

PHOENIX LIFE ASSURANCE LIMITED

Annual PRA Insurance Returns for the year ended

31 December 2013

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

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

Global business

Financial year ended **31 December 2013**

Adjusted solo solvency calculation

	Company registration number	GL/ UK/ CM	day month year			Units	
	R2	1419	GL	31	12	2013	£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	1536018	1319062
Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund	12	597791	733586
Capital resources available to cover long-term insurance business capital resources requirement (11+12)	13	2133808	2052648

Guarantee fund

Guarantee fund requirement	21	232147	273396
Excess (deficiency) of available capital resources to cover guarantee fund requirement	22	1901662	1779253

Minimum capital requirement (MCR)

Long-term insurance capital requirement	31	346439	422720
Resilience capital requirement	32		
Base capital resources requirement	33	3146	2984
Individual minimum capital requirement	34	346439	422720
Capital requirements of regulated related undertakings	35	116667	132489
Minimum capital requirement (34+35)	36	463106	555209
Excess (deficiency) of available capital resources to cover 50% of MCR	37	1902256	1775044
Excess (deficiency) of available capital resources to cover 75% of MCR	38	1786479	1636242

Enhanced capital requirement

With-profits insurance capital component	39	1075827	891364
Enhanced capital requirement	40	1538933	1446573

Capital resources requirement (CRR)

Capital resources requirement (greater of 36 and 40)	41	1538933	1446573
Excess (deficiency) of available capital resources to cover long-term insurance business CRR (13-41)	42	594876	606075

Contingent liabilities

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

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2013**

Company registration number	GL/UK/CM	day	month	year	Units	
R3	1419	GL	31	12	2013	£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		342109	342109	342109
Profit and loss account and other reserves	12		675745	675745	782994
Share premium account	13		40716	40716	40716
Positive valuation differences	14		1029281	1029281	770465
Fund for future appropriations	15		329776	329776	303954
Core tier one capital in related undertakings	16		17355	17355	20029
Core tier one capital (sum of 11 to 16)	19		2434982	2434982	2260268

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		2434982	2434982	2260268
Investments in own shares	32				
Intangible assets	33				
Amounts deducted from technical provisions for discounting	34				
Other negative valuation differences	35				
Deductions in related undertakings	36		116049	116049	78727
Deductions from tier one (32 to 36)	37		116049	116049	78727
Total tier one capital after deductions (31-37)	39		2318933	2318933	2181540

Components of capital resources

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2013**

	Company registration number	GL/UK/CM	day month year			Units	
	R3	1419	GL	31	12	2013	£000
		General insurance business	Long-term insurance business	Total as at the end of this financial year		Total as at the end of the previous year	
		1	2	3		4	

Tier two capital

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

Fixed term preference shares	51				
Other tier two instruments	52		250000	250000	250000
Lower tier two capital in related undertakings	53				
Lower tier two capital (51+52+53)	59		250000	250000	250000

Total tier two capital before restrictions (49+59)	61		250000	250000	250000
Excess tier two capital	62				
Further excess lower tier two capital	63				
Total tier two capital after restrictions, before deductions (61-62-63)	69		250000	250000	250000

Components of capital resources

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2013**

Company registration number	GL/UK/CM	day month year			Units	
R3	1419	GL	31	12	2013	£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		2568933	2568933	2431540
Inadmissible assets other than intangibles and own shares	73		1322	1322	8129
Assets in excess of market risk and counterparty limits	74		433802	433802	370763
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		2133808	2133808	2052648

Available capital resources for GENPRU/INSRU tests

Available capital resources for guarantee fund requirement	81		2133808	2133808	2052648
Available capital resources for 50% MCR requirement	82		2133808	2133808	2052648
Available capital resources for 75% MCR requirement	83		2133808	2133808	2052648

Financial engineering adjustments

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

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

 Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

 Financial year ended **31 December 2013**

Long term insurance business

	Company registration number	GL/UK/CM	day	month	year	Units	
	R11	1419	GL	31	12	2013	£000
				This financial year		Previous year	
				1	2		
Gross premiums written			11			1102	1150
Premiums taxes and levies (included in line 11)			12				
Premiums written net of taxes and levies (11-12)			13			1102	1150
Premiums for classes 11, 12 or 13 (included in line 13)			14				
Premiums for "actuarial health insurance" (included in line 13)			15			1030	1061
Sub-total A (13 + 1/2 14 - 2/3 15)			16			415	443
Gross premiums earned			21			1102	1152
Premium taxes and levies (included in line 21)			22				
Premiums earned net of taxes and levies (21-22)			23			1102	1152
Premiums for classes 11, 12 or 13 (included in line 23)			24				
Premiums for "actuarial health insurance" (included in line 23)			25			1030	1063
Sub-total H (23 + 1/2 24 - 2/3 25)			26			415	443
Sub-total I (higher of sub-total A and sub-total H)			30			415	443
Adjusted sub-total I if financial year is not a 12 month period to produce an annual figure			31				
Division of gross adjusted premiums amount sub-total I (or adjusted sub-total I if appropriate)	x 0.18		32			75	80
	Excess (if any) over 61.3M EURO x 0.02		33				
Sub-total J (32-33)			34			75	80
Claims paid in period of 3 financial years			41			1823	1909
Claims outstanding carried forward at the end of the 3 year period	For insurance business accounted for on an underwriting year basis		42			2017	2297
	For insurance business accounted for on an accident year basis		43			2559	2449
Claims outstanding brought forward at the beginning of the 3 year period	For insurance business accounted for on an underwriting year basis		44			3368	4046
	For insurance business accounted for on an accident year basis		45			2441	2484
Sub-total C (41+42+43-44-45)			46			589	125
Amounts recoverable from reinsurers in respect of claims included in Sub-total C			47				
Sub-total D (46-47)			48			589	125
Reinsurance Ratio (Sub-total D /sub-total C or, if more, 0.50 or, if less, 1.00)			49			1.00	1.00
Premiums amount (Sub-total J x reinsurance ratio)			50			75	80
Provision for claims outstanding (before discounting and net of reinsurance)			51			4091	4243
Provision for claims outstanding (before discounting and gross of reinsurance) if both 51.1 and 51.2 are zero, otherwise zero			52				
Brought forward amount (See instruction 4)			53			120	124
Greater of lines 50 and 53			54			120	124

Calculation of general insurance capital requirement - claims amount and result

 Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

 Financial year ended **31 December 2013**

Long term insurance business

		Company registration number	GL/ UK/ CM	day month year			Units	
		R12	1419	GL	31	12	2013	£000
				This financial year 1			Previous year 2	
Reference period (No. of months) See INSPRU 1.1.63R				11	36			36
Claims paid in reference period				21	1823			1909
Claims outstanding carried forward at the end of the reference period	For insurance business accounted for on an underwriting year basis			22	2017			2297
	For insurance business accounted for on an accident year basis			23	2559			2449
Claims outstanding brought forward at the beginning of the reference period	For insurance business accounted for on an underwriting year basis			24	3368			4046
	For insurance business accounted for on an accident year basis			25	2441			2484
Claims incurred in reference period (21+22+23-24-25)				26	589			125
Claims incurred for classes 11, 12 or 13 (included in 26)				27				
Claims incurred for "actuarial health insurance" (included in 26)				28	1311			1155
Sub-total E (26 +1/2 27 - 2/3 28)				29	(285)			(645)
Sub-total F - Conversion of sub-total E to annual figure (multiply by 12 and divide by number of months in the reference period)				31	(95)			(215)
Division of sub-total F (gross adjusted claims amount)	x 0.26			32	(25)			(56)
	Excess (if any) over 42.9M EURO x 0.03			33				
Sub-total G (32-33)				39	(25)			(56)
Claims amount Sub-total G x reinsurance ratio (11.49)				41	(25)			(56)
Higher of premiums amount and brought forward amount (11.54)				42	120			124
General insurance capital requirement (higher of lines 41 and 42)				43	120			124

Analysis of admissible assets

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2013**

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

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1419	GL	31	12	2013	£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	66492	51239
	Debts and loans	22	50000	130000
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	142655	165356
Participating interests	Shares	29		
	Debts and loans	30		

Other financial investments

Equity shares	41	10107	8587
Other shares and other variable yield participations	42		
Holdings in collective investment schemes	43	206866	202080
Rights under derivative contracts	44	17957	15066
Fixed interest securities	Approved	45	
	Other	46	
Variable interest securities	Approved	47	
	Other	48	
Participation in investment pools	49		
Loans secured by mortgages	50		
Loans to public or local authorities and nationalised industries or undertakings	51		
Loans secured by policies of insurance issued by the company	52		
Other loans	53		
Bank and approved credit & financial institution deposits	One month or less withdrawal	54	
	More than one month withdrawal	55	
Other financial investments	56		
Deposits with ceding undertakings	57		
Assets held to match linked liabilities	Index linked	58	
	Property linked	59	

Analysis of admissible assets

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2013**

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

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1419	GL	31	12	2013	£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	7774	11529
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	384	33095
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	11	4935
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86	321	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	502817	622138
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Analysis of admissible assets

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2013**

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

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1419	GL	31	12	2013	£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	502817	622138
Admissible assets in excess of market and counterparty limits	92	433803	334482
Inadmissible assets directly held	93		6288
Capital resources requirement deduction of regulated related undertakings	94	116667	132489
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	95		
Inadmissible assets of regulated related undertakings	96	31799	22706
Book value of related ancillary services undertakings	97		
Other differences in the valuation of assets (other than for assets not valued above)	98	79816	251165
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	142587	
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	1307489	1369268

Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103	50011	300305
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Analysis of admissible assets

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2013**

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

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1419	GL	31	12	2013	£000	10
					As at end of this financial year	As at end of the previous year	
					1	2	
Land and buildings			11		9768	31497	

Investments in group undertakings and participating interests

UK insurance dependants	Shares	21		
	Debts and loans	22	52000	65000
Other insurance dependants	Shares	23		
	Debts and loans	24		
Non-insurance dependants	Shares	25	12018	10514
	Debts and loans	26	575	
Other group undertakings	Shares	27		
	Debts and loans	28	32836	17936
Participating interests	Shares	29		
	Debts and loans	30		

Other financial investments

Equity shares	41	545365	690412	
Other shares and other variable yield participations	42	1050		
Holdings in collective investment schemes	43	5717618	5471527	
Rights under derivative contracts	44	529440	1267873	
Fixed interest securities	Approved	45	3186540	3854715
	Other	46	2379597	2945857
Variable interest securities	Approved	47	872741	780648
	Other	48	282322	1395244
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	10285	11205	
Other loans	53		8631	
Bank and approved credit & financial institution deposits	One month or less withdrawal	54		
	More than one month withdrawal	55		
Other financial investments	56			
Deposits with ceding undertakings	57		21363	
Assets held to match linked liabilities	Index linked	58	13224	7084
	Property linked	59	337659	312948

