VIII (investment risk)	33	1%	20107	19486	0.97	195
Classes III, VII and VIII (expenses fixed 5 yrs +)	34	1%	31155	27755	0.89	278
Classes III, VII and VIII (other)	35	25%				125
Class IV (other)	36	1%	4076	3478	0.85	35
Class V	37	1%				
Class VI	38	1%				
Total	39					13774

Insurance market risk capital component

Life protection and permanent health reinsurance	41	0%				
Classes I (other), II and IX	42	3%	1545962	957400	0.85	39422
Classes III, VII and VIII (investment risk)	43	3%	20107	19486	0.97	585
Classes III, VII and VIII (expenses fixed 5 yrs +)	44	0%	31155	27755		
Classes III, VII and VIII (other)	45	0%	287037	278199		
Class IV (other)	46	3%	4076	3478	0.85	104
Class V	47	0%				
Class VI	48	3%				
Total	49		1888337	1286318		40111

Long term insurance capital requirement	51					54982
						61150

Returns under the Accounts and Statements Rules

Supplementary Notes

London Life Limited

Global business

Financial year ended 31 December 2009

Appendix 9.1

***0000* Scheme of transfer**

On 3rd September 1997 the High Court sanctioned a scheme of transfer under Schedule 2C and section 49 of the Insurance Companies Act 1982. This had the effect of transferring the assets and liabilities of the United Kingdom business of Australian Mutual Provident Society to London Life Limited (formerly London Life Managed Funds Limited). The transfer date was 1.01pm on 31st December 1997.

Associated with the scheme of transfer was the provision of a contingent loan from London Life Holdings Limited to the Life Non-Profit Fund (£16,000,000), the Pension Non-Profit Fund (£69,000,000) and the Pension With-Profits Fund (£114,000,000). On 23 December 2004, the contingent loan advanced on 31 December 1997 was terminated by repayment of the outstanding principal of £199m together with capitalised interest of £87m. At the same time a new contingent loan was advanced of £286m.

On 24 November 2006 the rights and benefits under the contingent loan agreement between the Company and London Life Holdings Limited were assigned to Pearl Group Holdings (No. 2) Limited (formerly Pearl Group Limited). On 31 December 2006, the contingent loan was repaid to Pearl Group Holdings (No. 2) Limited and on the same date Pearl Group Holdings (No. 2) Limited advanced a new contingent loan on identical terms, except for the extension to the interest moratorium for a further three years to cover the period 1 January 2007 to 31 December 2009. No interest is due during this period.

The contingent loan is not repayable for a minimum of five years and is only repayable at that point if there are sufficient assets to cover policyholders' reasonable benefit expectations, inter-fund loan amounts and solvency requirements. The contingency was not satisfied at 31st December 2009. No interest accrued on the current loan for the period from 1 January 2007 to 31 December 2009.

***0201* Modification to the Return**

The FSA, on the application of the firm, made a direction under section 148 of the Financial Services and Markets Act 2000 in November 2007. The effect of the direction is to modify the provisions of INSPRU 3.1.35R and IPRU (INS) Appendix 9.3 so that a more appropriate rate of interest is used for assets taken in combination.

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

Returns under the Accounts and Statements Rules

Supplementary Notes

London Life Limited

Global business

Financial year ended 31 December 2009

Appendix 9.1 (continued)

***0301* Reconciliation of net admissible assets to total capital resources after deduction**

	2009	2008
	£'000	£'000
Net admissible assets		
Form 13 line 89 (other than long term business)	164,925	153,582
Form 13 line 89 (long term business)	2,702,234	2,901,330
Less Form 14 Line 71	(2,642,975)	(2,851,428)
Less Form 15 Line 69	(2,394)	(1,495)
	<hr/>	<hr/>
Net admissible assets	221,790	201,989
Contingent loan included in Form 3 Line 46 and Form 14 Line 11	65,758	22,898
	<hr/>	<hr/>
Total capital resources after deductions	287,548	224,887
	<hr/>	<hr/>

***0302* Instruments issued by the long term insurance fund included in capital resources**

Included within capital resources is £65,758,000 (2008: £22,898,000) of contingent loan from Pearl Group Holdings (No. 2) Limited (formerly Pearl Group Limited).

***0306* Financial reinsurance - ceded**

The insurer has entered into a Surplus Relief Reassurance Agreement with Pearl Assurance plc. Under this arrangement Pearl Assurance plc agreed to accept risk in respect of all the long-term business other than business of the "Life With-Profits Fund".

The maximum liability reinsured is the lower of an amount specified in the Agreement and the outstanding amount of the contingent loan (but only to the extent that the contingent loan has not been written down in the accounts of London Life Limited).

The amount of the financial reinsurance ceded is £19,000,000 (2008: £21,001,000), against contingent liability recognised in Form 14 of £65,758,000 (2008: £22,898,000). Consequently Form 3 line 92 reports a balance of £19,000,000 (2008: £21,001,000).

Further details are disclosed in paragraph 9 of the "Abstract of valuation report".

Returns under the Accounts and Statements Rules

Supplementary Notes

London Life Limited

Global business

Financial year ended 31 December 2009

Appendix 9.1 (continued)

0308 Adjustment for Contingent loans

On 23 December 2004, a contingent loan was provided by London Life Holdings Limited to the "Pension Non-Profit", "Life Non-Profit" and "Pension With-Profits" sub funds of the insurer's long-term business fund. On 24 November 2006 rights and benefits under the contingent loan agreement between the Company and London Life Holdings Limited were assigned to Pearl Group Holdings (No. 2) Limited (formerly Pearl Group Limited). On 31 December 2006, the contingent loan was repaid in full to Pearl Group Holdings (No. 2) Limited and on the same date Pearl Group Holdings (No. 2) Limited advanced a new contingent loan. The purpose of the loan is to cover the shortfall arising as a result of prudential reserves for guaranteed benefits under the relevant policies, which is expected to disappear over time. The contingent loan is only repayable if there are sufficient assets to cover policyholders' reasonable benefit expectations, inter-fund amounts and solvency requirements. No interest accrued on the current loan for the period from 1 January 2007 to 31 December 2009.

At the financial year ended 31st December 2009, the total amount of contingent loan is £286,088,000 (2008: £286,088,000), however the amount still to be repaid from future profits under the arrangements as at 31 December 2009, not already recognised in Form 14 is £57,817,000 (2008: £81,345,000).

0310 Net Valuation differences shown in Form 3 Line 14

	2009	2008
	£'000	£'000
Positive valuation differences in respect of liabilities		
Contingent loan valuation difference	57,817	81,345
Onerous contracts provision	2,253	2,440
Actuarial valuation difference:		
With Profits – UK GAAP to Peak 1	7,177	-
	<hr/> 67,247	<hr/> 83,785
Negative valuation differences in respect of liabilities		
Actuarial valuation difference:		
With Profits – UK GAAP to Peak 1	-	(17,247)
Pension Non Profit - prudent reserve	(244)	-
Life Non Profit - prudent reserve	(16)	-
Pension Non Profit - sterling reserve	(515)	(600)
Life Non Profit - sterling reserve	(122)	(107)
Provision for reasonably foreseeable adverse variations	(4,100)	(10,970)
Valuation difference on NPL Sub Debt	-	(6,215)
	<hr/> (4,997)	<hr/> (35,139)
Net valuation difference	<hr/> <hr/> 62,250	<hr/> <hr/> 48,646

Returns under the Accounts and Statements Rules

Supplementary Notes

London Life Limited

Global business

Financial year ended 31 December 2009

Appendix 9.1 (continued)

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

	2009	2008
	£'000	£'000
Profit and loss account and other reserves at 1 January - Form 3 line 12	172,769	168,131
Profit retained for the financial year - Form 16 line 59	11,627	5,395
	<hr/>	<hr/>
	184,396	173,526
PVIF Revaluation	-	(757)
	<hr/>	<hr/>
Profit and loss account and other reserves at 31 December - Form 3 line 12	184,396	172,769
	<hr/>	<hr/>

***1100* Calculation of Long-term insurance capital requirement – premiums amount and brought forward amount**

Form 11, calculation of long-term insurance business capital requirement – premiums amount and brought forward amount, has not been included in the return as the Company satisfies the de-minimis limit.

***1200* Calculation of Long-term insurance capital requirement – claims amount and result**

Form 12, calculation of long-term insurance business capital requirement – claims amount and result, has not been included in the return as the Company satisfies the de-minimis limit.

***1301* Unlisted and listed investments**

	2009	2008
	£'000	£'000
Unlisted Investments valued in accordance with the rules in GENPRU 1.3	-	17,069
Listed investments valued in accordance with the rules in GENPRU 1.3 which are not readily realisable	23,253	4,890
	<hr/>	<hr/>
	23,253	21,959
	<hr/>	<hr/>

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

Returns under the Accounts and Statements Rules

Supplementary Notes

London Life Limited

Global business

Financial year ended 31 December 2009

Appendix 9.1 (continued)

1305

1319 Counterparty limits

- a) The investment guidelines operated by the Company limit exposure to any one counterparty by establishing limits for each type. These limits are set by reference to the individual and aggregated limits are set out in the market and counterparty limits in Chapter 2.1 of the Prudential Sourcebook for Insurers.
- b) The maximum permitted exposure to a counterparty other than an approved counterparty during the year was 5% of the business amount, calculated in accordance with Chapter 2.1 of the Prudential Sourcebook for Insurers. The exceptions to this are in respect of:
- Strategic investment opportunities, where, in order to achieve target asset mix or diversification, excess exposures may be permitted for the short duration. Where these exposures persist for longer term, modifications may be sought.
 - Loans to other companies in the same group, where the application of these guidelines is just one of the factors considered in determining the most appropriate allocation of capital within the group.
- c) There were no breaches of these limits during the financial year.

1307

1313 Fully secured rights

- a) The aggregate value of rights over collateral in respect of approved stock lending transactions is £nil (2008: £nil). Refer to note 1311 and 1411.
- b) The aggregate value of rights over collateral in respect of approved derivative transactions is £nil (2008: £nil). Refer to note 1311 and 1411.

1308 Unlisted and listed investments

	2009	2008
	£'000	£'000
Unlisted Investments valued in accordance with the rules in GENPRU 1.3	87,694	229,938
Listed investments valued in accordance with the rules in GENPRU 1.3 which are not readily realisable	190,196	75,699
Units or other beneficial interests in collective investment schemes, as specified	4,073	6,773
	<hr/>	<hr/>
	281,963	312,410
	<hr/>	<hr/>

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

Returns under the Accounts and Statements Rules

Supplementary Notes

London Life Limited

Global business

Financial year ended 31 December 2009

Appendix 9.1 (continued)

***1309* Hybrid securities**

The aggregate value of these investments falling within lines 46 or 48 of Form 13 Total long term business insurance assets which are hybrid securities is £61.6 million (2008: £58.8 million).

***1318* Other asset adjustments**

Included within line 101 of Form 13 for each sub fund are:

<u>2009</u>	Other than long term £'000	Life non Profit £'000	Pension non profit £'000	With profits £'000
Gross up of sub fund other creditors	(1)	(275)	(1,531)	-
Gross up of sub fund tax balances	-	-	-	(15,026)
	(1)	(275)	(1,531)	(15,026)
<u>2008</u>	Other than long term £'000	Life non Profit £'000	Pension non profit £'000	With profits £'000
Gross up of sub fund other creditors	(104)	(377)	(1,676)	-
Gross up of sub fund tax balances	-	(4,472)	-	-
Subfund Support	-	13,600	11,182	(24,782)
Valuation difference on National Provident Life subordinated loan	6,215	-	-	-
	6,111	8,751	9,506	(24,782)

***1321* Asset restrictions**

The carrying value of the National Provident Life Limited subordinated loan within the Total other than long term insurance business assets Form 13 has not been restricted. In 2008, a restriction of £6.2m was applied as this is the value deemed to be irrecoverable under the regulatory regime. This restriction is no longer required due to the improvement in the regulatory surplus position of National Provident Life Limited.

Returns under the Accounts and Statements Rules

Supplementary Notes

London Life Limited

Global business

Financial year ended 31 December 2009

Appendix 9.1 (continued)

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

1501

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

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

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

A provision of £4.1m has been established in relation to the insurers Stock Lending activities where there is an identified difference in the maturity profile of the collateral liabilities and the reinvested collateral assets. The provision on this activity is based on the probability of not being able to renegotiate 10% of the collateral liabilities when they become due and is calculated as the cost of borrowing to cover the 10% shortfall at the Groups cost of borrowing rate.

Returns under the Accounts and Statements Rules

Supplementary Notes

London Life Limited

Global business

Financial year ended 31 December 2009

Appendix 9.1 (continued)

***1402* Liabilities**

1502

- a) Effective from 1 January 2007, the pension annuity in payment liabilities of the Company were reassured to Opal Reassurance Ltd. A premium of £559m was payable by the Company but has been withheld and placed in a collateral account in order to mitigate counterparty exposure. The Company has therefore retained legal ownership of all assets and will continue to hold these assets on its balance sheet. Opal Reassurance Ltd has a fixed charge over the assets.

The aggregate value of assets subject to the charge Form 13 Total long term insurance business assets and Summary Form 14 are:

	2009	2008
	£000	£000
<u>Form 13</u>		
Line 28 – Other group undertakings - Debts and loans	17,545	17,545
Line 41 – Equity shares	-	160,325
Line 43 – Holdings in collective investment schemes	198,545	33,062
Line 44 – Rights under derivative contracts	19,614	90,322
Line 45 – Approved fixed interest securities	39,307	46,922
Line 46 – Other fixed interest securities	93,973	77,793
Line 47 – Approved variable interest securities	-	62,382
Line 48 – Other variable interest securities	105,127	65,734
Line 58 – Assets held to match liabilities – Index linked	51,183	-
Line 78 – Other debtors – due in 12 months or less	2,410	2,360
Line 81 – Cash in hand	1,033	25,318
Line 84 – Accrued interest and rent	3,391	3,187
<u>Less Form 14</u>		
Line 38 – Creditors – Other	20,456	67,108
Total	511,672	517,842

- b) There is no potential liability to taxation on capital gains for the long term insurance business fund and the other than long term insurance business fund if the insurer disposed of its assets.

Returns under the Accounts and Statements Rules

Supplementary Notes

London Life Limited

Global business

Financial year ended 31 December 2009

Appendix 9.1 (continued)

***1402* Liabilities (continued)**

1502

c) (i) Pensions Transfer and Opt-Outs

In common with other life insurers in the United Kingdom that 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 Pension Non-Profit Fund of the long term insurance business fund. 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. There is no provision for possible redress included in the mathematical reserves for Phase 1 cases (2008: £nil).

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 2006 provision. The provision for possible redress included in the mathematical reserves for Phase 2 cases is £7.8 million (2008: £7.2 million).

(ii) Contingent Liabilities

There are no other contingent liabilities not included in Form 14 or Form 15 apart from the contingent loans referred to in supplementary note 0308.

- d) There are no guarantees, indemnities or other contractual commitments, other than in the ordinary course of its insurance business, in respect of the existing or future liabilities of any related companies.
- e) In the opinion of the directors, there are no other fundamental uncertainties affecting the financial position of the Company.

Returns under the Accounts and Statements Rules

Supplementary Notes

London Life Limited

Global business

Financial year ended 31 December 2009

Appendix 9.1 (continued)

***1405* Other adjustments to liabilities**

Included within line 74 of Form 14 are:

<u>2009</u>	Total long term £'000	Life with profits £'000	Pension with profits £'000	Life non profit £'000	Pension non profit £'000
Difference between mathematical reserve and long term business provision	(59,478)	21,722	(20,011)	(17,219)	(43,970)
Contingent loan	123,575	17,577	22,159	27,919	55,920
Onerous contracts provision	2,253	841	1,412	-	-
Stock lending provision for reasonably foreseeable adverse variations	(4,100)	(958)	(3,142)	-	-
Gross up of sub fund other creditors	-	-	-	(275)	(1,531)
Gross up of sub fund tax balances	-	(5,608)	(9,418)	-	-
Valuation difference on deposit received from reinsurer	2,714	-	-	-	2,714
	64,964	33,574	(9,000)	10,425	13,133

2008

	Total long term £'000
Difference between mathematical reserves and long term business provision	(40,852)
Contingent loan	104,242
Onerous contracts provision	2,440
Stock lending PAD	(10,970)
Valuation difference on deposit received from reinsurer	-
Rounding difference	1
	54,861

Returns under the Accounts and Statements Rules

Supplementary Notes

London Life Limited

Global business

Financial year ended 31 December 2009

Appendix 9.1 (continued)

1407 Separate Forms 14 for the with-profit sub-funds have been presented.

***1507* Other adjustments to liabilities**

Included within line 83 of Form 15 are:

	2009 £'000	2008 £'000
Gross up of sub fund other creditors	(1)	(104)
	<hr/>	<hr/>
	(1)	(104)
	<hr/>	<hr/>

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

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

***1603* Other income and charges**

A charge of £nil (2008: £9k) in respect of external consultancy services, appointed actuary fees of £16k (2008: £68k) and customer compensation of £nil (2008: £35k) have been incurred during 2009. A refund of management fees of £40k (2008: £41k) has been received during 2009.

Returns under the Accounts and Statements Rules

Supplementary Notes

London Life Limited

Global business

Financial year ended 31 December 2009

Appendix 9.3

4002 Other income and expenditure

Other expenditure in line 25 of £27,933,000 (2008: £23,314,000) represents the change in the collateral value of the assets of the deposit received under the reinsurance agreement with Opal Reassurance Ltd.

In 2008 subfund support of £13.6m from the Life Non-Profit fund and £11.2m from the Pension-Non Profit fund was transferred to the Pension With-Profits fund. In 2009 the support was repaid and these repayments are shown in other income for both the Life Non-Profit and Pension-Non Profit funds and other expenditure in the Pension With-Profits fund.

4004 Transfers of contracts

	2009 £'000	2008 £'000
<u>Business transfers into Revenue account</u>		
Pensions Non Profit	12,370	9,611
Life Non Profit	323	1,787
	<hr/> 12,693	<hr/> 11,398
<u>Business transfers out of Revenue account</u>		
Pensions With Profits	(39,028)	(9,611)
Life With Profits	(323)	(1,787)
	<hr/> (39,351)	<hr/> (11,398)

The business transfers between the funds consist of vesting annuities only. Included within business transfers out of the Pension With Profits fund are £26,658k of claims vesting in annuities written by Pearl Assurance plc. 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.

Returns under the Accounts and Statements Rules

Supplementary Notes

London Life Limited

Global business

Financial year ended 31 December 2009

Appendix 9.3 (continued)

***4006* Apportionment to the long-term business funds**

The insurer maintains a Life Non-Profit Fund, a Pension Non-Profit Fund, a Life With-Profits Fund and a Pension With-Profits Fund. Separate portfolios of investments are maintained for each non-profit fund and the combined with-profits fund. So, for the non-profit funds, the investment income and the increase or decrease in the value of the amounts brought directly into account are directly attributable to each fund. Assets and investment returns are allocated between the with-profits funds as determined by the actuarial function holder in accordance with the Principles of Financial Management which form Schedule 3 to the scheme of transfer which was approved by the High Court under Schedule 2C and section 49 of the Insurance Companies Act 1982.

Actual policyholder expenses are borne by the non-profit funds on a basis determined by the actuarial function holder after allowing for a proportion to be recovered from the with-profits fund. The administration expenses to be recovered from the with-profits funds are determined by a formula and other expenses, including investment management costs, are allocated to the with-profits funds on a basis approved by the actuarial function holder.

The with-profits funds are taxed as if each constituted the whole of the long term insurance business funds of a mutual life assurance company. The non-profit funds bear the whole of the charge for policyholders' taxation less amounts borne by the with-profits funds. The tax is apportioned between the two non-profit funds on a basis approved by the actuarial function holder.

***4008* Provision of management services**

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

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

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

A number of reinsurance contracts are in place between the Company and other group companies. All these contracts are entered into on "arms length" basis, details of which are listed in Appendix 9.4 Paragraph 9 of the Return.

Returns under the Accounts and Statements Rules

Supplementary Notes

London Life Limited

Global business

Financial year ended 31 December 2009

Appendix 9.3 (continued)

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 cost
- other investments are shown at directors' estimates of market value

4502 Other income and expenditure

Other income consists of management fee rebates. There is no other expenditure for 2009.

4801 Asset share

For the five separate blocks of business shown in the table below, the asset share mix is 5% more or less than the mix shown in Form 48 for at least one of the lines 21 to 28 of column 2. The bonus series are all those detailed in paragraph 10 of Appendix 9.4.

Asset	Active Block		Passive Block		UWP Block
	Excluding AMP	AMP	Cash Bonus	Pensions	
Gilts	42%	43%	34%	71%	24%
Corporates	20%	20%	16%	27%	13%
Property	15%	15%	0%	0%	5%
Equity	21%	0%	0%	0%	50%
Cash	2%	22%	50%	2%	3%
Other	0%	0%	0%	0%	5%
Total	100%	100%	100%	100%	100%

4803 Assumed maturity dates

For assets that may be redeemed over a period at the option of the guarantor or the issuer, the investment manager has provided an appropriate redemption date. The value of these assets was £31m at the valuation date.

4804 Asset yields

The yields for the assets contained within lines 18 and 28 of Form 48 are as follows:

Asset	Yield
Swaps	2.39%
Other assets with income	3.88%
Other assets no income	0.00%

Returns under the Accounts and Statements Rules

Supplementary Notes

London Life Limited

Global business

Financial year ended 31 December 2009

Appendix 9.3 (continued)

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

The assets used to calculate column 5 of Form 48 are those shown for the passive (pensions) block of assets. The asset mix for these assets is shown in Note 4801.

***4900* Long-term insurance business: Fixed and variable interest assets**

Form 49 Life Non Profit has not been included in the return as the Company satisfies the de-minimis limit as the fixed and variable interest securities do not exceed £100m.

***4901* Credit rating agency**

The credit ratings used are those supplied by UBS rating agency.

***5101* Group scheme business**

The following group schemes exist on Form 51:

Number of schemes	Product Code
0	175
1	185
55	410
1	420

***5103* Miscellaneous product codes**

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

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

Form 56 has not been included in the return as the Company satisfies the de-minimis limit as the index-linked assets do not exceed £100m.

***5700* Long-term insurance business: analysis of valuation interest rate**

Form 57 Life Non Profit has not been included in the return as the Company satisfies the de-minimis limit as the mathematical reserves for non-linked business do not exceed £100m.

Returns under the Accounts and Statements Rules

Supplementary Notes

London Life Limited

Global business

Financial year ended 31 December 2009

Appendix 9.3 (continued)

***5702* Risk adjusted yield**

The yields to which a risk adjustment was applied in accordance with INSPRU 3.1.35R as modified (supplementary note 0201) in order to arrive at column 5 of Form 57 are:

Product Group	Risk adjusted yield on matching assets	Adjustment	Risk adjusted yield on matching assets as per direction
UKP NP code 300/325/330 /390/410/440	4.42	0.04	4.46
UKP NP code 400	4.64	0.04	4.68
UKP NP code 725/745	3.79	0.00	3.79
UKP NP code 905	4.25	0.02	4.27

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

The Company has not provided Forms 11 and 12 as it has taken advantage of the de-minimis limits available (refer to supplementary notes 1100 and 1200). The value in Form 60 line 21 has therefore used the 2007 Form 60 line 21 value as an approximation as the PHI premiums and claims for 2009 are in line with 2007.

The gross annual office premium in force at the valuation date in respect of class IV business (permanent health) or supplementary accident and sickness insurance is £127,000 (2008: £196,000).

***6002* Net reserves**

The amount of £65.8m included in Form 14 in respect of the outstanding contingent loan, is excluded from net reserves on Form 60 since these represent reserves available to repay financing arrangements rather than policyholder liabilities and a long-term insurance capital requirement is not calculated for such reserves.

Returns under the Accounts and Statements Rules

Statement of additional information on derivative contracts required by rule 9.29

London Life Limited

Global Business

Financial year ended 31 December 2009

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

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

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

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

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

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

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

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

Returns under the Accounts and Statements Rules

Statement of additional information on controllers required by rule 9.30

London Life Limited

Global Business

Financial year ended 31 December 2009

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

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

all of which remained controllers at 31 December 2009.

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

Together with:

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

which ceased to be controllers on 28 August 2009.

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

1. Pearl Group Holdings (No. 2) Limited

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

2. Phoenix Life Holdings Limited

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

3. PGH (LCA) Limited

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

Returns under the Accounts and Statements Rules

Statement of additional information on controllers required by rule 9.30

London Life Limited

Global Business

Financial year ended 31 December 2009

(continued)

4. PGH (LCB) Limited

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

5. Phoenix Group Holdings (formerly Pearl Group)

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

6. Xercise Limited

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

7. TDR Capital Nominees Limited

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

8. TDR Capital LLP

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

LONDON LIFE LIMITED

APPENDIX 9.4

ABSTRACT OF VALUATION REPORT

Introduction

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

Product range

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

Discretionary charges and benefits

3. (1) Market Value Adjustments (MVAs) were applied as follows:

Product	Policy Year of Entry	Period applied
Unitised With Profit Life	1997	April – June 2009
	1998 – 2001	Throughout 2009
	2002 , 2004	April – June 2009
	2005	April – December 2009
	2006 – 2007	Throughout 2009
	2008	April – December 2009
Unitised With Profit Pension	1997	April – June 2009
	1998 – 2001	Throughout 2009
	2002 , 2004	April – June 2009
	2005	April – December 2009
	2006 – 2007	Throughout 2009
	2008	April – December 2009

- (2) There have been no changes to premiums on reviewable protection policies during the financial year. The amount of annual premium for business where a change was permitted but did not occur was £0.75m.
- (3) No policies have been sold in this category.
- (4) Policy fees on linked policies increased on 1 January 2009, in line with the Retail Price Index increase from September 2007 to September 2008, an increase of 5.0%.
- (5) During the financial year, benefit charges remained unchanged on linked policies.
- (6) During the financial year, unit management charges for unitised accumulating with-profit and linked policies remained unchanged.
- (7) (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.
 - (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 AMP (UK) business.
- (b) During the financial year there were no times at which different pricing bases applied to different policies.
- (c) A mid-market price applies to the collective investment schemes. 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 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.

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 cleared at the end of each month.				
Equity (Direct Holdings)	19.9%	19.3%	19.9%	19.3%
Equity (Direct Holdings) accruals for realised gains and losses are cleared at the end of each month. Accruals for unrealised gains and losses are not cleared until the end of the month in which they become realised.				
Equity (Collective Investment Scheme Holdings)	19.9%	18.8%	19.9%	18.8%

Equity (Collective Investment Scheme Holdings) accruals for realised gains and losses are cleared at the end of each month. Accruals for unrealised gains and losses are cleared at the end of each financial year under the "deemed disposal" regime. The tax rate used for this purpose at the end of 2009 was 18.8%.

The tax treatment of Life unit linked funds reinsured to the London Life Linked Assurances (LLLA) "sub-fund" of NPI Limited follows the tax treatment in that company.

NPI Limited applies the tax treatment described above for fixed interest funds, but its LLLA equity funds have accumulated capital losses. During the financial year no deductions were made for tax on (index-adjusted) realised gains and no credit was given for realised losses in the equity funds.

(9) See (8) above

(10) 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.

Valuation basis (other than for special reserves)

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

NON-LINKED BUSINESS

Mathematical reserves have been determined using a gross premium method, 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 to joint lives on first death and second death bases have been valued as single male life policies of equivalent age.
- 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 2009, which apply during the period 1st July 2009 to 30th June 2010 for traditional London Life Business and during the period 1st May 2009 to 31st April 2010 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.

Contingent Loan and Surplus Relief Reinsurance Agreement

The Contingent Loan has been valued at the amounts shown on Form 51. The nature of the contingency is such as to ensure that the payment of interest or the repayment of principal beyond that shown in Form 51 will not give rise to any future valuation strain.