Analysis of admissible assets

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2013**

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

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1419	GL	31	12	2013	£000	10
					As at end of this financial year	As at end of the previous year	
					1	2	

Reinsurers' share of technical provisions

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

Debtors and salvage

Direct insurance business	Policyholders	71		
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74		
	Ceded	75	2222	1684
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	406248	47438
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	57717	362764
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	83417	95422
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86	37	2986

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	14532681	17402749
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Analysis of admissible assets

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2013**

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

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1419	GL	31	12	2013	£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	14532681	17402749
Admissible assets in excess of market and counterparty limits	92		36281
Inadmissible assets directly held	93	1322	1841
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	2371	(216405)
Deferred acquisition costs excluded from line 89	99		
Reinsurers' share of technical provisions excluded from line 89	100	1604390	3012076
Other asset adjustments (may be negative)	101	(154568)	(40567)
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	15986195	20195975

Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103	71673	121680
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Analysis of admissible assets

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2013**

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

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1419	GL	31	12	2013	£000	13
					As at end of this financial year	As at end of the previous year	
					1	2	
Land and buildings			11	9768	31497		

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	12018	10514
	Debts and loans	26	575	
Other group undertakings	Shares	27		
	Debts and loans	28	5875	
Participating interests	Shares	29		
	Debts and loans	30		

Other financial investments

Equity shares	41	470312	599180	
Other shares and other variable yield participations	42	1050		
Holdings in collective investment schemes	43	4672658	4335002	
Rights under derivative contracts	44	330957	526027	
Fixed interest securities	Approved	45	1337331	2015565
	Other	46	878190	1280430
Variable interest securities	Approved	47	738857	619424
	Other	48	138776	1043982
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	7344	7995	
Other loans	53		8631	
Bank and approved credit & financial institution deposits	One month or less withdrawal	54		
	More than one month withdrawal	55		
Other financial investments	56			
Deposits with ceding undertakings	57		21363	
Assets held to match linked liabilities	Index linked	58		
	Property linked	59	110	103

Analysis of admissible assets

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2013**

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

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets
R13	1419	GL	31	12	2013	£000
					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	1107
Dependants	due in 12 months or less	76	
	due in more than 12 months	77	
Other	due in 12 months or less	78	330411
	due in more than 12 months	79	34942

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	33469	328514
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	33584	50197
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86	19	2431

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	9002411	10915795
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Analysis of admissible assets

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2013**

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

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1419	GL	31	12	2013	£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	9002411	10915795
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93	220	1444
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	817	
Deferred acquisition costs excluded from line 89	99		
Reinsurers' share of technical provisions excluded from line 89	100	6518	6518
Other asset adjustments (may be negative)	101		(15263)
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	9009967	10908495

Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103	15421	35124
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Analysis of admissible assets

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2013**

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

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1419	GL	31	12	2013	£000	14
					As at end of this financial year	As at end of the previous year	
					1	2	
Land and buildings			11				

Investments in group undertakings and participating interests

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

Other financial investments

Equity shares	41			
Other shares and other variable yield participations	42			
Holdings in collective investment schemes	43	192616	255790	
Rights under derivative contracts	44	76557	260893	
Fixed interest securities	Approved	45	731223	795264
	Other	46	213928	264268
Variable interest securities	Approved	47	12204	2585
	Other	48	22570	44673
Participation in investment pools	49			
Loans secured by mortgages	50			
Loans to public or local authorities and nationalised industries or undertakings	51			
Loans secured by policies of insurance issued by the company	52			
Other loans	53			
Bank and approved credit & financial institution deposits	One month or less withdrawal	54		
	More than one month withdrawal	55		
Other financial investments	56			
Deposits with ceding undertakings	57			
Assets held to match linked liabilities	Index linked	58		
	Property linked	59		

Analysis of admissible assets

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2013**

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

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets
R13	1419	GL	31	12	2013	£000
					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	1422	795
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	3963	2297
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	10821	11966
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86	6	

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	1265309	1638530
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Analysis of admissible assets

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2013**

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

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1419	GL	31	12	2013	£000	14
					As at end of this financial year	As at end of the previous year	
					1	2	

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

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	1265309	1638530
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93		
Capital resources requirement deduction of regulated related undertakings	94		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	95		
Inadmissible assets of regulated related undertakings	96		
Book value of related ancillary services undertakings	97		
Other differences in the valuation of assets (other than for assets not valued above)	98		(136894)
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	(91836)	(868)
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	1173474	1500769
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103		33

Analysis of admissible assets

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2013**

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

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1419	GL	31	12	2013	£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	1353	1478	
Other shares and other variable yield participations	42			
Holdings in collective investment schemes	43	238673	246381	
Rights under derivative contracts	44	31397	110678	
Fixed interest securities	Approved	45	396129	441858
	Other	46	133469	153806
Variable interest securities	Approved	47	2941	320
	Other	48	14897	231655
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	2941	3211	
Other loans	53			
Bank and approved credit & financial institution deposits	One month or less withdrawal	54		
	More than one month withdrawal	55		
Other financial investments	56			
Deposits with ceding undertakings	57			
Assets held to match linked liabilities	Index linked	58		
	Property linked	59		

Analysis of admissible assets

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2013**

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

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1419	GL	31	12	2013	£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		
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74		
	Ceded	75	89	1104
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	38646	482
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	5627	24815
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	7067	7879
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86	12	6

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	873243	1223672
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Analysis of admissible assets

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2013**

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

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1419	GL	31	12	2013	£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	873243	1223672
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93	811	718
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		(79511)
Deferred acquisition costs excluded from line 89	99		
Reinsurers' share of technical provisions excluded from line 89	100	7329	8958
Other asset adjustments (may be negative)	101	(62115)	(21363)
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	819268	1132474

Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103	118	573
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Analysis of admissible assets

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2013**

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

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1419	GL	31	12	2013	£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	52000	65000
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	26960	17936
Participating interests	Shares	29		
	Debts and loans	30		

Other financial investments

Equity shares	41	73700	89755	
Other shares and other variable yield participations	42			
Holdings in collective investment schemes	43	613671	634355	
Rights under derivative contracts	44	90529	370275	
Fixed interest securities	Approved	45	721857	602028
	Other	46	1154010	1247353
Variable interest securities	Approved	47	118740	158319
	Other	48	106079	74935
Participation in investment pools	49			
Loans secured by mortgages	50			
Loans to public or local authorities and nationalised industries or undertakings	51			
Loans secured by policies of insurance issued by the company	52			
Other loans	53			
Bank and approved credit & financial institution deposits	One month or less withdrawal	54		
	More than one month withdrawal	55		
Other financial investments	56			
Deposits with ceding undertakings	57			
Assets held to match linked liabilities	Index linked	58	13224	7084
	Property linked	59	337549	312846

Analysis of admissible assets

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2013**

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

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets
R13	1419	GL	31	12	2013	£000
					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	1027	580
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	35768	11220
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	14658	7138
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	31945	25380
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86		549

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	3391717	3624752
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Analysis of admissible assets

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2013**

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

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1419	GL	31	12	2013	£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	3391717	3624752
Admissible assets in excess of market and counterparty limits	92		36281
Inadmissible assets directly held	93	291	(321)
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	1554	
Deferred acquisition costs excluded from line 89	99		
Reinsurers' share of technical provisions excluded from line 89	100	1590542	2996599
Other asset adjustments (may be negative)	101	(618)	(3073)
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	4983487	6654238

Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103	56134	85950
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Long term insurance business liabilities and margins

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2013**Total business/Sub fund **Summary**Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Mathematical reserves, after distribution of surplus	11	8580321	9369520	
Cash bonuses which had not been paid to policyholders prior to end of the financial year	12	135	84	
Balance of surplus/(valuation deficit)	13	147421	139789	
Long term insurance business fund carried forward (11 to 13)	14	8727878	9509394	
Claims outstanding	Gross	15	68423	73710
	Reinsurers' share	16		269
	Net (15-16)	17	68423	73441
Provisions	Taxation	21	14282	
	Other risks and charges	22	4001	14433
Deposits received from reinsurers	23	1776409	1958459	
Creditors	Direct insurance business	31	325	1900
	Reinsurance accepted	32		
	Reinsurance ceded	33	215	412
Debenture loans	Secured	34		
	Unsecured	35	95	95
Amounts owed to credit institutions	36			
Creditors	Taxation	37	22381	16767
	Other	38	2492709	4618587
Accruals and deferred income	39	9508	18920	
Provision for "reasonably foreseeable adverse variations"	41	27859	11069	
Total other insurance and non-insurance liabilities (17 to 41)	49	4416207	6714083	
Excess of the value of net admissible assets	51	1388596	1179273	
Total liabilities and margins	59	14532681	17402750	

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61	14673	12721
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62	337659	312949

Total liabilities (11+12+49)	71	12996664	16083688
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73	1604390	3012076
Other adjustments to liabilities (may be negative)	74	1033734	730022
Capital and reserves and fund for future appropriations	75	351408	370190
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	15986195	20195975

Long term insurance business liabilities and margins

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
Global business
Financial year ended **31 December 2013**
Total business/Sub fund **90:10 Pearl With-Profits Fund**
Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Mathematical reserves, after distribution of surplus	11	5417538	5946033	
Cash bonuses which had not been paid to policyholders prior to end of the financial year	12			
Balance of surplus/(valuation deficit)	13	107421	107421	
Long term insurance business fund carried forward (11 to 13)	14	5524960	6053455	
Claims outstanding	Gross	15	54932	57286
	Reinsurers' share	16		
	Net (15-16)	17	54932	57286
Provisions	Taxation	21		
	Other risks and charges	22	3451	13464
Deposits received from reinsurers	23			
Creditors	Direct insurance business	31	55	143
	Reinsurance accepted	32		
	Reinsurance ceded	33	7	16
Debenture loans	Secured	34		
	Unsecured	35	95	95
Amounts owed to credit institutions	36			
Creditors	Taxation	37		5423
	Other	38	1995166	3581191
Accruals and deferred income	39	7291	16232	
Provision for "reasonably foreseeable adverse variations"	41	27859	9218	
Total other insurance and non-insurance liabilities (17 to 41)	49	2088856	3683068	
Excess of the value of net admissible assets	51	1388596	1179273	
Total liabilities and margins	59	9002411	10915795	

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61	13904	11991
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62	110	103

Total liabilities (11+12+49)	71	7506395	9629102
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73	6518	6518
Other adjustments to liabilities (may be negative)	74	1167278	968921
Capital and reserves and fund for future appropriations	75	329776	303954
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	9009967	10908495

Long term insurance business liabilities and margins

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
Global business
Financial year ended **31 December 2013**
Total business/Sub fund **100:0 SERP Fund**
Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Mathematical reserves, after distribution of surplus	11	1132053	1378216	
Cash bonuses which had not been paid to policyholders prior to end of the financial year	12			
Balance of surplus/(valuation deficit)	13	5000	4961	
Long term insurance business fund carried forward (11 to 13)	14	1137053	1383177	
Claims outstanding	Gross	15	5389	7585
	Reinsurers' share	16		
	Net (15-16)	17	5389	7585
Provisions	Taxation	21		
	Other risks and charges	22		
Deposits received from reinsurers	23			
Creditors	Direct insurance business	31	244	
	Reinsurance accepted	32		
	Reinsurance ceded	33		
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions	36			
Creditors	Taxation	37	1	
	Other	38	122232	246818
Accruals and deferred income	39	390	950	
Provision for "reasonably foreseeable adverse variations"	41			
Total other insurance and non-insurance liabilities (17 to 41)	49	128256	255353	
Excess of the value of net admissible assets	51			
Total liabilities and margins	59	1265309	1638530	

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61		39
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62		

Total liabilities (11+12+49)	71	1260309	1633570
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73		
Other adjustments to liabilities (may be negative)	74	(86836)	(132801)
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	1173474	1500769

Long term insurance business liabilities and margins

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
Global business
Financial year ended **31 December 2013**
Total business/Sub fund **100:0 London Life With-Profits Fund**
Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Mathematical reserves, after distribution of surplus	11	655174	787652	
Cash bonuses which had not been paid to policyholders prior to end of the financial year	12	135	84	
Balance of surplus/(valuation deficit)	13	5000	5000	
Long term insurance business fund carried forward (11 to 13)	14	660310	792736	
Claims outstanding	Gross	15	3922	5102
	Reinsurers' share	16		
	Net (15-16)	17	3922	5102
Provisions	Taxation	21		
	Other risks and charges	22		
Deposits received from reinsurers	23		21363	
Creditors	Direct insurance business	31	23	15
	Reinsurance accepted	32		
	Reinsurance ceded	33	16	21
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions	36			
Creditors	Taxation	37	2765	1911
	Other	38	205064	399419
Accruals and deferred income	39	1142	1254	
Provision for "reasonably foreseeable adverse variations"	41		1851	
Total other insurance and non-insurance liabilities (17 to 41)	49	212933	430936	
Excess of the value of net admissible assets	51			
Total liabilities and margins	59	873243	1223672	

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

Total liabilities (11+12+49)	71	868243	1218672
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73	7329	8958
Other adjustments to liabilities (may be negative)	74	(56304)	(95156)
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	819268	1132474

Long term insurance business liabilities and margins

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
Global business
Financial year ended **31 December 2013**
Total business/Sub fund **0:100 Non Profit Fund**
Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Mathematical reserves, after distribution of surplus	11	1375556	1257619	
Cash bonuses which had not been paid to policyholders prior to end of the financial year	12			
Balance of surplus/(valuation deficit)	13	30000	22407	
Long term insurance business fund carried forward (11 to 13)	14	1405556	1280026	
Claims outstanding	Gross	15	4180	3738
	Reinsurers' share	16		269
	Net (15-16)	17	4180	3468
Provisions	Taxation	21	14282	
	Other risks and charges	22	550	969
Deposits received from reinsurers	23	1776409	1937096	
Creditors	Direct insurance business	31	3	1742
	Reinsurance accepted	32		
	Reinsurance ceded	33	191	376
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions	36			
Creditors	Taxation	37	19615	9433
	Other	38	170247	391157
Accruals and deferred income	39	685	484	
Provision for "reasonably foreseeable adverse variations"	41			
Total other insurance and non-insurance liabilities (17 to 41)	49	1986161	2344725	
Excess of the value of net admissible assets	51			
Total liabilities and margins	59	3391717	3624752	

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61	769	691
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62	337549	312846

Total liabilities (11+12+49)	71	3361717	3602344
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73	1590542	2996599
Other adjustments to liabilities (may be negative)	74	9595	(10942)
Capital and reserves and fund for future appropriations	75	21632	66236
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	4983487	6654238

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

Global business

Financial year ended **31 December 2013**

Company registration number	GL/UK/CM	day	month	year	Units	
R15	1419	GL	31	12	2013	£000
					As at end of this financial year	As at end of the previous year
					1	2

Technical provisions (gross amount)

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

Provisions and creditors

Provisions	Taxation	21		
	Other risks and charges	22		15
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		4571
	Foreseeable dividend	48		
	Other	49		18364
Accruals and deferred income		51	2188	1855
Total (19 to 51)		59	20552	20918
Provision for "reasonably foreseeable adverse variations"		61	1142	123
Cumulative preference share capital		62		
Subordinated loan capital		63	250000	250000
Total (59 to 63)		69	271694	271041

Amounts included in line 69 attributable to liabilities to related insurers, other than those under contracts of insurance or reinsurance	71			252948
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Amounts deducted from technical provisions for discounting	82			
Other adjustments (may be negative)	83		(1142)	(1355)
Capital and reserves	84		1036937	1099583
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		1307489	1369268

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

Global business

Financial year ended **31 December 2013**

		Company registration number	GL/ UK/ CM	day	month	year	Units	
		R16	1419	GL	31	12	2013	£000
				This financial year			Previous year	
				1			2	
Transfer (to)/from the general insurance business technical account	From Form 20		11				(5242)	
	Equalisation provisions		12					
Transfer from the long term insurance business revenue account			13			163180	48594	
Investment income	Income		14			8463	8590	
	Value re-adjustments on investments		15			7649	34394	
	Gains on the realisation of investments		16			3039	4448	
Investment charges	Investment management charges, including interest		17			5133	12210	
	Value re-adjustments on investments		18					
	Loss on the realisation of investments		19			19277	15222	
Allocated investment return transferred to the general insurance business technical account			20				71	
Other income and charges (particulars to be specified by way of supplementary note)			21			(4350)	(7553)	
Profit or loss on ordinary activities before tax (11+12+13+14+15+16-17-18-19-20+21)			29			153569	55728	
Tax on profit or loss on ordinary activities			31			(5132)	(10660)	
Profit or loss on ordinary activities after tax (29-31)			39			158701	66388	
Extraordinary profit or loss (particulars to be specified by way of supplementary note)			41			4049	230289	
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			162750	296677	
Dividends (paid or foreseeable)			51			230600	150000	
Profit or loss retained for the financial year (49-51)			59			(67850)	146677	

Analysis of derivative contracts

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2013**Category of assets **Total other than long term insurance business assets**

		Company registration number	GL/ UK/ CM	day month year			Units	Category of assets
R17		1419	GL	31	12	2013	£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	456		90		92330	
	Inflation	13	16026				233430	
	Credit index / basket	14			2077	391026		
	Credit single name	15						
	Equity index	16			3635		91251	
	Equity stock	17						
	Land	18						
	Currencies	19	1475		32	2426	85181	
	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	17957		5835	393452	502192	
Adjustment for variation margin		52						
Total (51 + 52)		53	17957		5835			

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 contracts

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2013**Category of assets **Total long term insurance business assets**

		Company registration number	GL/ UK/ CM	day month year			Units	Category of assets	
		R17	1419	GL	31	12	2013	£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	10705	7525	769605	863806			
	Interest rates	12	342386	550407	4454502	4491849			
	Inflation	13	1011	3591	260625	269427			
	Credit index / basket	14		1099	207161				
	Credit single name	15	102	581	30474	12521			
	Equity index	16	3096	31	118412	804			
	Equity stock	17							
	Land	18							
	Currencies	19	35373	10592	749924	1845229			
	Mortality	20							
	Other	21	28	26214	74000	584413			
In the money options	Swaptions	31	135144		740920				
	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	1594		873136				
	Equity index calls	42							
	Equity stock calls	43							
	Equity index puts	44							
	Equity stock puts	45							
	Other	46							
Total (11 to 46)		51	529440	600040	8278758	8068049			
Adjustment for variation margin		52							
Total (51 + 52)		53	529440	600040					

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 contracts

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2013**Category of assets **90:10 Pearl With-Profits Fund**

		Company registration number	GL/ UK/ CM	day month year			Units	Category of assets	
		R17	1419	GL	31	12	2013	£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	10359	7419	505080	801875			
	Interest rates	12	231542	260404	1769512	2336978			
	Inflation	13	168	3591	260625	250625			
	Credit index / basket	14							
	Credit single name	15	102	121	6323	12521			
	Equity index	16	3005		116068				
	Equity stock	17							
	Land	18							
	Currencies	19	25387	9398	658568	1329821			
	Mortality	20							
	Other	21		24056	74000	505713			
In the money options	Swaptions	31	59260		434720				
	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	1134		428526				
	Equity index calls	42							
	Equity stock calls	43							
	Equity index puts	44							
	Equity stock puts	45							
	Other	46							
Total (11 to 46)		51	330957	304990	4253421	5237533			
Adjustment for variation margin		52							
Total (51 + 52)		53	330957	304990					

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 contracts

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2013**Category of assets **100:0 SERP Fund**

		Company registration number	GL/ UK/ CM	day month year			Units	Category of assets	
		R17	1419	GL	31	12	2013	£000	14
Derivative contracts		Value as at the end of this financial year			Notional amount as at the end of this financial year				
		Assets 1	Liabilities 2	Bought / Long 3	Sold / Short 4				
Futures and contracts for differences	Fixed-interest securities	11							
	Interest rates	12	502	109268	576228	658388			
	Inflation	13	112			4132			
	Credit index / basket	14							
	Credit single name	15							
	Equity index	16							
	Equity stock	17							
	Land	18							
	Currencies	19	29				2215		
	Mortality	20							
	Other	21	28	2094			50200		
In the money options	Swaptions	31	75885		306200				
	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	76557	111362	882428	714935			
Adjustment for variation margin		52							
Total (51 + 52)		53	76557	111362					

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 contracts

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2013**Category of assets **100:0 London Life With-Profits Fund**

		Company registration number	GL/ UK/ CM	day month year			Units	Category of assets	
		R17	1419	GL	31	12	2013	£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	29969	62768	691542	461620			
	Inflation	13	516			10893			
	Credit index / basket	14							
	Credit single name	15							
	Equity index	16	91	31	2344	804			
	Equity stock	17							
	Land	18							
	Currencies	19	362	1016	82539	70614			
	Mortality	20							
	Other	21		64		28500			
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	460		444610				
	Equity index calls	42							
	Equity stock calls	43							
	Equity index puts	44							
	Equity stock puts	45							
	Other	46							
Total (11 to 46)		51	31397	63880	1221035	572431			
Adjustment for variation margin		52							
Total (51 + 52)		53	31397	63880					

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 contracts

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2013**Category of assets **0:100 Non Profit Fund**

		Company registration number	GL/ UK/ CM	day month year			Units	Category of assets	
		R17	1419	GL	31	12	2013	£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	346	107	264525	61931			
	Interest rates	12	80373	117966	1417220	1034863			
	Inflation	13	215			3777			
	Credit index / basket	14		1099	207161				
	Credit single name	15		459	24151				
	Equity index	16							
	Equity stock	17							
	Land	18							
	Currencies	19	9594	178	8817	442579			
	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	90529	119809	1921874	1543150			
Adjustment for variation margin		52							
Total (51 + 52)		53	90529	119809					