The value of the claims payable under the Surplus Relief Reinsurance Agreement has been determined for each sub-fund as the value of the liabilities (determined in accordance with the Prudential Sourcebook for Insurers) less the value of the realistic liabilities, subject to a maximum of the cover provided by the Agreement. This has been shown in respect of sample individual policy calculations to yield the same results as valuing the claims directly. The value of premiums has been determined as zero. This reflects the inter-linking of the Contingent Loan and the Surplus Relief Reinsurance Agreement whereby premiums are only payable if the Contingent Loan is written down. The Contingent Loan has not been written down but is recognised at less than full face value on Form 51 as a consequence of the contingency. Therefore no value of premiums is necessary.

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

Sub Fund	Product Group	2009	2008	Product Code
90:10 Life	Cash Bonus	3.00%	2.95%	100, 120
90:10 Life	Fund R Compound Bonus	2.55%	2.25%	100, 120, 335
90:10 Life	Unitised With Profit Life	3.10%	5.35%	505
90:10 Life	Fund T Compound Bonus	2.20%	2.45%	120, 165
90:10 Life	AMPUK Business	4.20%	3.25%	100, 120, 205
90:10 Pension	Pension Compound Bonus	4.55%	3.90%	155, 165
90:10 Pension	Unitised With Profit Pension	3.30%	5.70%	155
90:10 Pension	Fund W Deferred Simple Bonus	5.20%	5.65%	165
90:10 Pension	Fund W In Payment Simple Bonus	5.75%	5.80%	200
90:10 Pension	AMPUK Business	3.00%	3.85%	155
90:10 Pension	London Life Pension unit linked	4.00%	1.61%	725, 745
90:10 Pension	SPP With Profit Immediate Annuity	4.62%	4.66%	200
0:100 Life	Immediate annuities	3.41%	3.41%	395, 905
0:100 Life	Deferred annuities	3.29%	3.21%	390
0:100 Life	AMPUK Life unit linked	3.00%	2.60%	700, 715, 795
0:100 Pension	Level immediate annuities	4.56%	4.57%	400
0:100 Pension	Index-linked immediate annuities	4.16%	4.58%	905
0:100 Pension	AMPUK Pension unit linked	3.70%	3.30%	725, 745
0:100 Pension	Deferred Annuities	4.35%	4.25%	390

- (3) For corporate bonds, a deduction is applied to the yield on an individual stock by stock basis to allow for the risk of default. The individual stock risk margins will be calculated as a long-term average default rate plus an additional allowance for short-term factors and expected deviations from the historic average. The individual stock risk margins will be calculated by our investment managers in conjunction with the Asset Liability Management team.

The long term average default rates (in basis points) are:

Rating	5yr bps	10yr bps	20yr bps
AAASSR	0	0	0
AAA	4.4	12.8	15.9
AA	19.6	33.6	48.8
A	32.2	46.6	62.5
BBB	83.6	104.3	120.9
BB	257.0	273.9	283.0
B	573.8	509.4	426.7

A number of different techniques are then employed to arrive at an additional haircut, namely;

- For bank subordinated debt, a higher risk is proposed to be recognised by imposing a nil recovery rates on the above default rates. For banks that are in receipt of state aid, there is some additional deduction depending on whether the coupons can be missed or deferred without interest.
- Subordinated debt attract hair cut based on the senior rating of the issuer rather than the rating of the bond itself.
- Stocks were then 'notched' downwards where they consider the credit rating to be inappropriate (after analysis of the current market spread and other factors).

For the Peak 1 basis, additional prudence will be applied to all but the "already defaulted" stocks by increasing the risk margin deduction by 25%.

For property the yield is determined at an aggregate level as the lower of the current rental yield and prospective rental yield and further restricted to be no more than 200 basis points above the 15-year gilt yield.

A small amount of equities are held in low yielding OEICs. No further adjustment for risk was made.

(4) Products representing a significant amount of business used the following mortality bases:

Sub Fund	Product Group	2009		2008		Product Code
		Male	Female	Male	Female	
90:10 Life	Cash Bonus	42% AM80	68% AF80	42% AM80	68% AF80	100,120
90:10 Life	Fund R Compound Bonus	51% AM80	84% AF80	51% AM80	84% AF80	100,120,335
90:10 Life	Fund T Compound Bonus	70% AM00	70% AF00	70% AM00	70% AF00	120,165
90:10 Life	AMPUK Business	116% AM00	107% AF00	116% AM00	107% AF00	100,120,205
90:10 Pensions	Pension Compound Bonus	70% AM00	70% AF00	70% AM00	70% AF00	155,165
90:10 Pensions	AMPUK Business	95% AM00	95% AF00	95% AM00	95% AF00	155
90:10 Pensions	Fund W Deferred (pre-vesting)	70% AM00	70% AF00	70% AM00	70% AF00	165
90:10 Pensions	Fund W Deferred (post-vesting)	90% PMA00 CMI_2009_M C2029 [3.25% for ages up to age 60, reducing linearly down to 0% from age 120]	85% PFA00 CMI_2009_F C2033 [3.25% for ages up to age 60, reducing linearly down to 0% from age 120]	90% PMA00 CMI_2009_M C2033 [3.25% for ages up to age 60, reducing linearly down to 0% from age 120]	3% avg(mc,lc) with 3% sliding scale floor ⁽³⁾	165
90:10 Pensions	Fund W In Payment Simple Bonus	90% PMA00 CMI_2009_M [3.25% for ages up to age 60, reducing linearly down to 0% from age 120]	85% CMI_2009_F [3.25% for ages up to age 60, reducing linearly down to 0% from age 120]	90% PMA00 avg(mc,lc) with 3% sliding scale floor ⁽²⁾	85% PFA00 avg(mc,lc) with 3% sliding scale floor ⁽²⁾	200
90:10 Pensions	SPP With Profit Immediate Annuity	90% PMA00 CMI_2009_M [3.25% for ages up to age 60, reducing linearly down to 0% from age 120]	85% PFA00 CMI_2009_F [3.25% for ages up to age 60, reducing linearly down to 0% from age 120]	90% PMA00 avg(mc,lc) with 3% sliding scale floor ⁽²⁾	85% PFA00 avg(mc,lc) with 3% sliding scale floor ⁽²⁾	200
90:10 Pensions	Unitised With Profit Pension	70% AM00	70% AF00	70% AM00	70% AF00	155

Sub Fund	Product Group	2009		2008		Product Code
		Male	Female	Male	Female	
90:10 Pensions	London Life Pension unit linked	100% A67-70 Ult yrs	100% A67-70 Ult - 4 yrs	100% A67-70 Ult yrs	100% A67-70 Ult - 4 yrs	725,745
0:100 Life	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
0:100 Life	Immediate Annuities	90% PMA00 CMI_2009_M [3.25% for ages up to age 60, reducing linearly down to 0% from age 120]	85% PFA00 CMI_2009_F [3.25% for ages up to age 60, reducing linearly down to 0% from age 120]	90% PMA00 avg(mc,lc) with 3% sliding scale floor ⁽²⁾	85.0% PFA00 avg(mc,lc) with 3% sliding scale floor ⁽²⁾	395
0:100 Life	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
0:100 Life	Deferred Annuities (post-vesting)	90% PMA00 CMI_2009_M C2029 [3.25% for ages up to age 60, reducing linearly down to 0% from age 120]	85% PFA00 CMI_2009_F C2029 [3.25% for ages up to age 60, reducing linearly down to 0% from age 120]	90% PMA00 C2030 avg(mc,lc) with 3% sliding scale floor ⁽³⁾	85% PFA00 C2030 avg(mc,lc) with 3% sliding scale floor ⁽³⁾	390
0:100 Pensions	Immediate Annuities	90% PMA00 CMI_2009_M [3.25% for ages up to age 60, reducing linearly down to 0% from age 120]	85% PFA00 CMI_2009_F [3.25% for ages up to age 60, reducing linearly down to 0% from age 120]	90% PMA00 avg(mc,lc) with 3% sliding scale floor ⁽²⁾	85.0% PFA00 avg(mc,lc) with 3% sliding scale floor ⁽²⁾	400
0:100 Pensions	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
0:100 Pensions	Deferred Annuities (post-vesting)	90% PMA00 CMI_2009_M C2029 [3.25% for ages up to age 60, reducing linearly down to 0% from age 120]	85% PFA00 CMI_2009_F [3.25% for ages up to age 60, reducing linearly down to 0% from age 120]	90% PMA00 C2030 avg(mc,lc) with 3% sliding scale floor ⁽³⁾	85% PFA00 C2030 avg(mc,lc) with 3% sliding scale floor ⁽³⁾	390
0:100 Pensions	AMPUK Pensions unit linked	100% A67-70 Ult	100% A67-70Ult - 4yrs	100% A67-70 Ult	100% A67-70 Ult - 4 yrs	725, 745

Notes:

- (1) Where appropriate, additional reserves for the extra mortality that may arise from AIDS have been established. These additional reserves are calculated assuming that the additional mortality will be 17% of Projection R in the fourth report of the Institute of Actuaries AIDS Working Party and apply to male lives only. The additional reserves calculated have all been included within the reserves for the relevant individual product lines.
- (2) Where the table name shows "avg(mc,lc) with 3% floor" the maximum of the average of the Medium and Long cohort improvement or 3% factors have been used.
- (3) Maximum of the average of the Medium and Long cohort improvement or 3% factors have been used to project mortality rates applying in 2030 for 2008.

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
90:10 Pensions	Fund W Deferred Annuities			27.8	26.2
90:10 Pensions	SPP With Profit Immediate Annuity	24.7	15.1		
90:10 Pensions	Fund W Immediate Annuity	24.7	15.1		
0:100 Life	Deferred Annuities			27.8	26.2
0:100 Life	Immediate Annuities	24.7	15.1		
0:100 Pensions	Deferred Annuities			27.8	26.2
0:100 Pensions	Immediate Annuities	24.7	15.1		

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
90:10 Pensions	Fund W Deferred Annuities			29.9	28.4
90:10 Pensions	SPP With Profit Immediate Annuity	26.9	17.0		
90:10 Pensions	Fund W Immediate Annuity	26.9	17.0		
0:100 Life	Deferred Annuities			29.9	28.4
0:100 Life	Immediate Annuities	26.9	17.0		
0:100 Pensions	Deferred Annuities			29.9	28.4
0:100 Pensions	Immediate Annuities	26.9	17.0		

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

(6) The expense bases are as follows:

NON LINKED BUSINESS

Per policy expenses, before allowance for tax relief, were as follows:

Sub fund	Product Group	2009 £pa	2008 £pa	Tax Relief	Product Code
90:10 Life	Conventional endowment with-profits OB savings (AMP Life) ⁽²⁾	37.95	36.85	20%	120
90:10 Life	Conventional endowment with-profits OB savings (Fund P and Fund R) ⁽²⁾	37.18	36.08	20%	120
90:10 Pension	Conventional pensions endowment with-profits	93.72	90.97	0%	155
90:10 Life	Conventional deferred annuity with- profits	37.18	36.08	20%	165
90:10 Pension	Conventional deferred annuity with- profits	42.02	40.81	0%	165
0:100 Pension	Annuity non-profit (CPA)	27.61	26.62	0%	400
90:10 Pension	Individual pensions UWP	93.72	90.97	0%	525
0:100 Pension	Level term assurance	13.75	13.31	0%	325
0:100 Pension	Decreasing term assurance	13.75	13.31	0%	330

Note:

(1) The expenses shown are per element rather than per contract.

(2) These policies are not shown separately in FSA Form 51.

LINKED BUSINESS

Sub fund	Product Group	Monetary Amount (£)		Product Code
		2009	2008	
90:10 Life	Life property linked	40.48	39.42	700
0:100 Life	Life property linked endowment	31.02	29.92	715
90:10 Pension	Individual pension property linked	93.72	90.97	725
0:100 Pension	Individual pension property linked	31.02	29.92	725
0:100 Pension	Group money purchase pension property linked	31.02	29.92	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:

Sub fund	Product Groups	2009	2008
		bps	bps
90:10	All	29	25
0:100 Life	All conventional business	18	18
0:100 Life	All unit linked business ⁽¹⁾	77	58
0:100 Pensions	All conventional business	16	16
0:100 Pensions	All unit linked business ⁽¹⁾	40	38

Note:

(1) These expenses are allowed for explicitly in calculating future cash flows.

(7) LINKED BUSINESS

Unit growth rates, before allowance for tax relief and management charges, were as follows:

Product Group	Gross Unit Growth rate (% p.a.)	
	2009	2008
AMPUK Unit Linked Pension	4.9%	4.2%
AMPUK Unit Linked Life	4.9%	4.2%
London Life Pension unit linked	n/a	n/a

LINKED AND NON-LINKED BUSINESS

Inflation Rates

Inflation rates for expenses and policy charges were as follows:

Sub fund		2009	2008
90:10	Expense inflation	3.5%	2.2%
0:100	Expense inflation	4.2%	3.1%
All	Policy fee inflation	3.7%	2.1%

(8) 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.

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 accumulating with-profits business the calculation is performed twice – once assuming the premiums continue as normal and again assuming the policy becomes paid up at the valuation date. The maximum of these two calculations is then used for that policy.

For unit-linked business the calculation is performed assuming the policy becomes paid up at the valuation date.

(10) Tax Rates

Relief for tax applied to expenses is 20% for UK Life business and 0% for UK Pension business.

Tax on investment income is set out in the following table:

Type of business	2009	2008
UK Life – UK dividend income	0%	0%
UK Life – other income	20%	20%
UK Pension – overseas dividend income	0%	10%
UK Pension – other income	0%	0%

(11) 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.

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

Changes were shown in 31 December 2007 returns.

Options and Guarantees

- 5.(1) (a) Contracts which only offer annuity benefits are valued as deferred annuities. Contracts which offer both cash and annuity benefits are valued as cash benefit policies with an additional reserve held to cover the basis upon which the cash benefits may be converted into annuity benefits.

The guaranteed annuity option reserve is calculated by valuing a portfolio of swaptions whose payoffs replicate the excess of the guaranteed annuity payments over the expected annuity payments from the contracts that have this option. The risk free rate for the forward term, volatility and forward rate parameters for the swaption are determined from the choice of replicating swaption. The market value of the swaption is determined by applying these parameters to Black's model

The actual annuity rate is calculated on the assumptions that policyholders retire at their expected retirement age and select a level annuity with no guarantees.

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

Assumption	Sub Fund	Product Group	2009
Take up Rate ⁽¹⁾	90:10 Life	Fund R Compound Bonus	74%
	90:10 Life	Fund T Compound Bonus	100%
	90:10 Pensions	AMPUK Pension	81%
	90:10 Pensions	Pensions Compound Bonus - traditional	80%
	90:10 Pensions	BIGVIP	80%
	90:10 Pensions	VIPMIGOLD	80%
	90:10 Pensions	POLMIG	46%
Rate of interest	All	All	Maximum of B&H gilts spot and swap curves, capped at 4.50%
Tax	Life	All	20%
	Pensions	All	0%
Mortality in payment	All	Male	90% CMI_2009_M [3.25% for ages up to age 60, reducing linearly down to 0% from age 120]
	All	Female	85% CMI_2009_F [3.25% for ages up to age 60, reducing linearly down to 0% from age 120]
Retirement Rates	All	All	Normal Retirement Age
Voluntary Discontinuance in deferment	All	All	0.5%p.a.

Notes:

(1) Where the take up rates are below 95% they are assumed to taper to 95% over 20 years.

5 (1)(b) Details of the products concerned are 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 Compound Bonus	2,565	1-26 years	847	9%	No	See Note 3	See Note 3
UK Life	120, 165	Fund T Compound Bonus	5,224	1-16 years	2,121	9%	No	See Note 3	See Note 3
UK Pension	120	Former AMPUK Pension	49,778	1-30 years	21,630	10%	No	See Note 3	See Note 3
UK Pension	165	Pension Compound Bonus (Pension Protector)	47,007	1-21 years	22,794	10%	No	See Note 3	See Note 3
UK Pension	155,205	Pension Compound Bonus (PC Contracts)	7,955	1-20 years	3,683	10%	No	See Note 3	See Note 3
UK Pension	155	Pension Compound Bonus hybrid (premium paid up to December 1999)	92,523	1-36 years	39,842	10%	No	See Note 3	See Note 3
UK Pension	155	Pension Compound Bonus hybrid (premiums paid from January 2000)	13,437	1-40 years	271	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) No investment performance guarantee is given on linked contracts. The price of units in the Deposit Fund are guaranteed not to fall. The underlying assets are entirely cash or cash-based collective investment schemes. Therefore no additional reserve is judged to be necessary.

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

- (3) Where in any policy an option confers a right, without medical evidence, to extend the period of assurance or take out a new policy, a reserve equal to one or one and half times the option premium has been made.

(4) Personal Pension Guarantee Reserve

A reserve has been made for guarantees awarded in respect of certain Personal Pension policyholders where failure to adhere to the best advice rules may have occurred.

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 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	2009
Real rate of interest	0.30% per annum
Salary increase	1.85% per annum
Expense loading for annuity in payment	15% per annum
Mortality in deferment	79% AMC/AFC00 ultimate
Mortality in payment	104% RMV00 with CMI_2009_M [3.25% for ages up to age 60, reducing linearly down to 0% from age 120] 118% RFV00 with CMI_2009_M [3.25% for ages up to age 60, reducing linearly down to 0% from age 120]
Percentage assumed married	100%
Leaving service assumption	Nil

The amount of business involved had a basic mathematical reserve of £7.4m reserve with additional reserves of £0.4m. This additional reserve also includes an allowance for future expenses and policies where the compensation process is yet to be completed.

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	2009
Rate of interest	4.20% per annum for AMPUK 2.55% per annum for Fund R
Mortality - Conventional Life Endowment	51% AM80 84% AF80
Mortality – AMPUK Business	116% AM00 107% AF00
Prudence Factor	5%

The amount of business involved had a basic mathematical reserve of £122m with additional reserves of £9.1m.

Expense Reserves

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

Explicit per policy expense loading	£5.3 million
Allowance for investment management expenses	£3.8 million

No other significant expense reserves are held.

There are no significant non-attributable expenses.

- (2) 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) The amount of maintenance expenses is not significantly different from the maintenance expenses shown at line 14 of Form 43.
- (4) 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) No maintenance expense overrun reserve is held.

The per policy expense assumptions used allow for the 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 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 Ltd is structured on a fixed cost per policy per annum. Pearl Group Services is engaged with a third party to implement the outsource of processing and administration work which gives London Life certainty over the majority of the cost base into the future, especially in relation to economies of scale and fixed costs.

As London Life 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) There are no non-attributable expenses.

Mismatching reserves

7. (1) The mathematical reserves are denominated in sterling. There are sufficient sterling assets to cover mathematical reserves. There is a premium withheld arrangement of £512m included in line 23 of Form 14 where the liabilities are equal to the value of the assets and the assets contain £233m worth of assets in USD and £17m in EURO.
- (3) 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.
- (4) London Life 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) Not Applicable see 7 (4) above
- (6) Not Applicable see 7 (4) above
- (7) No additional reserve is held.

Other special reserves

8. A reserve of £8.1m has been made in the Pension Non Profit Fund to cover the counterparty risk associated with Opal Reassurance Limited.

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

Reinsurance

9. (1) Reinsurance has not been ceded on a facultative basis to reinsurers who are not authorised to carry on business in the United Kingdom.
- (2) The following table shows the principal reinsurance treaties used:

Reinsurer	Nature and extent of the cover	Premiums £'000	Amount deposited back or premium withheld £'000	Closed to new business?	Amount of any undischarged obligation £'000	Mathematical Reserves ceded £'000	Retention by the insurer
Pearl Assurance plc	Surplus Relief financing. See p below		No deposit back arrangements	No	Nil	19,000	See Note (1) below
Opal Reassurance Limited	Liability to pay the Basic Annuity.	Nil	511,672 (premium withheld)	Yes	Nil	514,986	Nil
Pearl Assurance plc	Liability to pay the Basic Annuity and Bonus Annuity under the with profits annuity business is fully ceded.	248	30,351	Yes	Nil	63,664	See Note (1) below
LLLA "sub-fund" of NPI Limited	100% reinsurance of unit-linked liabilities	Nil	Nil	No	Nil	12,842	0%

Note:

(1) London Life is closed to new business.

Pearl Assurance plc, Opal Reassurance Limited & NPI Limited

- l) Pearl Assurance plc and NPI Limited are authorised to carry on insurance business in the United Kingdom. Opal Reassurance Limited is not authorised to carry on insurance business in the United Kingdom.
- m) London Life Limited, NPI Limited, Pearl Assurance plc, and Opal Reassurance Limited are all part of the Phoenix Group of companies.
- n) None of the treaties is subject to any material contingencies such as credit or legal risk.
- o) No provision has been made for any liability of the Company to refund any reinsurance commission in the event of lapses or surrender of the contract. Any refunds are met out of the corresponding premiums from the reinsurer.
- p) Under the Pearl Assurance plc Surplus Relief financing treaty interest is payable for a particular sub-fund if sufficient assets remain to meet the greater of the value of the liabilities (determined in accordance with the Prudential Sourcebook for Insurers) of the sub-fund and an amount, determined in accordance with the Principles of Financial Management as set out in Schedule 3 to the 'Scheme', as necessary to meet the reasonable expectations of the policyholders of the sub-fund.

10. Reversionary (or annual) bonus

Life Compound Bonus Participation Pool ⁽¹⁾

Bonus Series	31.12.2009 Basic Mathematical Reserve £'000	31.12.2009 Reversionary Bonus %	31.12.2008 Reversionary bonus %	31.12.2009 Total guaranteed bonus %
R1A, R2A, R2E, R2F, R2G, R4D, R4E	83,985	0.00% / 0.00%	0.00% / 0.00%	N/A

AMPUK Life Participation Pool ⁽²⁾

Bonus Series	31.12.2009 Basic Mathematical Reserve £'000	31.12.2009 Reversionary Bonus %	31.12.2008 Reversionary bonus %	31.12.2009 Total guaranteed bonus %
AMPUK Life: JU, GJU, GRU, Gift, TU, Life JUB	79,623	0.00% / 0.00%	0.00% / 0.00%	N/A
AMPUK Life: AU, AUF, QU, GU	17,025	0.00% / 0.00%	0.00% / 0.00%	N/A
AMPUK Life: ALU, ALUF, AJLU, (X)NBU	22,199	0.00% / 0.00%	0.00% / 0.00%	N/A

Cash Bonus Participation Pool ⁽³⁾

Bonus Series	31.12.2009 Basic Mathematical Reserve £'000	31.12.2009 Reversionary Bonus %	31.12.2008 Reversionary bonus %	31.12.2009 Total guaranteed bonus %
Up to 68th series	40,065	3.00%	3.00%	N/A
69 th series onwards	17,920	2.00%	2.00%	N/A

Simple Bonus Participation Pool ⁽⁴⁾

Bonus Series	31.12.2009 Basic Mathematical Reserve £'000	31.12.2009 Reversionary Bonus %	31.12.2008 Reversionary bonus %	31.12.2009 Total guaranteed bonus %
Fund W - Deferred	20,283	0.00%	0.00%	N/A
Fund W - In Payment	59,116	7.00%	7.00%	N/A

Pension Compound Bonus Participation Pool ⁽⁴⁾

Bonus Series	31.12.2009 Basic Mathematical reserve £'000	31.12.2009 Reversionary bonus %	31.12.2008 Reversionary bonus %	31.12.2009 Total guaranteed bonus %
VIPMIG, BIGVIP, RPP84	71,318	0.00% / 0.00%	0.00% / 0.00%	N/A
POLMIG, GRPAVC, RPP85	75,074	0.00% / 0.00%	0.00% / 0.00%	N/A
V9A, V9B, V9C	69,801	0.00% / 0.00%	0.00% / 0.00%	N/A
V71, V72, V73	9,493	0.00% / 0.00%	0.00% / 0.00%	N/A
PPS, PPSTV, MINPPS, VIPLUS, VIPMIG0	66,768	0.00% / 0.00%	0.00% / 0.00%	N/A
SPP Bonus Series 3	14,463	0.00%	0.00%	4.50%
SPP Bonus Series 4	31,901	0.00%	0.00%	4.50%

AMPUK Pension Participation Pool ⁽⁴⁾

Bonus Series	31.12.2009 Basic Mathematical Reserve £'000	31.12.2009 Reversionary bonus %	31.12.2008 Reversionary bonus %	31.12.2009 Total guaranteed bonus %
AMPUK Pensions: DK, DL (PB post 1/1/87), EBS	66,298	0.00% / 0.00%	0.00% / 0.00%	N/A
AMPUK Pensions: PAC	21,168	0.00% / 0.00%	0.00% / 0.00%	N/A
Deposit Administration GKA	10,316	5.00%	5.00%	N/A

Unitised With Profit Pension Participation Pool⁽⁵⁾

Bonus Series	31.12.2009	01.01.2009 - 31.12.2009	01.01.2008 - 31.12.2008	01.01.2009 - 31.12.2009
	Basic Mathematical reserve £'000	Reversionary bonus %	Reversionary bonus %	Total guaranteed bonus %
UWP Pension	10,393	2.00% / 4.00%	2.00% / 4.00%	N/A

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.

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.

LONDON LIFE LIMITED

APPENDIX 9.4A

ABSTRACT OF VALUATION REPORT FOR REALISTIC VALUATION

1. Introduction

- (1) This actuarial investigation relates to 31 December 2009.
- (2) This date of the previous actuarial investigation was 31 December 2008.
- (3) An interim valuation was carried out on 30 June 2009 for the purpose of rule 9.3A.

2. Assets

- (1) Not applicable.
- (2) Not applicable as there are no equity holdings in related insurance undertakings.
- (3) Not applicable as the relevant assets for the purposes of INSPRU 1.3.43R (Risk Capital Margin) do not include any value in respect of future profits arising from non-profit insurance contracts written outside the with-profits fund.
- (4) Not applicable.
- (5) Not applicable.

3. With-Profits Benefit Reserve Liabilities

(1) (a), (b), (c) See Table 3.1.

TABLE 3.1

With-Profits Benefits Reserve and Value of Future Policy Related Liabilities (£m)

Product Class	Method used to Calculate With-Profits Benefits Reserve	With-Profits Benefits Reserve	Future Policy Related Liabilities
<i>Life With-Profits</i>			
AMP(UK) Life	Retrospective – asset shares ¹	130	15
Fund P	Prospective – bonus reserve valuation	57	0
Fund R	Retrospective – asset shares ¹	90	10
Fund T	Retrospective – asset shares ¹	7	1

TABLE 3.1

With-Profits Benefits Reserve and Value of Future Policy Related Liabilities (£m)

Product Class	Method used to Calculate With-Profits Benefits Reserve	With-Profits Benefits Reserve	Future Policy Related Liabilities
<i>Pension With-Profits</i>			
AMP(UK) Pensions	Retrospective – asset shares ¹	51	31
Fund V (GAO)	Retrospective – asset shares ¹	140	58
Fund V (No GAO)	Retrospective – asset shares ¹	136	10
Fund W	Retrospective – asset shares ¹ Prospective – bonus reserve valuation ²	81	8
All Funds ³	N/A		47
Total	N/A	694	180

¹ Asset shares are not calculated for paid-up policies and therefore the with-profits benefits reserve for such policies is based on a bonus reserve valuation.

² For immediate annuities in Fund W a prospective bonus reserve method is used to calculate the with-profits benefits reserve.

³ Relates to the cost of capital and financing costs.