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

With-profits insurance capital component for the fundName of insurer **PHOENIX LIFE ASSURANCE LIMITED**With-profits fund **90:10 Pearl With-Profits Fund**Financial year ended **31 December 2013**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	9002411	10915795
	Implicit items allocated to the fund	12		
	Mathematical reserves in respect of the fund's non-profit insurance contracts	13	141554	161463
	Long-term admissible assets of the fund covering the LTICR of the fund's non-profit insurance contracts	14	5680	6475
	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	8855177	10747857
Regulatory value of liabilities	Mathematical reserves (after distribution of surplus) in respect of the fund's with-profits insurance contracts	21	5275984	5784570
	Regulatory current liabilities of the fund	22	2088856	3683068
	Total (21+22)	29	7364840	9467638
Long-term insurance capital requirement in respect of the fund's with-profits insurance contracts		31	212472	232824
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	7577312	9700462
Regulatory excess capital (19-39)		49	1277864	1047395

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	1277864	1047395
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	202037	156031
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	1075827	891364

With-profits insurance capital component for the fundName of insurer **PHOENIX LIFE ASSURANCE LIMITED**With-profits fund **100:0 SERP Fund**Financial year ended **31 December 2013**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	1265309	1638530
	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	1265309	1638530
Regulatory value of liabilities	Mathematical reserves (after distribution of surplus) in respect of the fund's with-profits insurance contracts	21	1132053	1378217
	Regulatory current liabilities of the fund	22	128256	255353
	Total (21+22)	29	1260309	1633570
Long-term insurance capital requirement in respect of the fund's with-profits insurance contracts		31	45284	55130
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	1305593	1688700
Regulatory excess capital (19-39)		49	(40284)	(50170)

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	(40284)	(50170)
Face amount of capital instruments attributed to the fund and included in capital resources (unstressed)	62		
Realistic amount of capital instruments attributed to the fund and included in capital resources (stressed)	63		
Present value of future shareholder transfers arising from distribution of surplus	64		
Present value of other future internal transfers not already taken into account	65		
With-profits insurance capital component for fund (if 62 exceeds 63, greater of 61+62-63-64-65 and zero, else greater of 61-64-65 and zero)	66		

With-profits insurance capital component for the fundName of insurer **PHOENIX LIFE ASSURANCE LIMITED**With-profits fund **100:0 London Life With-Profits Fund**Financial year ended **31 December 2013**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	873243	1223672
	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	873243	1223672
Regulatory value of liabilities	Mathematical reserves (after distribution of surplus) in respect of the fund's with-profits insurance contracts	21	655310	787736
	Regulatory current liabilities of the fund	22	212933	430936
	Total (21+22)	29	868243	1218672
Long-term insurance capital requirement in respect of the fund's with-profits insurance contracts		31	26487	31847
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	894730	1250519
Regulatory excess capital (19-39)		49	(21487)	(26847)

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	(21487)	(26847)
Face amount of capital instruments attributed to the fund and included in capital resources (unstressed)	62		
Realistic amount of capital instruments attributed to the fund and included in capital resources (stressed)	63		
Present value of future shareholder transfers arising from distribution of surplus	64		
Present value of other future internal transfers not already taken into account	65		
With-profits insurance capital component for fund (if 62 exceeds 63, greater of 61+62-63-64-65 and zero, else greater of 61-64-65 and zero)	66		

Realistic balance sheet

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**

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

Financial year ended **31 December 2013**

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	8855177	10747857
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	16410	8427
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	8871586	10756284
Support arrangement assets	27		
Assets available to the fund (26+27)	29	8871586	10756284

Realistic value of liabilities of fund

With-profits benefit reserve	31	4662449	4747045	
Future policy related liabilities	Past miscellaneous surplus attributed to with-profits benefits reserve	32	52327	52327
	Past miscellaneous deficit attributed to with-profits benefits reserve	33		
	Planned enhancements to with-profits benefits reserve	34	1103651	1261101
	Planned deductions for the costs of guarantees, options and smoothing from with-profits benefits reserve	35	(84136)	223116
	Planned deductions for other costs deemed chargeable to with-profits benefits reserve	36		
	Future costs of contractual guarantees (other than financial options)	41	160319	252027
	Future costs of non-contractual commitments	42	107411	121730
	Future costs of financial options	43	312400	388270
	Future costs of smoothing (possibly negative)	44	(63657)	1495
	Financing costs	45		
	Any other liabilities related to regulatory duty to treat customers fairly	46		
	Other long-term insurance liabilities	47	391554	481555
	Total (32+34+41+42+43+44+45+46+47-(33+35+36))	49	2148140	2335389
Realistic current liabilities of the fund	51	2060998	3673850	
Realistic value of liabilities of fund (31+49+51)	59	8871586	10756284	

Realistic balance sheet

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 With-profits fund **90:10 Pearl With-Profits Fund**
 Financial year ended **31 December 2013**
 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	8871586	10756284
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	8871586	10756284
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	350000	350000
Additional amount potentially available for inclusion in line 63	82	69793	60549

Realistic balance sheet

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**

With-profits fund **100:0 SERP Fund**

Financial year ended **31 December 2013**

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	1265309	1638530
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	1265309	1638530
Support arrangement assets	27		
Assets available to the fund (26+27)	29	1265309	1638530

Realistic value of liabilities of fund

With-profits benefit reserve	31	475755	513770	
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	419	716
	Planned deductions for other costs deemed chargeable to with-profits benefits reserve	36	(638)	(591)
	Future costs of contractual guarantees (other than financial options)	41	567770	731612
	Future costs of non-contractual commitments	42		
	Future costs of financial options	43		
	Future costs of smoothing (possibly negative)	44		
	Financing costs	45		
	Any other liabilities related to regulatory duty to treat customers fairly	46		
	Other long-term insurance liabilities	47	93310	137920
	Total (32+34+41+42+43+44+45+46+47-(33+35+36))	49	661298	869407
Realistic current liabilities of the fund	51	128256	255353	
Realistic value of liabilities of fund (31+49+51)	59	1265309	1638530	

Realistic balance sheet

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 With-profits fund **100:0 SERP Fund**
 Financial year ended **31 December 2013**
 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	1265309	1638530
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	1265309	1638530
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	350000	
Additional amount potentially available for inclusion in line 63	82		

Realistic balance sheet

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 With-profits fund **100:0 London Life With-Profits Fund**
 Financial year ended **31 December 2013**
 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	873243	1223672
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	873243	1223672
Support arrangement assets	27		
Assets available to the fund (26+27)	29	873243	1223672

Realistic value of liabilities of fund

With-profits benefit reserve	31	487036	557676	
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	107576	138117
	Future costs of non-contractual commitments	42	3995	5595
	Future costs of financial options	43	11329	15169
	Future costs of smoothing (possibly negative)	44	(5669)	(7505)
	Financing costs	45	49900	78793
	Any other liabilities related to regulatory duty to treat customers fairly	46		
	Other long-term insurance liabilities	47	6141	6742
	Total (32+34+41+42+43+44+45+46+47-(33+35+36))	49	173273	236911
Realistic current liabilities of the fund	51	212933	429085	
Realistic value of liabilities of fund (31+49+51)	59	873243	1223672	

Realistic balance sheet

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 With-profits fund **100:0 London Life With-Profits Fund**
 Financial year ended **31 December 2013**
 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	873243	1223672
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	873243	1223672
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	350000	350000
Additional amount potentially available for inclusion in line 63	82		

General insurance business : Technical account (excluding equalisation provisions)Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2013****Total business**

		Company registration number	GL/ UK/ CM	day	month	year	Units	Category number	
		R20	1419	GL	31	12	2013	£000	001
Items to be shown net of reinsurance			This financial year				Previous year		
			1				2		
This year's underwriting (accident year accounting)	Earned premium (21.19.5)	11							
	Claims incurred (22.17.4)	12							
	Claims management costs (22.18.4)	13							
	Adjustment for discounting (22.52.4)	14							
	Increase in provision for unexpired risks (22.19.4)	15							
	Other technical income or charges (particulars to be specified by way of supplementary note)	16							
	Net operating expenses (22.42.4)	17							
	Balance of year's underwriting (11-12-13+14-15+16-17)	19							
Adjustment for prior years' underwriting (accident year accounting)	Earned premium (21.11.5)	21							
	Claims incurred (22.13.4)	22						(56)	
	Claims management costs (22.14.4)	23						10	
	Adjustment for discounting (22.51.4)	24						(5329)	
	Other technical income or charges (particulars to be specified by way of supplementary note)	25							
	Net operating expenses (22.41.4)	26						(4)	
	Balance (21-22-23+24+25-26)	29						(5279)	
Balance from underwriting year accounting	Per Form 24 (24.69.99-99)	31						(35)	
	Other technical income or charges (particulars to be specified by way of supplementary note)	32							
	Total	39						(35)	
Balance of all years' underwriting (19+29+39)		49						(5313)	
Allocated investment income		51						71	
Transfer to non-technical account (49+51)		59						(5242)	

General insurance business : Technical account (excluding equalisation provisions)Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2013****Total primary (direct) and facultative business**

		Company registration number	GL/ UK/ CM	day	month	year	Units	Category number	
		R20	1419	GL	31	12	2013	£000	002
Items to be shown net of reinsurance				This financial year			Previous year		
				1			2		
This year's underwriting (accident year accounting)	Earned premium (21.19.5)		11						
	Claims incurred (22.17.4)		12						
	Claims management costs (22.18.4)		13						
	Adjustment for discounting (22.52.4)		14						
	Increase in provision for unexpired risks (22.19.4)		15						
	Other technical income or charges (particulars to be specified by way of supplementary note)		16						
	Net operating expenses (22.42.4)		17						
	Balance of year's underwriting (11-12-13+14-15+16-17)		19						
Adjustment for prior years' underwriting (accident year accounting)	Earned premium (21.11.5)		21						
	Claims incurred (22.13.4)		22						(56)
	Claims management costs (22.14.4)		23						10
	Adjustment for discounting (22.51.4)		24						(5329)
	Other technical income or charges (particulars to be specified by way of supplementary note)		25						
	Net operating expenses (22.41.4)		26						(4)
	Balance (21-22-23+24+25-26)		29						(5279)
Balance from underwriting year accounting	Per Form 24 (24.69.99-99)		31						
	Other technical income or charges (particulars to be specified by way of supplementary note)		32						
	Total		39						
Balance of all years' underwriting (19+29+39)			49						(5279)
Allocated investment income			51						71
Transfer to non-technical account (49+51)			59						(5207)

General insurance business : Technical account (excluding equalisation provisions)Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2013****Total treaty reinsurance accepted business**

		Company registration number	GL/ UK/ CM	day	month	year	Units	Category number	
		R20	1419	GL	31	12	2013	£000	003
Items to be shown net of reinsurance			This financial year 1				Previous year 2		
This year's underwriting (accident year accounting)	Earned premium (21.19.5)	11							
	Claims incurred (22.17.4)	12							
	Claims management costs (22.18.4)	13							
	Adjustment for discounting (22.52.4)	14							
	Increase in provision for unexpired risks (22.19.4)	15							
	Other technical income or charges (particulars to be specified by way of supplementary note)	16							
	Net operating expenses (22.42.4)	17							
	Balance of year's underwriting (11-12-13+14-15+16-17)	19							
Adjustment for prior years' underwriting (accident year accounting)	Earned premium (21.11.5)	21							
	Claims incurred (22.13.4)	22							
	Claims management costs (22.14.4)	23							
	Adjustment for discounting (22.51.4)	24							
	Other technical income or charges (particulars to be specified by way of supplementary note)	25							
	Net operating expenses (22.41.4)	26							
Balance (21-22-23+24+25-26)	29								
Balance from underwriting year accounting	Per Form 24 (24.69.99-99)	31						(35)	
	Other technical income or charges (particulars to be specified by way of supplementary note)	32							
	Total	39						(35)	
Balance of all years' underwriting (19+29+39)		49						(35)	
Allocated investment income		51							
Transfer to non-technical account (49+51)		59						(35)	

General insurance business : Technical account (excluding equalisation provisions)Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2013****Total primary (direct) and facultative commercial lines liability business**

		Company registration number	GL/ UK/ CM	day	month	year	Units	Category number	
		R20	1419	GL	31	12	2013	£000	270
Items to be shown net of reinsurance			This financial year				Previous year		
			1				2		
This year's underwriting (accident year accounting)	Earned premium (21.19.5)		11						
	Claims incurred (22.17.4)		12						
	Claims management costs (22.18.4)		13						
	Adjustment for discounting (22.52.4)		14						
	Increase in provision for unexpired risks (22.19.4)		15						
	Other technical income or charges (particulars to be specified by way of supplementary note)		16						
	Net operating expenses (22.42.4)		17						
	Balance of year's underwriting (11-12-13+14-15+16-17)		19						
Adjustment for prior years' underwriting (accident year accounting)	Earned premium (21.11.5)		21						
	Claims incurred (22.13.4)		22					112	
	Claims management costs (22.14.4)		23					9	
	Adjustment for discounting (22.51.4)		24					(5329)	
	Other technical income or charges (particulars to be specified by way of supplementary note)		25						
	Net operating expenses (22.41.4)		26					(2)	
	Balance (21-22-23+24+25-26)		29					(5448)	
Balance from underwriting year accounting	Per Form 24 (24.69.99-99)		31						
	Other technical income or charges (particulars to be specified by way of supplementary note)		32						
	Total		39						
Balance of all years' underwriting (19+29+39)			49					(5448)	
Allocated investment income			51					71	
Transfer to non-technical account (49+51)			59					(5377)	

General insurance business : Technical account (excluding equalisation provisions)Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2013****Balance of all primary (direct) and facultative business**

		Company registration number	GL/ UK/ CM	day	month	year	Units	Category number	
		R20	1419	GL	31	12	2013	£000	409
Items to be shown net of reinsurance				This financial year			Previous year		
				1			2		
This year's underwriting (accident year accounting)	Earned premium (21.19.5)		11						
	Claims incurred (22.17.4)		12						
	Claims management costs (22.18.4)		13						
	Adjustment for discounting (22.52.4)		14						
	Increase in provision for unexpired risks (22.19.4)		15						
	Other technical income or charges (particulars to be specified by way of supplementary note)		16						
	Net operating expenses (22.42.4)		17						
	Balance of year's underwriting (11-12-13+14-15+16-17)		19						
Adjustment for prior years' underwriting (accident year accounting)	Earned premium (21.11.5)		21						
	Claims incurred (22.13.4)		22						(169)
	Claims management costs (22.14.4)		23						1
	Adjustment for discounting (22.51.4)		24						
	Other technical income or charges (particulars to be specified by way of supplementary note)		25						
	Net operating expenses (22.41.4)		26						(2)
	Balance (21-22-23+24+25-26)		29						170
Balance from underwriting year accounting	Per Form 24 (24.69.99-99)		31						
	Other technical income or charges (particulars to be specified by way of supplementary note)		32						
	Total		39						
Balance of all years' underwriting (19+29+39)			49						170
Allocated investment income			51						
Transfer to non-technical account (49+51)			59						170

General insurance business : Technical account (excluding equalisation provisions)Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2013****Total non-proportional treaty reinsurance business accepted**

		Company registration number	GL/ UK/ CM	day	month	year	Units	Category number	
		R20	1419	GL	31	12	2013	£000	500
Items to be shown net of reinsurance				This financial year				Previous year	
				1				2	
This year's underwriting (accident year accounting)	Earned premium (21.19.5)		11						
	Claims incurred (22.17.4)		12						
	Claims management costs (22.18.4)		13						
	Adjustment for discounting (22.52.4)		14						
	Increase in provision for unexpired risks (22.19.4)		15						
	Other technical income or charges (particulars to be specified by way of supplementary note)		16						
	Net operating expenses (22.42.4)		17						
	Balance of year's underwriting (11-12-13+14-15+16-17)		19						
Adjustment for prior years' underwriting (accident year accounting)	Earned premium (21.11.5)		21						
	Claims incurred (22.13.4)		22						
	Claims management costs (22.14.4)		23						
	Adjustment for discounting (22.51.4)		24						
	Other technical income or charges (particulars to be specified by way of supplementary note)		25						
	Net operating expenses (22.41.4)		26						
	Balance (21-22-23+24+25-26)		29						
Balance from underwriting year accounting	Per Form 24 (24.69.99-99)		31						(35)
	Other technical income or charges (particulars to be specified by way of supplementary note)		32						
	Total		39						(35)
Balance of all years' underwriting (19+29+39)			49						(35)
Allocated investment income			51						
Transfer to non-technical account (49+51)			59						(35)

General insurance business : Technical account (excluding equalisation provisions)Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2013****Total proportional treaty reinsurance business accepted**

		Company registration number	GL/ UK/ CM	day	month	year	Units	Category number	
		R20	1419	GL	31	12	2013	£000	600
Items to be shown net of reinsurance			This financial year				Previous year		
			1				2		
This year's underwriting (accident year accounting)	Earned premium (21.19.5)		11						
	Claims incurred (22.17.4)		12						
	Claims management costs (22.18.4)		13						
	Adjustment for discounting (22.52.4)		14						
	Increase in provision for unexpired risks (22.19.4)		15						
	Other technical income or charges (particulars to be specified by way of supplementary note)		16						
	Net operating expenses (22.42.4)		17						
	Balance of year's underwriting (11-12-13+14-15+16-17)		19						
Adjustment for prior years' underwriting (accident year accounting)	Earned premium (21.11.5)		21						
	Claims incurred (22.13.4)		22						
	Claims management costs (22.14.4)		23						
	Adjustment for discounting (22.51.4)		24						
	Other technical income or charges (particulars to be specified by way of supplementary note)		25						
	Net operating expenses (22.41.4)		26						
	Balance (21-22-23+24+25-26)		29						
Balance from underwriting year accounting	Per Form 24 (24.69.99-99)		31					1	
	Other technical income or charges (particulars to be specified by way of supplementary note)		32						
	Total		39					1	
Balance of all years' underwriting (19+29+39)			49					1	
Allocated investment income			51						
Transfer to non-technical account (49+51)			59					1	

Long-term insurance business : Revenue account

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **Summary**
 Financial year ended **31 December 2013**
 Units **£000**

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

Income

Earned premiums	11	162164	(633906)
Investment income receivable before deduction of tax	12	421399	699253
Increase (decrease) in the value of non-linked assets brought into account	13	(440366)	(23855)
Increase (decrease) in the value of linked assets	14	42765	14226
Other income	15	1139	442
Total income	19	187101	56160

Expenditure

Claims incurred	21	672607	668569
Expenses payable	22	67089	89446
Interest payable before the deduction of tax	23	3076	9280
Taxation	24	9889	472
Other expenditure	25	30867	56877
Transfer to (from) non technical account	26	163180	48594
Total expenditure	29	946707	873237

Business transfers - in	31		1110321
Business transfers - out	32	21909	
Increase (decrease) in fund in financial year (19-29+31-32)	39	(781515)	293244
Fund brought forward	49	9509394	9216150
Fund carried forward (39+49)	59	8727878	9509394

Long-term insurance business : Revenue account

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **90:10 Pearl With-Profits Fund**
 Financial year ended **31 December 2013**
 Units **£000**

Financial year 1	Previous year 2
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Income

Earned premiums	11	59573	66845
Investment income receivable before deduction of tax	12	255348	425423
Increase (decrease) in the value of non-linked assets brought into account	13	(183776)	(48401)
Increase (decrease) in the value of linked assets	14	(7)	(2)
Other income	15	212	(143)
Total income	19	131349	443723

Expenditure

Claims incurred	21	446002	461213
Expenses payable	22	44007	66088
Interest payable before the deduction of tax	23	2561	6866
Taxation	24	3298	17007
Other expenditure	25		
Transfer to (from) non technical account	26	15898	12992
Total expenditure	29	511767	564167

Business transfers - in	31		
Business transfers - out	32	148078	182516
Increase (decrease) in fund in financial year (19-29+31-32)	39	(528495)	(302960)
Fund brought forward	49	6053455	6356415
Fund carried forward (39+49)	59	5524960	6053455

Long-term insurance business : Revenue account

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **100:0 SERP Fund**
 Financial year ended **31 December 2013**
 Units **£000**

Financial year 1	Previous year 2
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Income

Earned premiums	11	5387	6153
Investment income receivable before deduction of tax	12	23856	78128
Increase (decrease) in the value of non-linked assets brought into account	13	(110287)	14313
Increase (decrease) in the value of linked assets	14		
Other income	15		
Total income	19	(81044)	98595

Expenditure

Claims incurred	21	84310	102116
Expenses payable	22	3622	3300
Interest payable before the deduction of tax	23	88	712
Taxation	24		
Other expenditure	25		
Transfer to (from) non technical account	26	29836	(27500)
Total expenditure	29	117857	78627

Business transfers - in	31		
Business transfers - out	32	47222	61838
Increase (decrease) in fund in financial year (19-29+31-32)	39	(246123)	(41871)
Fund brought forward	49	1383177	1425048
Fund carried forward (39+49)	59	1137053	1383177

Long-term insurance business : Revenue account

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **100:0 London Life With-Profits Fund**
 Financial year ended **31 December 2013**
 Units **£000**

Financial year 1	Previous year 2
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Income

Earned premiums	11	4518	2446
Investment income receivable before deduction of tax	12	26952	22473
Increase (decrease) in the value of non-linked assets brought into account	13	(38512)	11534
Increase (decrease) in the value of linked assets	14		
Other income	15		101792
Total income	19	(7043)	138245