- (2) Not applicable as the with-profits benefits reserve and future policy related liability figures in Table 3.1 represent the totals from Form 19.
- (3) Not applicable.
- (4) Not applicable

4. With-Profits Benefits Reserve – Retrospective Method

- (1) (a) Zero.
 - (b) 100% of the with-profits benefits reserve that has been calculated using a retrospective method has been valued on an individual basis.
 - (c) (i) Not applicable as no policies are grouped for the purpose of calculating the with-profit benefit reserves where using a retrospective method.
 - (c) (ii) Not applicable as no policies are grouped for the purpose of calculating the with-profit benefit reserves where using a retrospective method.
 - (c) (iii) Not applicable as no policies are grouped for the purpose of calculating the with-profit benefit reserves where using a retrospective method.
- (2) (a) No significant changes were made to the valuation method for any type of product or classes of with-profits insurance contracts compared to the previous valuation.
 - (b) Not applicable.
- (3) The Scheme of Transfer (“the Scheme”), effected immediately before the demutualisation of AMP (effective 1 January 1998), specifies the calculation basis for determining the aggregate expenses to be charged to the with-profits sub-funds in respect of administration and investment management services. Expenses that are neither investment management nor administration expenses can be debited and charged to the with-profits sub-funds if deemed appropriate by the London Life With-Profits Actuary. The aggregate expenses charged to the with-profits sub-funds are allocated to the with-profits benefit reserve on a basis deemed appropriate by the London Life With-Profits Actuary.
 - (a) The last expense investigation was in December 2009.
 - (b) Expense Investigations occur annually.

(c) (i) and (ii) See Table 4.1.

TABLE 4.1

Expenses Allocated to With-Profits Benefits Reserve during 2009 (£m)

Expense Type	Amount
Initial expenses	0.0
Maintenance expenses ¹	3.3
Total expenses	3.3

¹ Includes project expenses of £0.36m.

(c) (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.

(c) (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 £2.1m.

(4) 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) 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) The average claim to with-profit benefit reserve payout ratio for each year is shown in table 4.2 below.

TABLE 4.2

Average Claim Payout Ratio (%)

Year	Payout Ratio
2009	110%
2008	108%
2007	108%

(7) The investment return (before tax and expenses) allocated to the with-profits benefits reserve for conventional with-profits business during 2009 was approximately 3.4% and 2.0% for active and

passive funds respectively. The investment return (before tax and expenses) allocated to the with-profits benefits reserve for unitised with-profits business during 2009 was 11.671%.

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.

5. With-Profits Benefits Reserve – Prospective Method

- (1) (a), (c) Table 5.1 below shows the economic assumptions used in determining the with-profits benefits reserve when using the prospective method. However, it should be noted that claim values are determined using projected terminal bonus rates which, in line with actual practice, are based on asset shares for premium paying policies, i.e. the with-profits benefits reserves calculated using the prospective method do not affect the overall level of realistic liabilities, but do affect the split between the with-profits benefits reserve and the costs of guarantees and smoothing.

TABLE 5.1

Economic Assumptions used to Calculate the With-Profits Benefits Reserve at 31 December 2009 – Prospective Method

Assumption	Value	Note
Gilt return	4.1%	Annualised yield on UK 10 year gilt at 31 December 2009
Cash return	4.1%	3 month BAA sterling interest rate
Other fixed interest	4.1%	Gilt return
Equity return	6.6%	Gilt return plus 2.5% margin
Property return	6.1%	Gilt return plus 2.0% margin
Risk discount rate ("A")	5.0%	Weighted average gross investment return – 'active' investment pool (gross)
Risk discount rate ("P")	4.1%	Weighted average gross investment return – 'passive' investment pool (gross)
Expense inflation	3.30%	

- (b) The risk discount rates in Table 5.1 are based on the weighted average investment return at 31 December 2009 of the assets backing the liabilities for which a prospective method is used to calculate the with-profits benefits reserve. Two risk discount rates are shown as the assets of the WP Fund are split into two pools of managed assets – one active and one passive. The relevant

pool of assets depends on the nature of the liabilities for which they provide backing (and whether asset shares are likely to determine future payouts).

(d) See Table 5.2 (annual bonus rates).

TABLE 5.2
Annual Bonus Rates Assumed in Calculation of With-Profits Benefits Reserve at 31 December 2009 – Prospective Method

Product Class	Annual Bonus Rate
Fund W – immediate annuities	7.00% simple
Fund W – cost of vesting deferred annuities	0.00% simple
Fund P – 68 th and earlier series (current rate) 1	3.00%
Fund P – 69 th series and later (current rate) ¹	2.00%
Fund P – all series (ultimate) ²	2.00%
UWP Bond Life	2% rate on PU; 4% rate on BU
UWP Pensions	2.50% rate on PU; 5.00% rate on BU
All other product classes	0%

¹ For Fund P, the policy was designed such that premiums are extinguished after about 10 years. Thereafter a net cash bonus is payable each year, which is guaranteed not to reduce. The annual declaration is the rate of increase in the cash bonus.

² This is the rate applicable from year 2 onwards. The current rates reduce over the next 2 years to reach the ultimate rate.

For product classes where a prospective method is used to calculate the with-profits benefits reserve, the future assumed final bonus rates are based on the bonus declaration applicable as at the valuation date, and as detailed in section 10 of Appendix 9.4. The assumed glidepath follows a linear reduction over five years to zero.

(e) See Tables 5.3 and 5.4 for the expenses assumptions used. No future charges for guarantee costs, smoothing costs, etc were assumed when deriving the with-profits benefit reserves.

TABLE 5.3**With-Profit Maintenance Expense Assumptions (£) ¹**

Product Class	Per policy expenses £
<i>Life With-Profits</i>	
AMP (UK) Life	34.50
Conventional Life (Funds P, R, T)	33.80
<i>Pensions With-Profits</i>	
AMP (UK) Pensions	34.50
Endowments (Fund V ICL)	38.20
Deferred Annuities (V ICL)	38.20
Pension Protector (V ICL)	38.20
APEX WP (V ICL)	0.248%
VIPMIG, VIP PLUS	85.20
BIGVIP, POLMIG, GRPAVC	85.20
RPPMIG, PPS, MINPPS	85.20
PPP, SPPP, FSAVC	85.20
EPP	85.20
SPP	49.00
Fund W (Deferred Annuities)	38.20
Fund W (Immediate Annuities)	38.20

¹ The expenses are gross of tax relief at 20% (BLAGAB business). Future expenses are assumed to increase by RPI plus 0.10% on 1 January each year. These expense figures reflect the expense assumptions prior to any model pointing adjustment.

TABLE 5.4**Investment Expense Assumptions (basis points)**

With-profits fund	23
-------------------	----

(f) See Table 5.5. Note that there is no differentiation by duration for any with-profits product group.

TABLE 5.5**Lapse Assumptions**

Product Class	Long-term
Fund V: "Old" Fund V(IBM), i.e. BIGVIP, GRPAVC, POLMIG, RPPMIG (with GAO), VIPMIG(OLD) ²	4.0%
FUND V(ICL)	2.5%
AMP (UK) Pensions	2.5%
Fund V: "New" Fund V(IBM), i.e. MINNPSS, PPS, PPSTV, VIPPLUS, RPPMIG (without GAO), VIPMIG(NEW) ¹	6.0%
Fund R, AMP (UK) Endowments & Whole of Lives	3.0%
Funds T, W and P	0.0%

¹ VIPMIG(NEW) are members of VIP Schemes who are on VIPPLUS (as opposed to VIPMIG(OLD)) pricing terms.

(2) Not applicable as only one set of assumptions is used.

6. Costs of Guarantees, Options and Smoothing

(1) Not applicable.

(2) (a) All costs of guarantees, options and smoothing have been valued using a full stochastic approach.

(b) (i) Not applicable.

(b) (ii) 100% of the with-profits insurance contracts for which costs have been valued have been valued on a grouped basis.

(b) (iii) Contracts are grouped at homogeneous benefit level and then grouped either by year of entry and year of birth or by year of entry and year of maturity. For the former, the data is further grouped into 5 year age bands.

The total number of with-profits contracts in force at 31 December 2009 was approximately 61000 (comprising 27,400 pensions contracts and 33,600 life contracts. These contracts were grouped into approximately model points (comprising 14,900 pensions and 4,200 life).

For each product line, the effect of any grouping was tested by comparing the statutory reserves calculated for the (grouped) model points with the actual statutory reserves (i.e. as used for the statutory valuation). The number of contracts, total office premiums and total guaranteed benefits were also compared at product line level. Also, a stochastic run was completed on 1 year maturity bands and was found to be immaterially different to the 5 year maturity bands.

(c) Not applicable.

(3) No significant changes were made to the valuation method for valuing the cost of guarantee, option or smoothing since the previous valuation.

(4) (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 well 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.

(a) (ii) The model assumes that:

- Interest rates follow a two-factor Libor Market Model process.
- Corporate bond spreads follow a Jarrow-Landow-Turnbull process, with defaults following a one-factor Cox-Ingersoll-Ross process.
- Equity and property returns follow a geometric Brownian motion.

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 Barrie & Hibbert.

The market swaption volatilities were supplied by Barrie & Hibbert.

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 obtained from Bloomberg.

The calibration of the credit spread processes was focused on matching the initial spread on an A rated bond of 7 year maturity.

Table 6.1 shows the credit spreads over gilts + 10bp at 31 December 2009 in basis points.

Term	AAA	AA	A	BBB
1	11	50	68	193
2	22	67	86	210
3	29	80	98	216
5	46	94	111	208
7	58	101	116	195
10	69	104	116	176
15	77	103	111	153
20	79	100	106	137
25	79	96	101	126
30	79	93	97	118

The volatilities assumed are shown in table 6.2.

Rating	Maturity (years)			
	1	7	10	30
AAA	62	56	50	62
AA	65	66	63	63
A	83	79	73	77
BBB	108	97	95	93

The volatilities assumed are provided by Barrie & Hibbert.

Equity and Property

Two asset classes are modelled as equity-type processes: UK equity index and UK property index. These are modelled as log-normal local volatility and log-normal constant volatility processes respectively.

UK Equity follows a local volatility model which is calibrated to implied volatilities on FTSE options. The implied volatility surface used in the calibration is shown below in table 6.3:

		Maturity						
		0.7	0.8	0.9	1	1.1	1.2	1.3
Strike	1	32.5	29.1	25.88	22.89	20.29	18.28	16.95
	2	31.16	28.65	26.35	24.25	22.37	20.75	19.42
	3	30.86	28.75	26.78	24.92	23.17	21.59	20.31
	5	30.32	28.43	26.74	25.26	24.04	23.11	22.46
	10	29.88	28.67	27.57	26.57	25.65	24.83	24.11

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. Table 6.4 shows the correlations.

	Long Dated Bonds	Equity Index	Property Index
Long Dated Bonds	100%		
Equity Index	-22%	100%	
Property Index	-10%	20%	100%

The volatility and correlation assumptions are derived from Barrie & Hibbert best estimate assumptions.

(a) (iii) Table 6.5 shows the simulated values of specific options and / or contracts.

These were produced using the stochastic scenarios used to derive the realistic balance sheet with one exception – for credit spreads, the AA-rated process is used, not the combined credit process used in the realistic balance sheet.

		FSA Table											
		15 years 0.75				20 years 1				25 years 1.5			
		5	15	25	35	5	15	25	35	5	15	25	35
n	Duration (n) the risk free rate assumed for the period (r)	3.13%	4.81%	4.79%	4.60%	x	x	x	x	x	x	x	x
1	Risk-Free Zero Coupon Bond	£857,256	£494,377	£310,382	£206,918	x	x	x	x	x	x	x	x
2	FTSE All Share Index (p=1)	£124,269	£271,885	£364,223	£448,523	£241,402	£424,593	£538,610	£643,280	£581,369	£782,391	£922,555	£1,059,739
3	FTSE All Share Index (p=0.8)	£115,350	£218,569	£266,671	£303,130	£225,362	£343,095	£394,395	£436,391	£545,751	£636,090	£681,040	£725,317
4	Property (p=1)	£33,487	£110,631	£182,823	£256,396	£135,999	£248,049	£340,290	£430,047	£523,343	£625,163	£726,965	£830,055
5	Property (p=0.8)	£28,306	£71,917	£106,085	£139,022	£119,331	£170,908	£208,681	£245,959	£483,193	£467,763	£479,715	£505,964
6	15yr Risk-Free ZCBs (p=1)	£20,044	£18,426	£14,163	£23,742	£92,208	£83,163	£90,643	£136,900	£499,514	£501,161	£509,745	£542,289
7	15yr Risk-Free ZCBs (p=0.8)	£16,832	£9,013	£4,491	£3,162	£78,872	£39,649	£20,306	£20,087	£454,765	£310,700	£227,960	£205,796
8	15yr Corporate Bonds (p=1)	£22,267	£28,649	£33,345	£53,162	£100,630	£110,578	£123,852	£168,501	£498,722	£500,839	£516,453	£558,408
9	15yr Corporate Bonds (p=0.8)	£18,600	£14,254	£10,759	£11,515	£86,720	£59,083	£43,985	£48,069	£454,517	£320,192	£249,280	£234,992
10	Portfolio 1 (p=1)	£69,216	£181,104	£262,470	£342,741	£177,335	£322,883	£422,382	£525,877	£534,914	£679,848	£804,300	£930,181
11	Portfolio 1 (p=0.8)	£61,913	£134,785	£177,682	£212,379	£161,641	£246,182	£289,081	£331,506	£496,142	£531,467	£562,558	£603,674
12	Portfolio 2 (p=1)	£61,916	£164,558	£241,395	£311,668	£165,061	£299,048	£391,312	£480,021	£525,565	£644,420	£752,731	£870,050
13	Portfolio 2 (p=0.8)	£55,091	£121,599	£161,370	£192,231	£149,929	£226,007	£266,411	£301,550	£486,324	£499,422	£522,901	£554,473
14	Portfolio 3 (p=1)	£28,223	£90,735	£147,371	£207,541	£117,774	£210,138	£282,448	£363,217	£504,703	£567,390	£644,202	£745,241
15	Portfolio 3 (p=0.8)	£23,723	£58,089	£82,254	£108,755	£102,877	£142,725	£168,849	£198,629	£462,696	£413,578	£409,561	£434,231
16	Sterling Receiver Swaptions	5.00%	6.35%	5.59%	3.92%	6.41%	7.85%	6.66%	4.60%	7.74%	9.04%	7.46%	5.06%

Notes:

(1) 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.