Expenditure

Claims incurred	21	54364	32012
Expenses payable	22	4936	1688
Interest payable before the deduction of tax	23	211	247
Taxation	24	(1393)	3615
Other expenditure	25		
Transfer to (from) non technical account	26	44037	(21833)
Total expenditure	29	102156	15729

Business transfers - in	31	(809)	690562
Business transfers - out	32	22419	20342
Increase (decrease) in fund in financial year (19-29+31-32)	39	(132426)	792736
Fund brought forward	49	792736	
Fund carried forward (39+49)	59	660310	792736

Long-term insurance business : Revenue account

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **0:100 BLAGAB**
 Financial year ended **31 December 2013**
 Units **£000**

Financial year 1	Previous year 2
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Income

Earned premiums	11		7474
Investment income receivable before deduction of tax	12		3600
Increase (decrease) in the value of non-linked assets brought into account	13		3014
Increase (decrease) in the value of linked assets	14		
Other income	15		82
Total income	19		14171

Expenditure

Claims incurred	21		5400
Expenses payable	22		2268
Interest payable before the deduction of tax	23		
Taxation	24		(3065)
Other expenditure	25		
Transfer to (from) non technical account	26		
Total expenditure	29		4602

Business transfers - in	31		
Business transfers - out	32		313102
Increase (decrease) in fund in financial year (19-29+31-32)	39		(303533)
Fund brought forward	49		303533
Fund carried forward (39+49)	59		

Long-term insurance business : Revenue account

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **0:100 Non Profit Fund**
 Financial year ended **31 December 2013**
 Units **£000**

Financial year 1	Previous year 2
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Income

Earned premiums	11	92687	(716824)
Investment income receivable before deduction of tax	12	115243	169628
Increase (decrease) in the value of non-linked assets brought into account	13	(107790)	(4316)
Increase (decrease) in the value of linked assets	14	42772	14228
Other income	15	926	502
Total income	19	143838	(536782)

Expenditure

Claims incurred	21	87931	67828
Expenses payable	22	14523	16102
Interest payable before the deduction of tax	23	216	1454
Taxation	24	7984	(17085)
Other expenditure	25	30867	158668
Transfer to (from) non technical account	26	73407	84935
Total expenditure	29	214928	311903

Business transfers - in	31	227073	1000711
Business transfers - out	32	30455	3154
Increase (decrease) in fund in financial year (19-29+31-32)	39	125529	148872
Fund brought forward	49	1280026	1131154
Fund carried forward (39+49)	59	1405556	1280026

Long-term insurance business : Analysis of premiums

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **Summary**
 Financial year ended **31 December 2013**
 Units **£000**

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

Gross

Regular premiums	11	51571	39621		91192	94784
Single premiums	12	69	49882		49950	(637313)

Reinsurance - external

Regular premiums	13	4391	20		4411	3464
Single premiums	14		(19210)		(19210)	1157761

Reinsurance - intra-group

Regular premiums	15	178			178	175
Single premiums	16		(6400)		(6400)	(1070024)

Net of reinsurance

Regular premiums	17	47003	39601		86604	91145
Single premiums	18	69	75492		75561	(725051)

Total

Gross	19	51640	89503		141142	(542529)
Reinsurance	20	4568	(25590)		(21022)	91377
Net	21	47071	115093		162164	(633906)

Long-term insurance business : Analysis of premiums

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **90:10 Pearl With-Profits Fund**
 Financial year ended **31 December 2013**
 Units **£000**

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

Gross

Regular premiums	11	29127	30613		59739	67367
Single premiums	12		23		23	(284)

Reinsurance - external

Regular premiums	13	59			59	92
Single premiums	14					

Reinsurance - intra-group

Regular premiums	15	130			130	146
Single premiums	16					

Net of reinsurance

Regular premiums	17	28937	30613		59550	67129
Single premiums	18		23		23	(284)

Total

Gross	19	29127	30635		59762	67084
Reinsurance	20	190			190	238
Net	21	28937	30635		59573	66845

Long-term insurance business : Analysis of premiums

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **100:0 SERP Fund**
 Financial year ended **31 December 2013**
 Units **£000**

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

Gross

Regular premiums	11		5387		5387	6153
Single premiums	12					

Reinsurance - external

Regular premiums	13					
Single premiums	14					

Reinsurance - intra-group

Regular premiums	15					
Single premiums	16					

Net of reinsurance

Regular premiums	17		5387		5387	6153
Single premiums	18					

Total

Gross	19		5387		5387	6153
Reinsurance	20					
Net	21		5387		5387	6153

Long-term insurance business : Analysis of premiums

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **100:0 London Life With-Profits Fund**
 Financial year ended **31 December 2013**
 Units **£000**

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

Gross

Regular premiums	11	3545	1183		4727	2295
Single premiums	12		(4)		(4)	197

Reinsurance - external

Regular premiums	13	147	11		158	19
Single premiums	14					

Reinsurance - intra-group

Regular premiums	15	47			47	28
Single premiums	16					

Net of reinsurance

Regular premiums	17	3350	1171		4522	2249
Single premiums	18		(4)		(4)	197

Total

Gross	19	3545	1179		4724	2492
Reinsurance	20	194	11		206	46
Net	21	3350	1168		4518	2446

Long-term insurance business : Analysis of premiums

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **0:100 BLAGAB**
 Financial year ended **31 December 2013**
 Units **£000**

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

Gross

Regular premiums	11					9011
Single premiums	12					110

Reinsurance - external

Regular premiums	13					1647
Single premiums	14					

Reinsurance - intra-group

Regular premiums	15					
Single premiums	16					

Net of reinsurance

Regular premiums	17					7364
Single premiums	18					110

Total

Gross	19					9121
Reinsurance	20					1647
Net	21					7474

Long-term insurance business : Analysis of premiums

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **0:100 Non Profit Fund**
 Financial year ended **31 December 2013**
 Units **£000**

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

Gross

Regular premiums	11	18900	2439		21339	9958
Single premiums	12	69	49862		49931	(637338)

Reinsurance - external

Regular premiums	13	4184	9		4193	1706
Single premiums	14		(19210)		(19210)	1157761

Reinsurance - intra-group

Regular premiums	15					1
Single premiums	16		(6400)		(6400)	(1070024)

Net of reinsurance

Regular premiums	17	14715	2430		17145	8251
Single premiums	18	69	75473		75541	(725075)

Total

Gross	19	18968	52301		71270	(627379)
Reinsurance	20	4184	(25602)		(21417)	89445
Net	21	14784	77903		92687	(716824)

Long-term insurance business : Analysis of claims

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **Summary**
 Financial year ended **31 December 2013**
 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	72691	16455		89146	88410
Disability periodic payments	12	277			277	328
Surrender or partial surrender	13	64231	251886		316117	317624
Annuity payments	14	3840	248199		252039	257875
Lump sums on maturity	15	161486	43624		205110	207577
Total	16	302525	560164		862689	871813

Reinsurance - external

Death or disability lump sums	21	2582			2582	1773
Disability periodic payments	22	7			7	9
Surrender or partial surrender	23	280			280	10
Annuity payments	24		48250		48250	32592
Lump sums on maturity	25	3			3	1795
Total	26	2872	48250		51123	36178

Reinsurance - intra-group

Death or disability lump sums	31	592			592	815
Disability periodic payments	32					
Surrender or partial surrender	33	1158	(333)		824	376
Annuity payments	34		137315		137315	165704
Lump sums on maturity	35	228			228	171
Total	36	1977	136982		138959	167066

Net of reinsurance

Death or disability lump sums	41	69517	16455		85972	85822
Disability periodic payments	42	270			270	319
Surrender or partial surrender	43	62794	252219		315013	317238
Annuity payments	44	3840	62634		66474	59579
Lump sums on maturity	45	161255	43624		204879	205611
Total	46	297675	374932		672607	668569

Long-term insurance business : Analysis of claims

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **90:10 Pearl With-Profits Fund**
 Financial year ended **31 December 2013**
 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	55256	11273		66530	66227
Disability periodic payments	12					16
Surrender or partial surrender	13	54737	155103		209841	221440
Annuity payments	14		4175		4175	4282
Lump sums on maturity	15	142506	23473		165978	169800
Total	16	252500	194024		446524	461765

Reinsurance - external

Death or disability lump sums	21	2			2	15
Disability periodic payments	22					
Surrender or partial surrender	23					
Annuity payments	24					
Lump sums on maturity	25					
Total	26	2			2	15

Reinsurance - intra-group

Death or disability lump sums	31	104			104	215
Disability periodic payments	32					
Surrender or partial surrender	33	522	(333)		189	151
Annuity payments	34					
Lump sums on maturity	35	228			228	171
Total	36	853	(333)		520	537

Net of reinsurance

Death or disability lump sums	41	55151	11273		66424	65996
Disability periodic payments	42					16
Surrender or partial surrender	43	54215	155437		209652	221289
Annuity payments	44		4175		4175	4282
Lump sums on maturity	45	142278	23473		165751	169629
Total	46	251644	194358		446002	461213

Long-term insurance business : Analysis of claims

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **100:0 SERP Fund**
 Financial year ended **31 December 2013**
 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		2899		2899	7058
Disability periodic payments	12					
Surrender or partial surrender	13		65135		65135	73254
Annuity payments	14					
Lump sums on maturity	15		16276		16276	21804
Total	16		84310		84310	102116

Reinsurance - external

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

Reinsurance - intra-group

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

Net of reinsurance

Death or disability lump sums	41		2899		2899	7058
Disability periodic payments	42					
Surrender or partial surrender	43		65135		65135	73254
Annuity payments	44					
Lump sums on maturity	45		16276		16276	21804
Total	46		84310		84310	102116

Long-term insurance business : Analysis of claims

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **100:0 London Life With-Profits Fund**
 Financial year ended **31 December 2013**
 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	8164	1071		9235	5103
Disability periodic payments	12					
Surrender or partial surrender	13	7202	16221		23423	14298
Annuity payments	14	121	3017		3138	3224
Lump sums on maturity	15	16784	3730		20514	12006
Total	16	32271	24039		56310	34632

Reinsurance - external

Death or disability lump sums	21	735			735	
Disability periodic payments	22					
Surrender or partial surrender	23	83			83	
Annuity payments	24					
Lump sums on maturity	25	3			3	1795
Total	26	821			821	1795

Reinsurance - intra-group

Death or disability lump sums	31	489			489	600
Disability periodic payments	32					
Surrender or partial surrender	33	636			636	226
Annuity payments	34					
Lump sums on maturity	35					
Total	36	1124			1124	825

Net of reinsurance

Death or disability lump sums	41	6941	1071		8011	4504
Disability periodic payments	42					
Surrender or partial surrender	43	6483	16221		22704	14072
Annuity payments	44	121	3017		3138	3224
Lump sums on maturity	45	16781	3730		20511	10212
Total	46	30325	24039		54364	32012