(a) (iv) The equity dividend yield and property rental yield parameters are modelled deterministically, with parameters as in table 6.6.

TABLE 6.6

Income yield assumptions

Asset Class	Income yield
Equity	3.2%
Property	5.1%

(a) (v) For the purposes of INSPRU 1.3.62 there are no significant overseas territories.

(a) (vi) The outstanding durations of significant guarantees within material product classes are shown in Table 6.7.

TABLE 6.7

Outstanding durations of significant guarantees (years)

Product Class	Duration of Guarantees
Life Compound Bonus, Fund R	16
AMP (UK) Life	12
Pension Compound Bonus (GAO)	5
AMP (UK) Pension	4
Pension Compound Bonus (no GAO)	8
Pension Simple Bonus	5
Total WP Fund	11

The fit of the asset model to specimen swaptions is demonstrated below in Table 6.8.

Table 6.8

Ratio of simulated to market swaption volatilities

		Swap length				
		1	5	10	20	30
Option maturity	5	89.94%	104.95%	110.39%	105.42%	103.79%
	10	124.03%	124.94%	115.85%	108.56%	107.64%
	15	114.55%	104.96%	97.98%	92.91%	94.18%
	20	98.33%	93.24%	87.87%	86.42%	88.27%

Table 6.8 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 5-15 years expiry, showing that the simulation process does not introduce significant additional errors over and above that arising from the calibration process.

(a) (vii) The validation process involves two tests:

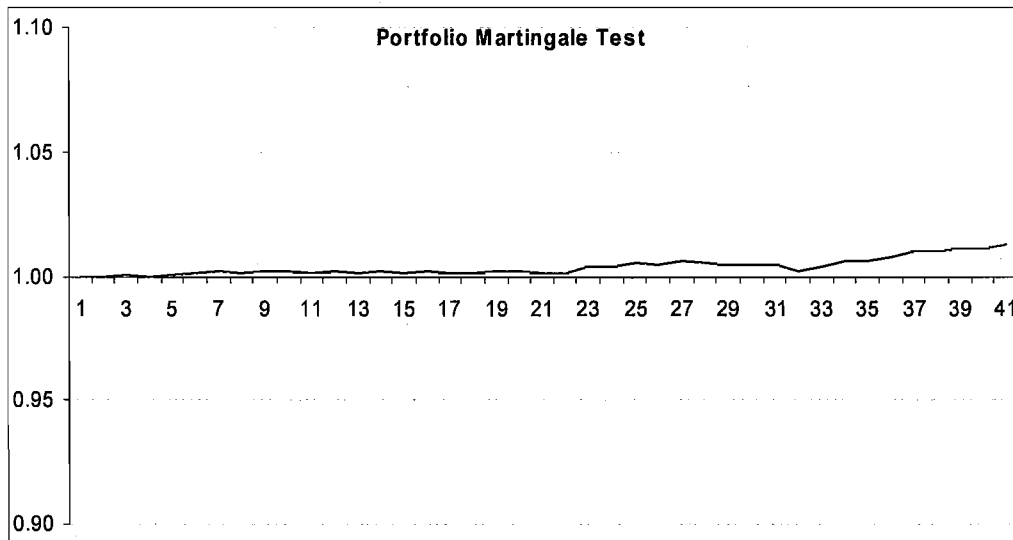
- Ensuring the scenarios satisfy the principle of no arbitrage.
- Checking that the market prices of relevant traded instruments can be replicated.

The market-consistent scenario generator is based on well-established models which have been subject to peer review in academic literature. Published proofs exist that the models are internally consistent and arbitrage free. The models are implemented using simulation techniques. To ensure that the models were implemented correctly and that the simulation process did not introduce bias, test runs were performed using a sufficient numbers of scenarios such that the test illustrated below would identify any systematic errors. The models passed this test without error.

For practical purposes, it is not possible to use sufficient scenarios to eliminate all simulation error. With a predominantly fixed interest asset holding, which is less volatile than equities, 1000 scenarios gives an acceptably small sampling error for London Life.

Figure 6.1 demonstrates that the scenarios supplied are arbitrage free up to suitable simulation error. In the chart, the y-axis shows the expected net present value of £1 invested at time zero and the x-axis shows the period of investment. In a market consistent model the expected value (or average discounted value) of £1 invested in a traded asset (e.g. cash, bonds or equities) equals £1. This test is referred to as the "one=one" or Martingale test. As Figure 6.1 shows the results of calculating the expected value by simulation, a margin for error is expected. The observed error within the time period of the liabilities, given the number of scenarios and the volatilities involved, is small and the scenarios are considered to pass the no-arbitrage test.

Figure 6.1



The second validation test described above requires that the scenarios themselves can be used to reproduce (by stochastic simulation) market prices. This was tested separately for each of the models described in 6(4)(a)(ii).

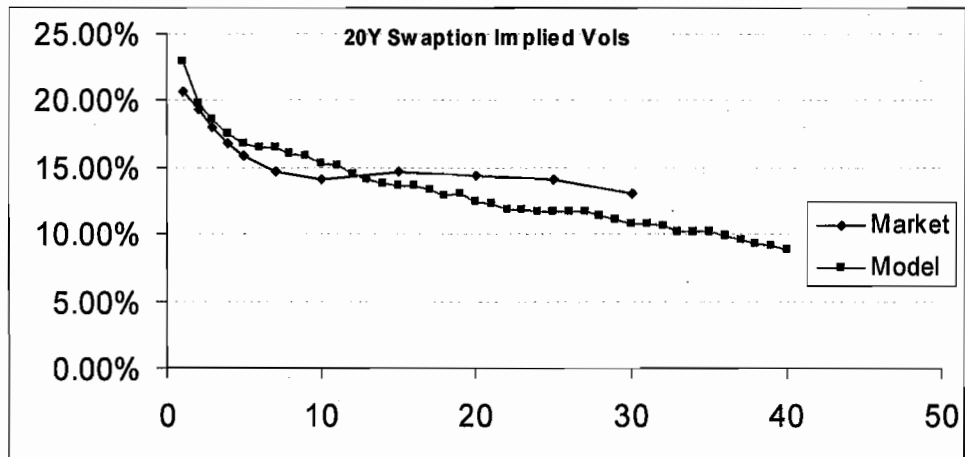
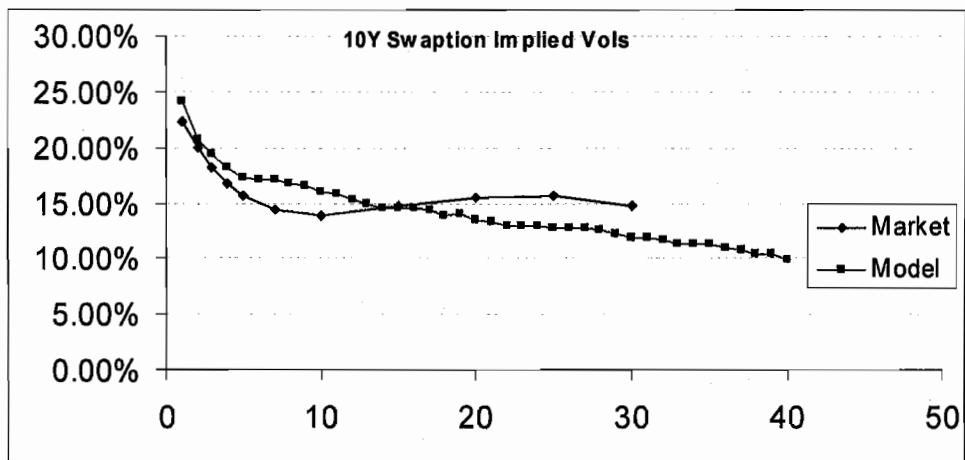
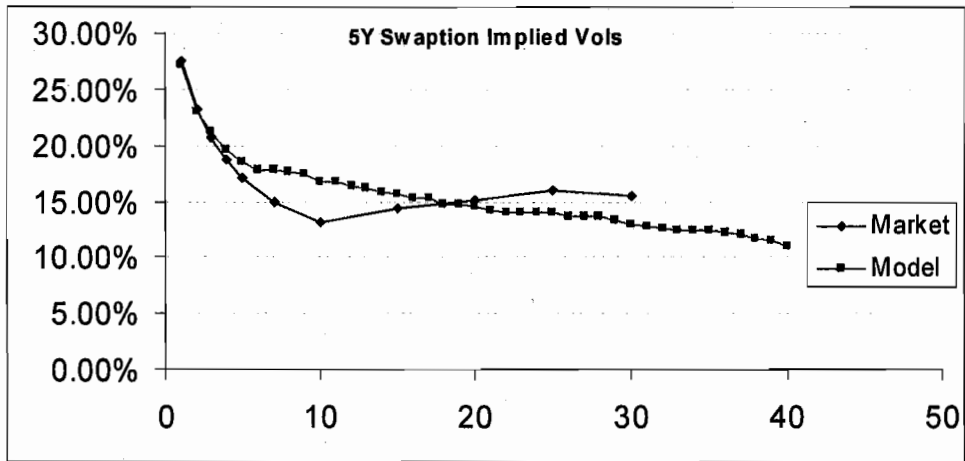
Interest rates

For the interest rate model, the first step is to show how well the calibrated model follows the given volatility surface.

The calibration focuses on the swap duration between 10 and 20 years, which match the liabilities more closely, and on swaption expiries between 5 and 15 years.

The graphs below (figures 6.2) show how well the simulated swaption volatilities of various tenors fit the market data.

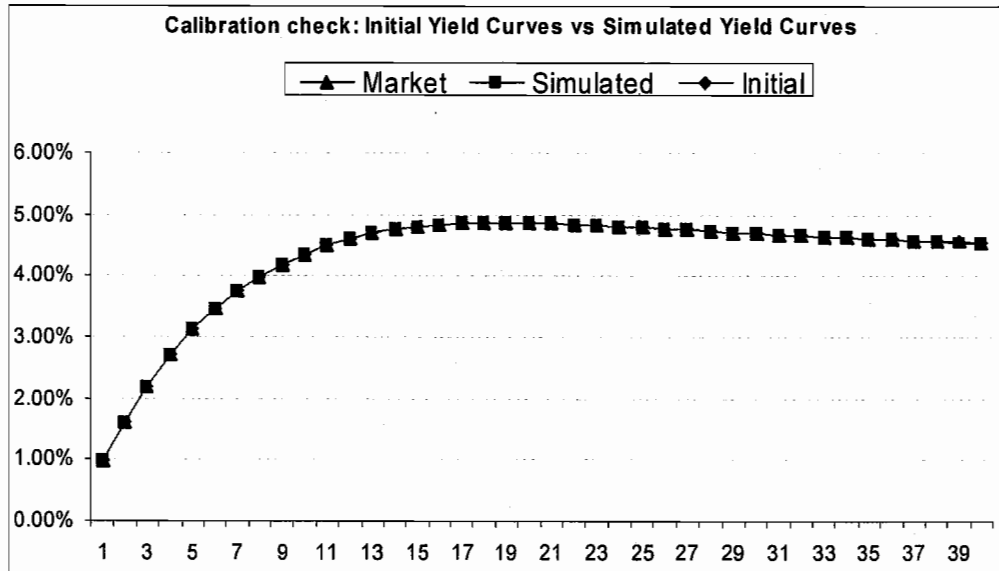
Figures 6.2



The next step is to ensure that the discount factors give the market prices for the risk-free bonds implied by the zero-coupon yield curve.

Figure 6.3 shows the average discount factors by period against the market data.

Figure 6.3

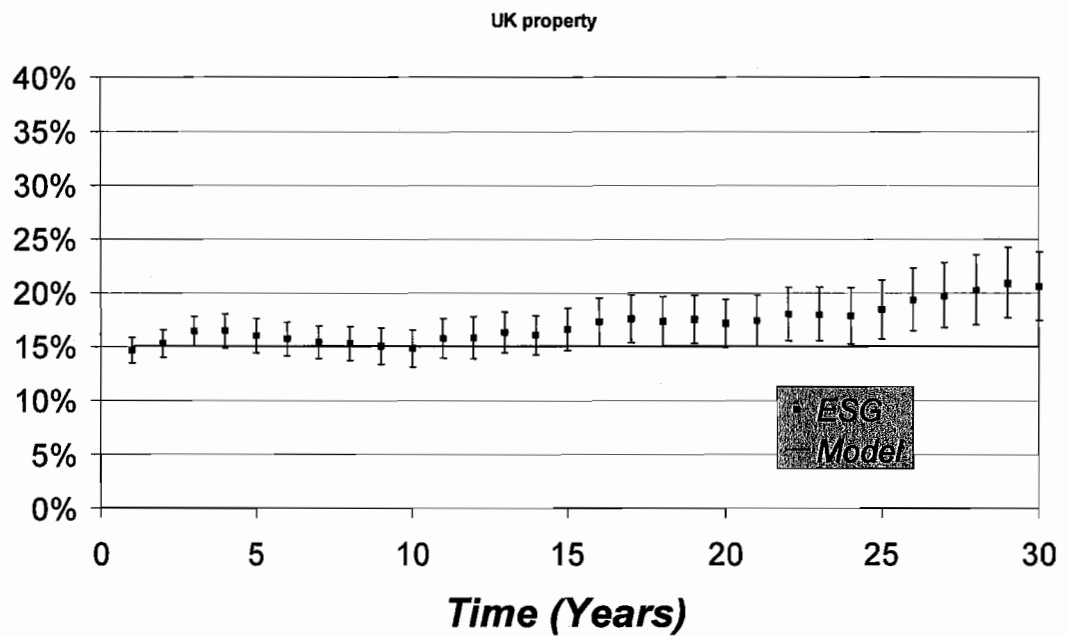
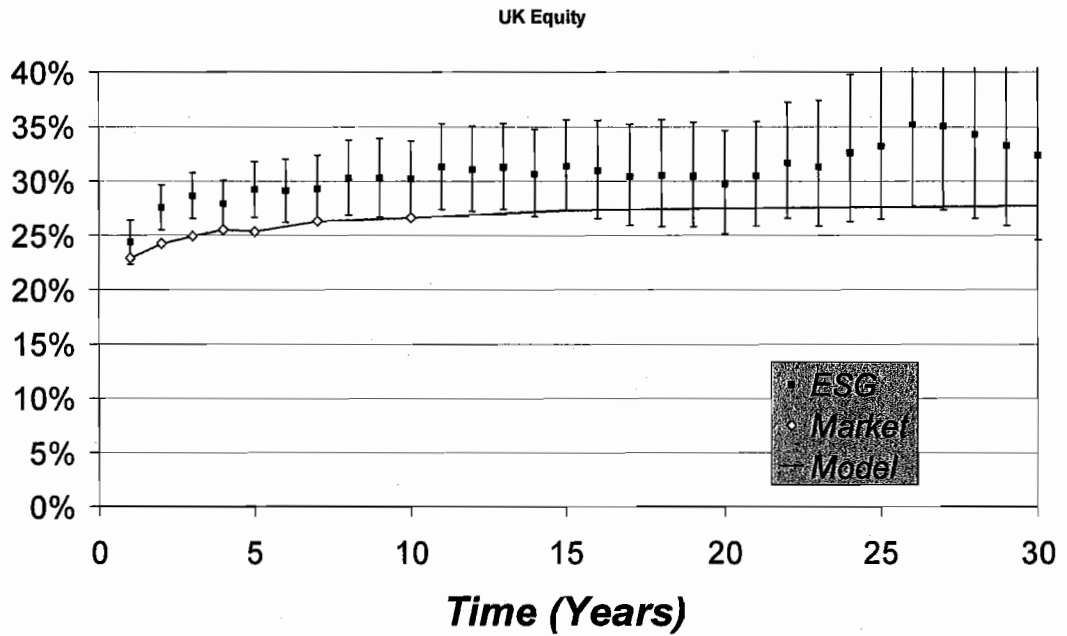