Long-term insurance business : Analysis of claims

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **0:100 BLAGAB**
 Financial year ended **31 December 2013**
 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				4507
Disability periodic payments	12				2
Surrender or partial surrender	13				160
Annuity payments	14				969
Lump sums on maturity	15				585
Total	16				6224

Reinsurance - external

Death or disability lump sums	21				822
Disability periodic payments	22				2
Surrender or partial surrender	23				
Annuity payments	24				
Lump sums on maturity	25				
Total	26				824

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				3686
Disability periodic payments	42				0
Surrender or partial surrender	43				160
Annuity payments	44				969
Lump sums on maturity	45				585
Total	46				5400

Long-term insurance business : Analysis of claims

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **0:100 Non Profit Fund**
 Financial year ended **31 December 2013**
 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	9271	1212		10483	5514
Disability periodic payments	12	277			277	309
Surrender or partial surrender	13	2292	15426		17718	8472
Annuity payments	14	3719	241007		244726	249399
Lump sums on maturity	15	2196	145		2342	3381
Total	16	17754	257791		275545	267076

Reinsurance - external

Death or disability lump sums	21	1845			1845	936
Disability periodic payments	22	7			7	7
Surrender or partial surrender	23	196			196	10
Annuity payments	24		48250		48250	32592
Lump sums on maturity	25					
Total	26	2049	48250		50299	33544

Reinsurance - intra-group

Death or disability lump sums	31					
Disability periodic payments	32					
Surrender or partial surrender	33					0
Annuity payments	34		137315		137315	165704
Lump sums on maturity	35					
Total	36		137315		137315	165704

Net of reinsurance

Death or disability lump sums	41	7426	1212		8637	4579
Disability periodic payments	42	270			270	302
Surrender or partial surrender	43	2095	15426		17522	8462
Annuity payments	44	3719	55442		59161	51104
Lump sums on maturity	45	2196	145		2342	3381
Total	46	15706	72225		87931	67828

Long-term insurance business : Analysis of expenses

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **Summary**
 Financial year ended **31 December 2013**
 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		462	462	579
Management - acquisition	13				
Management - maintenance	14	17375	45381	62756	85328
Management - other	15	2165	1705	3870	3539
Total	16	19540	47548	67089	89446

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		462	462	579
Management - acquisition	43				
Management - maintenance	44	17375	45381	62756	85328
Management - other	45	2165	1705	3870	3539
Total	46	19540	47548	67089	89446

Long-term insurance business : Analysis of expenses

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **90:10 Pearl With-Profits Fund**
 Financial year ended **31 December 2013**
 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	12715	29227	41943	64199
Management - other	15	827	1238	2065	1890
Total	16	13542	30465	44007	66088

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	12715	29227	41943	64199
Management - other	45	827	1238	2065	1890
Total	46	13542	30465	44007	66088

Long-term insurance business : Analysis of expenses

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **100:0 SERP Fund**
 Financial year ended **31 December 2013**
 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		65	65	72
Management - acquisition	13				
Management - maintenance	14		3533	3533	3213
Management - other	15		24	24	15
Total	16		3622	3622	3300

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		65	65	72
Management - acquisition	43				
Management - maintenance	44		3533	3533	3213
Management - other	45		24	24	15
Total	46		3622	3622	3300

Long-term insurance business : Analysis of expenses

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **100:0 London Life With-Profits Fund**
 Financial year ended **31 December 2013**
 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	1412	3244	4656	1615
Management - other	15	139	142	281	73
Total	16	1551	3385	4936	1688

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	1412	3244	4656	1615
Management - other	45	139	142	281	73
Total	46	1551	3385	4936	1688

Long-term insurance business : Analysis of expenses

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **0:100 BLAGAB**
 Financial year ended **31 December 2013**
 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				2262
Management - other	15				6
Total	16				2268

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				2262
Management - other	45				6
Total	46				2268

Long-term insurance business : Analysis of expenses

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **0:100 Non Profit Fund**
 Financial year ended **31 December 2013**
 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		397	397	507
Management - acquisition	13				
Management - maintenance	14	3248	9377	12625	14040
Management - other	15	1199	301	1500	1554
Total	16	4447	10076	14523	16102

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		397	397	507
Management - acquisition	43				
Management - maintenance	44	3248	9377	12625	14040
Management - other	45	1199	301	1500	1554
Total	46	4447	10076	14523	16102

Long-term insurance business : Linked funds balance sheet

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business
 Financial year ended **31 December 2013**
 Units **£000**

Financial year	Previous year
1	2

Internal linked funds (excluding cross investment)

Directly held assets (excluding collective investment schemes)	11	2664	3344
Directly held assets in collective investment schemes of connected companies	12		
Directly held assets in other collective investment schemes	13	335150	309569
Total assets (excluding cross investment) (11+12+13)	14	337814	312913
Provision for tax on unrealised capital gains	15	230	
Secured and unsecured loans	16		
Other liabilities	17	35	67
Total net assets (14-15-16-17)	18	337549	312846

Directly held linked assets

Value of directly held linked assets	21	110	103
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Total

Value of directly held linked assets and units held (18+21)	31	337659	312948
Surplus units	32		
Deficit units	33		
Net unit liability (31-32+33)	34	337659	312948

Long-term insurance business : Revenue account for internal linked fundsName of insurer **PHOENIX LIFE ASSURANCE LIMITED**

Total business

Financial year ended **31 December 2013**Units **£000**

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

Income

Value of total creation of units	11	2382	1472
Investment income attributable to the funds before deduction of tax	12	7959	5676
Increase (decrease) in the value of investments in the financial year	13	41440	14454
Other income	14		
Total income	19	51781	21602

Expenditure

Value of total cancellation of units	21	22795	11721
Charges for management	22	4002	1281
Charges in respect of tax on investment income	23	27	476
Taxation on realised capital gains	24	22	12
Increase (decrease) in amount set aside for tax on capital gains not yet realised	25	231	41
Other expenditure	26		
Total expenditure	29	27077	13532

Increase (decrease) in funds in financial year (19-29)	39	24704	8070
Internal linked fund brought forward	49	312846	304776
Internal linked funds carried forward (39+49)	59	337549	312846

Long-term insurance business : Summary of new business

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business
 Financial year ended **31 December 2013**
 Units **£000**

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

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

Regular premium business	11					
Single premium business	12					
Total	13					

Amount of new regular premiums

Direct insurance business	21	183	99		282	203
External reinsurance	22					
Intra-group reinsurance	23					
Total	24	183	99		282	203

Amount of new single premiums

Direct insurance business	25	69	136		204	496
External reinsurance	26					
Intra-group reinsurance	27		49746		49746	47153
Total	28	69	49882		49950	47649

Long-term insurance business : Analysis of new business

Name of insurer

PHOENIX LIFE ASSURANCE LIMITED

Total business

Financial year ended

31 December 2013

Units

£000

UK Life / Direct Insurance Business

Product code number 1	Product description 2	Regular premium business		Single premium business	
		Number of policyholders / scheme members 3	Amount of premiums 4	Number of policyholders / scheme members 5	Amount of premiums 6
100	Conventional whole life with-profits OB		2		1
365	Income protection non-profit (reviewable premiums)		179		
435	Miscellaneous non-profit				68
505	Life UWP whole life regular premium		3		

Long-term insurance business : Analysis of new business

Name of insurer

PHOENIX LIFE ASSURANCE LIMITED

Total business

Financial year ended

31 December 2013

Units

£000

UK Pension / Direct Insurance Business

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
155	Conventional pensions endowment with-profits		14		
435	Miscellaneous non-profit		8		62
525	Individual pensions UWP		21		14
725	Individual pensions property linked		55		60

Long-term insurance business : Analysis of new business

Name of insurer

PHOENIX LIFE ASSURANCE LIMITED

Total business

Financial year ended

31 December 2013

Units

£000

UK Pension / Reinsurance accepted intra-group

Product code number 1	Product description 2	Regular premium business		Single premium business	
		Number of policyholders / scheme members 3	Amount of premiums 4	Number of policyholders / scheme members 5	Amount of premiums 6
400	Annuity non-profit (CPA)				49746

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

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Category of assets **10 Total long term insurance business assets**
 Financial year ended **31 December 2013**
 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	884	15124	153	1.01	
Approved fixed interest securities	12	769097	751709	30229	3.56	
Other fixed interest securities	13	1261528	1338900	38270	3.95	
Variable interest securities	14	254368	254584	6702	3.36	
UK listed equity shares	15	3926	15413	247	5.15	
Non-UK listed equity shares	16	0	17815	0	4.35	
Unlisted equity shares	17	80161	73110		0.09	
Other assets	18	818103	721413	8477	1.04	
Total	19	3188068	3188068	84077	3.06	

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

Land and buildings	21	8883	332013	3395	1.02	10.50
Approved fixed interest securities	22	2454774	2476471	96801	3.17	(4.31)
Other fixed interest securities	23	1154576	1903721	60046	3.76	3.37
Variable interest securities	24	935868	1093511	18447	3.23	3.35
UK listed equity shares	25		625126		4.27	18.80
Non-UK listed equity shares	26	0	817659	0	3.44	18.81
Unlisted equity shares	27	473296	319229		0.42	13.27
Other assets	28	5966331	3425999	(10805)	2.26	0.44
Total	29	10993729	10993729	167884	2.93	3.26

Overall return on with-profits assets

Post investment costs but pre-tax	31					3.51
Return allocated to non taxable 'asset shares'	32					6.55
Return allocated to taxable 'asset shares'	33					5.23

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

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Category of assets **12 0:100 Non Profit Fund**
 Financial year ended **31 December 2013**
 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	734876	734876	29594	3.55	
Other fixed interest securities	13	1167933	1258246	36014	4.01	
Variable interest securities	14	254368	254584	6702	3.36	
UK listed equity shares	15	3926	4122	247	5.99	
Non-UK listed equity shares	16					
Unlisted equity shares	17	69774	69774			
Other assets	18	810066	719341	8475	1.04	
Total	19	3040943	3040943	81032	3.05	

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

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

Overall return on with-profits assets

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

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

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Category of assets **13 90:10 Pearl With-Profits Fund**
 Financial year ended **31 December 2013**
 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	884	15124	153	1.01	
Approved fixed interest securities	12	34221	16833	634	3.95	
Other fixed interest securities	13	93595	80654	2256	2.95	
Variable interest securities	14					
UK listed equity shares	15		11291		4.85	
Non-UK listed equity shares	16	0	17815	0	4.35	
Unlisted equity shares	17	10387	3336		2.01	
Other assets	18	8038	2072	2	0.93	
Total	19	147125	147125	3046	3.13	

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

Land and buildings	21	8883	331261	3362	1.01	10.52
Approved fixed interest securities	22	1316358	1360763	51271	3.27	(5.19)
Other fixed interest securities	23	800902	1517736	42459	3.58	3.38
Variable interest securities	24	882712	1029751	16339	3.20	3.38
UK listed equity shares	25		612256		4.29	18.82
Non-UK listed equity shares	26	0	809944	0	3.44	18.82
Unlisted equity shares	27	471943	317875		0.41	13.33
Other assets	28	5374378	2875590	2342	3.17	0.47
Total	29	8855177	8855177	115772	3.18	4.22