Equity and Property

Only UK equity volatilities have been calibrated to market data. Therefore it is not possible to illustrate the fit of the property scenarios to market data. However, we can demonstrate the fit to the volatility assumptions mentioned in 6(4)(a)(ii).

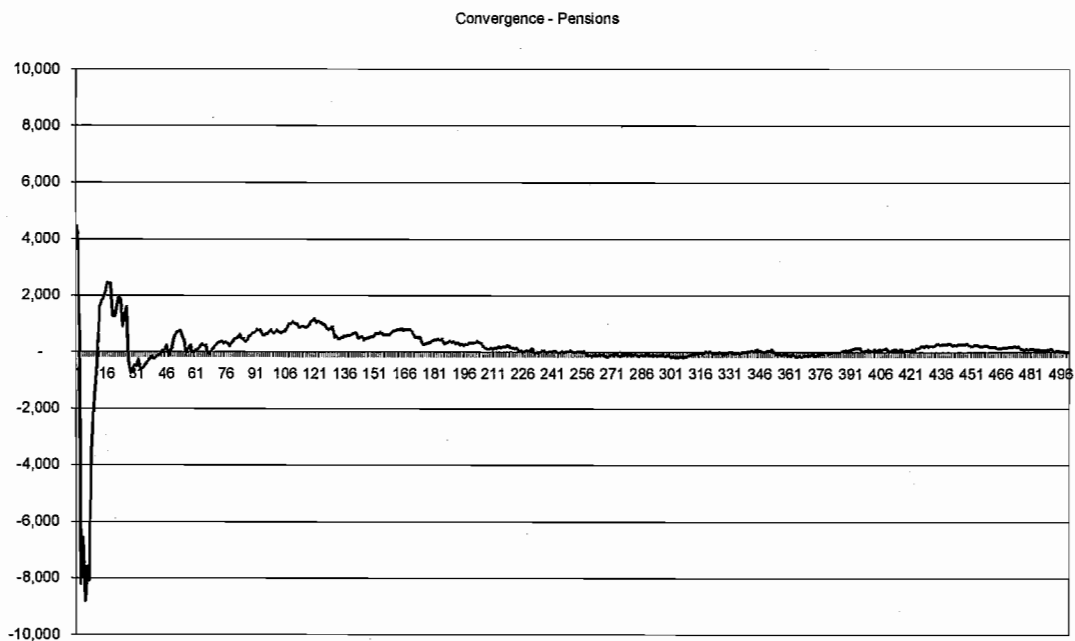
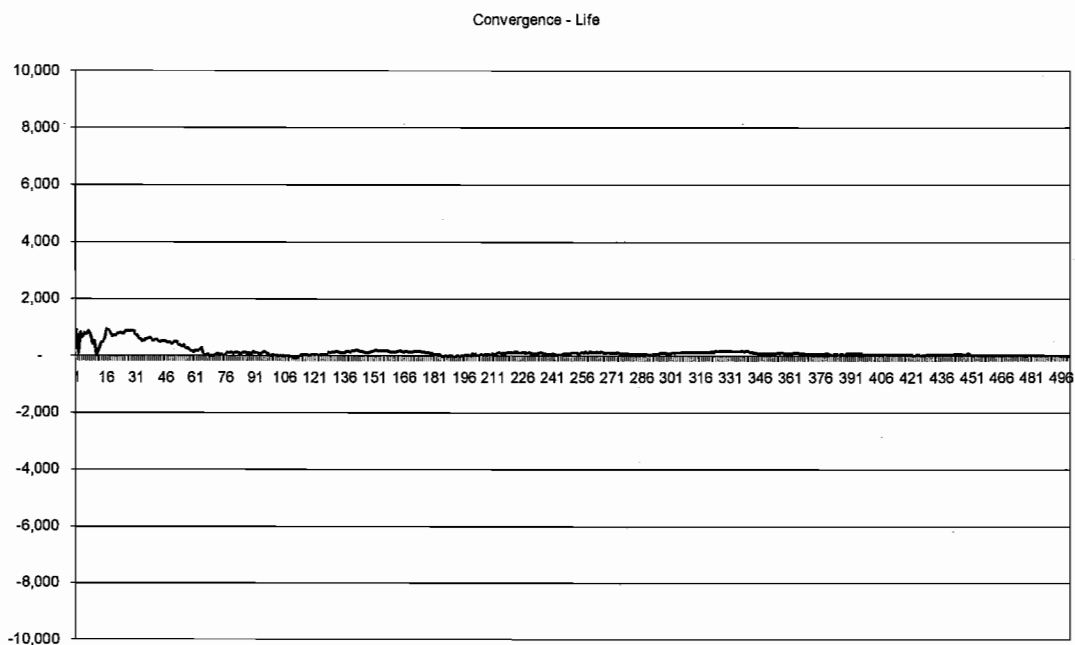
Figures 6.4 below shows the results for the market price test applied to at the money put options for UK equity and property. The smooth (red) line shows the target market volatilities. The irregular (black) line shows the implied volatilities calculated from simulated prices with associated error bars. These can be seen to follow the theoretical volatility closely when the high level of volatility parameters is taken into consideration and we conclude that the error introduced by simulation is small and that the implied volatilities derived from the model output are consistent with the market assumption.

Figures 6.4



(a) (viii) Simulations were performed using 1000 scenarios, which allow reasonable convergence of the results as can be gauged from the validation tests described in (a)(vii) above. The final model output was tested for convergence with the results shown in figures 6.5. Scenarios were paired as a variance reduction technique. The plots show the deviation from the final position (in £000's) by scenario pair.

Figures 6.5



(b) Not applicable as the costs of guarantees, options and smoothing were all calculated using a fully stochastic approach.

(c) Not applicable as the costs of guarantees, options and smoothing were all calculated using a fully stochastic approach.

(5) (a) When determining the realistic balance sheet no circumstance specific management actions were allowed for, e.g. investment strategy, surrender bases, bonus methodology, etc., and were the same in all scenarios.

(b) Table 6.8 sets out the equity backing ratio (for the with-profits benefit reserve) and annual bonus rates that would be modelled under 3 different assumed risk-free curves.

TABLE 6.8

Projected Equity Backing Ratios and Annual Bonus Rates – Scenarios i, ii, iii

	Equity Backing Ratio			Future Annual Bonus Rates	
	UWP	CWP Life (AMP / R & T)	CWP Pensions	UWP Bond Life	UWP Pensions
(i) Risk free interest rate curve - At 31 December 2009	50%	15.0% / 39.8%	0%	2% / 4%	2.50% / 5.00%
(i) Risk free interest rate curve - End 5 years	50%	15.0% / 39.8%	0%	2% / 4%	2.50% / 5.00%
(i) Risk free interest rate curve - End 10 years	50%	15.0% / 39.8%	0%	2% / 4%	2.50% / 5.00%
(ii) Risk free interest rate curve + 17.5% - At 31 December 2009	50%	15.0% / 39.8%	0%	2% / 4%	2.50% / 5.00%
(ii) Risk free interest rate curve + 17.5% - End 5 years	50%	15.0% / 39.8%	0%	2% / 4%	2.50% / 5.00%
(ii) Risk free interest rate curve + 17.5% - End 10 years	50%	15.0% / 39.8%	0%	2% / 4%	2.50% / 5.00%
(iii) Risk free interest rate curve – 17.5% - At 31 December 2009	50%	15.0% / 39.8%	0%	2% / 4%	2.50% / 5.00%
(iii) Risk free interest rate curve – 17.5% - End 5 years	50%	15.0% / 39.8%	0%	2% / 4%	2.50% / 5.00%
(iii) Risk free interest rate curve – 17.5% - End 10 years	50%	15.0% / 39.8%	0%	2% / 4%	2.50% / 5.00%

(6) The persistency assumptions used to determine the costs of guarantees, options and smoothing are outlined in Table 6.9 (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.

TABLE 6.9

Average lapse rate for the policy years

		1- 5	6-10	11-15	16-20
Conventional With-profits Life business regular premium – Fund R and AMP (UK) Life	PUP	3.00%	3.00%	3.00%	3.00%
Conventional With-profits Life business regular premium – Fund R and AMP (UK) Life	PP	3.00%	3.00%	3.00%	3.00%
Conventional With-profits Life business single premium – Fund R and AMP (UK) Life	PP	3.00%	3.00%	3.00%	3.00%
Conventional With-profits Life business regular premium – Fund P and T	PUP	0.00%	0.00%	0.00%	0.00%
Conventional With-profits Life business regular premium – Fund P and T	PP	0.00%	0.00%	0.00%	0.00%
Conventional With-profits Life business single premium – Fund P and T	PP	0.00%	0.00%	0.00%	0.00%
Conventional With-profits Pensions business regular premium – Fund V (GAO) ¹	PUP	4.00%	4.00%	4.00%	4.00%
Conventional With-profits Pensions business regular premium – Fund V (GAO) ¹	PP	4.00%	4.00%	4.00%	4.00%
Conventional With-profits Pensions business single premium – Fund V (GAO) ¹	PP	4.00%	4.00%	4.00%	4.00%
Conventional With-profits Pensions business regular premium – Fund V (no GAO)	PUP	6.00%	6.00%	6.00%	6.00%
Conventional With-profits Pensions business regular premium – Fund V (no GAO)	PP	6.00%	6.00%	6.00%	6.00%
Conventional With-profits Pensions business single premium – Fund V (no GAO)	PP	6.00%	6.00%	6.00%	6.00%
Conventional With-profits Pensions business regular premium – Fund AMP (UK) Pensions	PUP	2.50%	2.50%	2.50%	2.50%
Conventional With-profits Pensions business regular premium – Fund AMP (UK) Pensions	PP	2.50%	2.50%	2.50%	2.50%
Conventional With-profits Pensions business single premium – Fund AMP (UK) Pensions	PP	2.50%	2.50%	2.50%	2.50%
Conventional With-profits Pensions business regular premium – Fund W	PUP	0.00%	0.00%	0.00%	0.00%
Conventional With-profits Pensions business regular premium – Fund W	PP	0.00%	0.00%	0.00%	0.00%
Conventional With-profits Pensions business single premium – Fund W	PP	0.00%	0.00%	0.00%	0.00%

¹ Except V(ICL) which has a lapse rate of 2.5%.

Only a small proportion of London Life (Funds R, T & V) & AMPUK business experience any PuPs; the most significant of these being Fund R. The paid-up assumptions do not vary across policy durations, and are shown in Table 6.10.

TABLE 6.10

Average paid-up rate for the policy years		1-5	6-10	11-15	16-20
Conventional With-profits Life business regular premium – Fund R	PUP	1.00%	1.00%	1.00%	1.00%

The annuitant mortality and take-up rate assumptions are shown in Tables 6.11 and 6.12 respectively.

TABLE 6.11

Annuitant Mortality Assumptions

	Males	Females
Annuitant mortality	95% PMA00 CMI_2009_M [3.0% for ages up to age 60, reducing linearly down to 0% from age 110]	90% PFA00 CMI_2009_F [3.0% for ages up to age 60, reducing linearly down to 0% from age 110]

TABLE 6.12

GAO Take Up Rate Assumptions

	Normal Retirement	Early Retirement	Terminal Bonus¹
Fund V (excluding POLMIG, GRPAVC)	76.0%	76.0%	76.0%
POLMIG, GRPAVC	10% if yields>4%, else 75%	10% if yields>4%, else 75%	10% if yields>4%, else 75%
AMP (UK)	77.0%	77.0%	77.0%
Fund R	0.0%	0.0%	0.0%
Fund T	0.0%	0.0%	0.0%

¹ This is the take up rate assumption made for the purposes of setting terminal bonus rates.

(7) Assumptions for foreseeable policyholder actions are potentially needed for the take-up of GAO benefits, MVA free dates on UWP policies and MVA free withdrawals on UWP policies. London Life has only a very small amount of UWP business and on materiality grounds this is not explicitly modelled. As such the only assumption that falls into this category is the take-up rate for GAO benefits. Table 6.13 shows the assumptions made, which apply in all scenarios where the GAO benefit is valuable to the policyholder.

7. Financing Costs

The London Life Scheme specified that capital support was to be provided to the Pensions With-Profits sub-fund (and the other non-profit sub-funds) via a contingent loan ("CL"). The initial amount of the CL to the Pensions With-Profits sub-fund was £114m. Both interest and capital payments are contingent on:

- the sub-fund (in this case Pensions With-Profits) not being a "supported" fund; and
- the sub-fund in question having, immediately following any such interest or capital payment, assets in excess of the Required Capital Amount (explained below).

In addition to this, CL principal can only be repaid if, under a range of scenarios deemed by the London Life Head of Actuarial Function as reasonably foreseeable, London Life as a whole would have sufficient assets (after any payment) to meet policyholder reasonable expectations ("PRE") and statutory solvency requirements (Peak 1). This constraint also applies in respect of any dividend payments and the distribution or return of capital to shareholders.

The Required Capital Amount ("RCA") is calculated at sub-fund level as the expected value of future shareholders' transfers plus the greater of:

- statutory liabilities (Peak 1, excluding any in respect of contingent loans and inter-fund support); and
- the amount needed to meet PRE.

The above constraints effectively mean that all payments in respect of the CL are fully subordinated to policyholders. Indeed, no interest has ever been paid on the CL and during 2004 London Life Holdings Limited waived their right to interest on the CL for years 2004 to 2006 inclusive. On 24 November 2006 the rights and benefits under the contingent loan agreement were assigned to Pearl Group Limited (subsequently renamed Pearl Group Holdings (No. 2) Limited) under identical terms except for the extension of the waiver of interest payments to include the period up to and including 31 December 2009. The face value of the CL is £286m at 31 December 2009 (including the CL to the Life Non-Profit and Pension Non-Profit sub-funds).

The Scheme also includes provisions for providing sub-funds with further capital support should they need it. The trigger for this is whether the sub-fund has sufficient assets to cover the RCA. If this is not the case, the Scheme provides that "inter-fund support" should be provided by transferring assets, via a loan bearing interest (3 month LIBOR), from either the Shareholder Fund

or a non-profit sub-fund. Similar to the CL, interest and capital payments are fully subordinated to meeting PRE. At 31 December 2008, the Pension with-profits sub-fund received £24.8m in inter-fund support from the non-profit funds (£13.6m from the life fund and £11.2m from the pensions fund). This was repaid with interest at 31 December 2009.

The financing cost figures are calculated reflecting the full subordination to PRE, i.e. it is the average value of the payments (CL and inter-fund support) that the sub-fund could make subject to first fully satisfying PRE.

8. Other Long-Term Insurance Liabilities

A breakdown of the other long-term insurance liabilities, before the allocation of working capital as per the GN45 requirement for Closed Funds, is set out in Table 8.1.

Liability	LWP (£m)	PWP (£m)
Investment Management Expenses ¹	0.4	1.7
Additional Basic Rate Tax ²	1.5	-
Value of future shareholder transfers	4.5	3.0
Mortgage Endowment Mis-selling	0.0	-
Additional Reserves ³	0.1	0.4
Total	6.5	5.1

¹ The value of future investment expenses on assets over and above asset share (i.e. not deducted from asset share).

² Basic rate tax on assets in excess of asset share in respect of Life business (i.e. not deducted from asset share).

³ Reserves for expenses associated with Solvency II and liabilities for expense inflation.

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 2009 stood at £742.5m, which is £4.1m lower than the regulatory current liabilities at the same date, due to an additional provision for adverse deviations appearing in the regulatory liabilities.

The main component of the realistic current liabilities is the £658.1m representing collateral received to cover assets that have been lent out and would be repaid on return of the stock lending assets.

The realistic current liabilities do not include any liability in respect of the company pension scheme. Pearl Group Services employs all of the operating staff within the group and hence retains the responsibility for meeting the pension scheme's obligations.

The remaining current liabilities are made up of:

- £6.3m for outstanding claims;
- £5.9m in respect of tax;
- £30.4m in respect of SPP deposit back;
- £7.7m in respect of other creditors and accruals & deferred income;
- £2.5m in respect of deposits received from re-insurers for direct business; and
- £31.6m in respect of derivative liabilities.

10. Risk Capital Margin

- (a) The risk capital margin for London Life at 31 December 2009 is zero for the LWP sub-fund and £5.4m for the PWP sub-fund.

As described in Section 7, the terms of the Scheme are such that the capital support (CL and inter-fund support mechanism) is fully subordinated to the need to meet PRE.

The financial flexibility of London Life is such that any adverse experience would, in the first instance, simply reduce the value of the capital expected to be repaid to shareholders, i.e. the financing costs. Any amount within LWP sub-fund that would have contributed towards the

working capital is now displayed as 'Other long-term insurance liabilities' within Line 47 of Form19. As such, the LWP RCM is also displayed as zero.

The PWP sub-fund financing cost acts to absorb changes that would otherwise affect the working capital. To the extent that the working capital would fall below zero in the most onerous RCM condition, the financing costs would no longer be able to absorb such a change. As at 31 December 2009, the working capital in the most adverse RCM condition is below zero. The RCM of £5.4m is the amount required to cover this shortfall.

The most onerous scenario for London Life LWP (i.e. the one which reduces the financing costs the most) is that which combines:

- A fall in equity and property values;
- A fall in interest rates; and
- A rise in persistency.

The most onerous scenario for London Life PWP is that which combines:

- A fall in equity and property values;
- A rise in interest rates; and
- A rise in persistency.

(i) 20.0% fall in equity values; 12.5% fall in property values.

(ii) 17.5% fall in yield curve (UK assets), equivalent to a 0.778% nominal change in the long term gilt yield from 4.45% to 3.672%.

(iii) (a) The average change in spreads for bonds was 114 basis points weighted by value (which translates to 102 basis points when weighted by value and duration), resulting in a 6.09% 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. London Life has a small amount of traditional reinsurance. The effect of allowing for the reinsurance credit risk event in respect of this is very small and so on materiality grounds this has not been included in the value of the liabilities shown in Form 19.

(d) Not applicable.

(e) In respect of the interest rate derivatives, which are the only significant derivative holdings at 31 December 2009, the credit shock tested was a 5 basis point adverse movement in swap rates. This credit shock resulted in a 58.7% fall in the value of the derivatives.

(iv) The average change in persistency experience (weighted by realistic value of liabilities) expressed as an annual percentage is 32.5%, which corresponds with a reduction in the average lapse rate (weighted by realistic value of liabilities) from 3.2% per annum to 2.1% per annum. This change in persistency resulted in a 0.2% increase in the realistic value of liabilities (excluding financing costs). This increase in liabilities (excluding financing costs) is offset in the PWP sub-fund by a corresponding reduction in the financing costs (refer to Sections 7 and 10 (a)), signifying a reduction in the ability of the with-profits fund to repay the contingent loan and inter-fund support.

(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 of the LWP fund. £5.4m of additional assets are required from the Shareholder fund in the form of cash to cover the risk-capital margin of the PWP sub-fund.

(ii) As described in Section 7, the Scheme provides for an inter-fund support mechanism whereby assets are transferred, via a loan, from the Shareholder Fund (or non-profit sub-funds) to any sub-funds needing further capital support, which is the case for the Life and Pensions with-profits sub-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 major positions relating to derivative contracts held by the with-profits fund are:

A portfolio of interest rate swaps with notional amounts totalling £2855.6m. This contains both "pay floating / receive fixed" and "pay fixed / receive floating" type contracts. The average time to expiry is 11.1 years.

A portfolio of swap spread hedges with notional amounts totalling £28.5m. The average time to expiry is 0.4 years.

A portfolio of RPI swaps with notional amounts totalling £18.9m. The average time to maturity is 18.0 years.

A portfolio of interest rate swaptions with notional amounts totalling £672.8m. The average time to maturity is 13.0 years.

A portfolio of FTSE100 futures. There are 176 contracts with a value of £10 each per index point. The total value of this portfolio as at 31 December 2009 is £9.5m. This is split across active asset shares (325 contracts), UWP asset shares (21 contracts) and a short position within the estate (-170 contracts).

The equity futures have a term of 3 months and are rolled at the end of this period.

13. Analysis of Working Capital

Table 13.1 describes the significant movements in the working capital of the with profits fund from the preceding financial year.

TABLE 13.1

Analysis of Working Capital

	LWP ¹	PWP ²
Working Capital as at 31 December 2008	0	0
Undo zeroisation to Opening working capital	19	33
Opening Adjustment	1	(3)
Expected Return	0	0
Investment Management	(1)	24
Insurance Management	(0)	(10)
Capital Movements	0	(25)
Other	1	3
Other Long-Term Insurance Liabilities/Financing Costs	5	2
Working Capital at 31 December 2009	0	0

¹ LWP working capital is described within 10(a) above. As per GN45 this is allocated within 'Other Long-term Insurance Liabilities' to ensure that the working capital total is zero, as required for a closed fund.

² PWP financing costs are described within 10(a) above.

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

London Life Limited

Global Business

Financial year ended 31 December 2009

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

1. a) K J Arnott held no shares or share options in 2009
 - b) K J Arnott held a number of assurance and insurance policies and investment products 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 2009 was £184,910*.
 - d) K J Arnott was throughout the year a member of the Pearl Staff Pension Scheme, 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 the Accounts and Statement Rules. 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 the Accounts and Statements Rules, reference to the insurer includes reference to any body corporate which is the insurer's subsidiary undertaking or parent undertaking and to any other subsidiary undertakings of its parent undertaking.

* Any undeclared bonuses are excluded

Returns under the Accounts and Statements Rules

Certificate required by rule 9.34(1)

London Life Limited

Global Business

Financial year ended 31st December 2009

We certify that: -

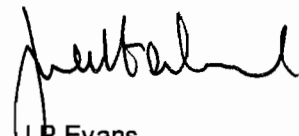
1. (a) the return has been properly prepared in accordance with the requirements in IPRU(INS), GENPRU and INSPRU; and
(b) we are satisfied that:
 - (i) throughout the financial year in question, the insurer has complied in all material respects with the requirements in SYSC and PRIN as well as the provisions of IPRU(INS), GENPRU and INSPRU; and
 - (ii) it is reasonable to believe that the insurer has continued so to comply subsequently, and will continue so to comply in future.
2. (a) in our opinion, premiums for contracts of long-term business entered into during the financial year and the resulting income earned are sufficient, under reasonable actuarial methods and assumptions, and taking into account the other financial resources of the insurer that are available for the purpose, to enable the insurer to meet its obligations in respect of those contracts and, in particular, to establish adequate mathematical reserves;
(b) the sum of the mathematical reserves and the deposits received from reinsurers as shown in Form 14, constitute proper provision at the end of the financial year for the long-term insurance liabilities (including all liabilities arising from deposit back arrangements, but excluding other liabilities which had fallen due before the end of the financial year) including any increase in those liabilities arising from a distribution of surplus as a result of an actuarial investigation as at that date into the financial condition of the long-term insurance business; and
(d) we have, in preparing the return, taken and paid due regard to-
 - (i) advice from every actuary appointed by the insurer to perform the actuarial function in accordance with SUP 4.3.13R; and
 - (ii) advice from every actuary appointed by the insurer to perform the with-profits actuary function in accordance with SUP 4.3.16AR.



M J Merrick
Chief Executive



J S B Smith
Director



J P Evans
Director

Date: 25 March 2010

Returns under the Accounts and Statements Rules

Certificate required by rule 9.34(1)

London Life Limited

Global Business

Financial year ended 31st December 2009

Note to the Directors' Certificate

1. Principles and Practices of Financial Management

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

Returns under the Accounts and Statements Rules

Independent auditors' report to the directors pursuant to rule 9.35

London Life Limited

Global Business

Financial year ended 31 December 2009

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

- Forms 2, 3, 13 to 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 reports required by IPRU(INS) rule 9.31("the valuation reports").

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

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

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

Respective responsibilities of the insurer and its auditors

The insurer is responsible for the preparation of an annual return (including the Forms, the statement and the valuation reports) under the provisions of the Rules. The requirements of the Rules have been modified by the directions referred to in supplementary note 0201. Under IPRU(INS) rule 9.11 the Forms, the statement and the valuation reports are required to be prepared in the manner set out in the Rules and to state fairly the information provided on the basis required by the Rules. The methods and assumptions determined by the insurer and used to perform the actuarial investigation as set out in the valuation reports prepared in accordance with IPRU(INS) rule 9.31 are required to reflect appropriately the requirements of INSPRU 1.2 and 1.3.

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

Returns under the Accounts and Statements Rules

Independent auditors' report to the directors pursuant to rule 9.35

London Life Limited

Global business

Financial year ended 31 December 2009

(continued)

Basis of opinion

We conducted our work in accordance with Practice Note 20 "The audit of insurers in the United Kingdom (revised)" issued by the Auditing Practices Board. Our work included examination, on a test basis, of evidence relevant to the amounts and disclosures in the Forms, the statement and the valuation reports. The evidence included that previously obtained by us relating to the audit of the financial statements of the insurer for the financial year on which we reported on ²⁹ March 2010. It also included an assessment of the significant estimates and judgements made by the insurer in the preparation of the Forms, the statement and the valuation reports.

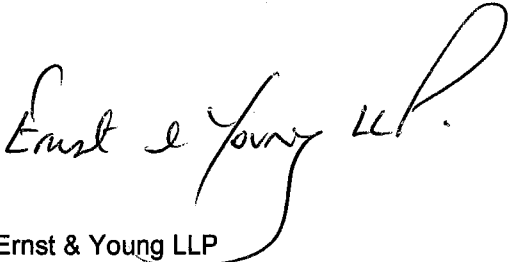
We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Forms, the statement and the valuation reports are free from material misstatement, whether caused by fraud or other irregularity or error, and comply with 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 required by IPRU(INS) rule 9.31 appropriately reflect the requirements of INSPRU 1.2 and 1.3.


Ernst & Young LLP
Registered Auditor
London

Date: ²⁹ March 2010