Overall return on with-profits assets

Post investment costs but pre-tax	31					3.78
Return allocated to non taxable 'asset shares'	32					7.58
Return allocated to taxable 'asset shares'	33					6.49

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

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Category of assets **14 100:0 SERP Fund**
 Financial year ended **31 December 2013**
 Units **£000**

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

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

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

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

Land and buildings	21					
Approved fixed interest securities	22	738364	711493	29148	3.52	(3.72)
Other fixed interest securities	23	217351	213819	10048	4.39	5.92
Variable interest securities	24	35029	30572	827	3.42	5.92
UK listed equity shares	25					
Non-UK listed equity shares	26					
Unlisted equity shares	27					
Other assets	28	274564	309425	(13574)	(4.94)	0.32
Total	29	1265309	1265309	26450	1.59	(0.87)

Overall return on with-profits assets

Post investment costs but pre-tax	31					4.00
Return allocated to non taxable 'asset shares'	32					3.91
Return allocated to taxable 'asset shares'	33					

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

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Category of assets **15 100:0 London Life With-Profits Fund**
 Financial year ended **31 December 2013**
 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		752	33	4.43	2.01
Approved fixed interest securities	22	400052	404215	16382	2.21	(2.37)
Other fixed interest securities	23	136323	172167	7539	4.52	0.11
Variable interest securities	24	18126	33188	1282	3.85	0.11
UK listed equity shares	25		12870		3.10	17.74
Non-UK listed equity shares	26	0	7714		3.40	17.74
Unlisted equity shares	27	1353	1353		3.52	(1.46)
Other assets	28	317389	240984	427	0.63	0.31
Total	29	873243	873243	25662	2.32	(0.57)

Overall return on with-profits assets

Post investment costs but pre-tax	31					(0.77)
Return allocated to non taxable 'asset shares'	32					(1.59)
Return allocated to taxable 'asset shares'	33					0.49

Long-term insurance business : Fixed and variable interest assets

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Category of assets **10 Total long term insurance business assets**
 Financial year ended **31 December 2013**
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	11	2402796	12.95	3.11	3.11
Other approved fixed interest securities	21	825384	11.01	3.69	3.61
Other fixed interest securities					
AAA/Aaa	31	165174	8.93	3.57	3.25
AA/Aa	32	260847	10.08	4.12	3.67
A/A	33	760348	9.89	4.19	3.54
BBB/Baa	34	733487	7.75	4.16	3.04
BB/Ba	35	19799	6.04	5.05	2.54
B/B	36	15824	2.43	2.73	0.05
CCC/Caa	37	226371	4.22	6.33	1.18
Other (including unrated)	38	1060772	2.72	2.79	1.15
Total other fixed interest securities	39	3242621	6.57	3.84	2.45
Approved variable interest securities	41	875985	12.17	3.46	3.45
Other variable interest securities	51	472109	8.49	2.86	2.26
Total (11+21+39+41+51)	61	7818896	9.74	3.50	2.88

Long-term insurance business : Fixed and variable interest assets

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Category of assets **12 0:100 Non Profit Fund**
 Financial year ended **31 December 2013**
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	11	226978	13.65	3.32	3.32
Other approved fixed interest securities	21	507897	10.59	3.65	3.60
Other fixed interest securities					
AAA/Aaa	31	70070	8.67	3.65	3.19
AA/Aa	32	84632	7.85	3.37	2.97
A/A	33	293770	10.40	4.15	3.48
BBB/Baa	34	220612	7.76	4.32	3.07
BB/Ba	35	3460	7.73	8.25	5.70
B/B	36	15824	2.43	2.73	0.05
CCC/Caa	37				
Other (including unrated)	38	569878	0.85	3.98	1.07
Total other fixed interest securities	39	1258246	5.24	4.01	2.23
Approved variable interest securities	41	119569	11.96	3.30	3.24
Other variable interest securities	51	135015	8.18	3.41	2.75
Total (11+21+39+41+51)	61	2247706	7.83	3.79	2.73

Long-term insurance business : Fixed and variable interest assets

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Category of assets **13 90:10 Pearl With-Profits Fund**
 Financial year ended **31 December 2013**
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	11	1285695	13.76	3.25	3.25
Other approved fixed interest securities	21	91901	11.21	3.71	3.54
Other fixed interest securities					
AAA/Aaa	31	43172	8.36	3.04	2.95
AA/Aa	32	98846	11.26	4.29	3.78
A/A	33	301562	9.19	4.04	3.43
BBB/Baa	34	429817	7.51	3.98	2.93
BB/Ba	35	15043	4.96	4.25	1.74
B/B	36				
CCC/Caa	37	226371	4.22	6.33	1.18
Other (including unrated)	38	483578	4.95	1.42	1.24
Total other fixed interest securities	39	1598390	6.82	3.55	2.31
Approved variable interest securities	41	741156	12.30	3.51	3.50
Other variable interest securities	51	288595	8.12	2.43	1.84
Total (11+21+39+41+51)	61	4005737	10.26	3.37	2.83

Long-term insurance business : Fixed and variable interest assets

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Category of assets **14 100:0 SERP Fund**
 Financial year ended **31 December 2013**
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	11	521247	14.22	3.40	3.40
Other approved fixed interest securities	21	190247	12.47	3.82	3.70
Other fixed interest securities					
AAA/Aaa	31	50201	9.79	3.91	3.59
AA/Aa	32	39836	12.27	4.57	4.16
A/A	33	97862	11.31	4.46	3.80
BBB/Baa	34	25920	12.34	4.75	3.67
BB/Ba	35				
B/B	36				
CCC/Caa	37				
Other (including unrated)	38				
Total other fixed interest securities	39	213819	11.26	4.39	3.80
Approved variable interest securities	41	12269	8.06	2.98	2.98
Other variable interest securities	51	18303	13.18	3.71	3.26
Total (11+21+39+41+51)	61	955884	13.11	3.71	3.54

Long-term insurance business : Fixed and variable interest assets

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Category of assets **15 100:0 London Life With-Profits Fund**
 Financial year ended **31 December 2013**
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	11	368876	7.91	2.08	2.08
Other approved fixed interest securities	21	35339	8.64	3.50	3.35
Other fixed interest securities					
AAA/Aaa	31	1730	8.33	3.69	3.56
AA/Aa	32	37532	9.66	4.91	4.45
A/A	33	67155	8.71	4.63	3.89
BBB/Baa	34	57137	7.38	4.57	3.55
BB/Ba	35	1297	14.08	5.91	3.36
B/B	36				
CCC/Caa	37				
Other (including unrated)	38	7315	0.03	1.17	0.88
Total other fixed interest securities	39	172167	8.14	4.52	3.77
Approved variable interest securities	41	2991	3.81	1.78	1.78
Other variable interest securities	51	30196	10.50	4.06	3.50
Total (11+21+39+41+51)	61	609569	8.13	2.95	2.70

Long-term insurance business : Summary of mathematical reserves

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **Summary**
 Financial year ended **31 December 2013**
 Units **£000**

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

Gross

Form 51 - with-profits	11	839991	3065284		3905276	4521808
Form 51 - non-profit	12	81094	2550737		2631831	3957473
Form 52	13	492678	2656083		3148761	3420407
Form 53 - linked	14	28438	328682		357119	330764
Form 53 - non-linked	15	293	30950		31243	34829
Form 54 - linked	16	1824	94169		95993	102050
Form 54 - non-linked	17	1	805		806	746
Total	18	1444318	8726710		10171028	12368078

Reinsurance - external

Form 51 - with-profits	21	7324			7324	8951
Form 51 - non-profit	22	(5190)	58		(5132)	1143094
Form 52	23					
Form 53 - linked	24					
Form 53 - non-linked	25					
Form 54 - linked	26	1722			1722	13266
Form 54 - non-linked	27					
Total	28	3857	58		3914	1165310

Reinsurance - intra-group

Form 51 - with-profits	31					
Form 51 - non-profit	32		1495527		1495527	1742023
Form 52	33					
Form 53 - linked	34	19460			19460	17816
Form 53 - non-linked	35	192			192	227
Form 54 - linked	36		81046		81046	81700
Form 54 - non-linked	37					
Total	38	19652	1576573		1596225	1841765

Net of reinsurance

Form 51 - with-profits	41	832667	3065284		3897952	4512858
Form 51 - non-profit	42	86284	1055152		1141436	1072357
Form 52	43	492678	2656083		3148761	3420407
Form 53 - linked	44	8977	328682		337659	312948
Form 53 - non-linked	45	101	30950		31051	34602
Form 54 - linked	46	102	13123		13224	7084
Form 54 - non-linked	47	1	805		806	746
Total	48	1420809	7150079		8570888	9361003

Long-term insurance business : Summary of mathematical reserves

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **90:10 Pearl With-Profits Fund**
 Financial year ended **31 December 2013**
 Units **£000**

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

Gross

Form 51 - with-profits	11	641104	1490735		2131839	2370213
Form 51 - non-profit	12	22961	91807		114767	131775
Form 52	13	487466	2648417		3135883	3406540
Form 53 - linked	14	7191			7191	6401
Form 53 - non-linked	15	193	26671		26864	29805
Form 54 - linked	16					
Form 54 - non-linked	17					
Total	18	1158915	4257630		5416545	5944735

Reinsurance - external

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

Reinsurance - intra-group

Form 51 - with-profits	31					
Form 51 - non-profit	32					
Form 52	33					
Form 53 - linked	34	7081			7081	6299
Form 53 - non-linked	35	187			187	220
Form 54 - linked	36					
Form 54 - non-linked	37					
Total	38	7268			7268	6518

Net of reinsurance

Form 51 - with-profits	41	641104	1490735		2131839	2370213
Form 51 - non-profit	42	22961	91807		114767	131775
Form 52	43	487466	2648417		3135883	3406540
Form 53 - linked	44	110			110	103
Form 53 - non-linked	45	6	26671		26677	29585
Form 54 - linked	46					
Form 54 - non-linked	47					
Total	48	1151647	4257630		5409277	5938216

Long-term insurance business : Summary of mathematical reserves

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **100:0 SERP Fund**
 Financial year ended **31 December 2013**
 Units **£000**

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

Gross

Form 51 - with-profits	11		1132053		1132053	1378217
Form 51 - non-profit	12					
Form 52	13					
Form 53 - linked	14					
Form 53 - non-linked	15					
Form 54 - linked	16					
Form 54 - non-linked	17					
Total	18		1132053		1132053	1378217

Reinsurance - external

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

Reinsurance - intra-group

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

Net of reinsurance

Form 51 - with-profits	41		1132053		1132053	1378217
Form 51 - non-profit	42					
Form 52	43					
Form 53 - linked	44					
Form 53 - non-linked	45					
Form 54 - linked	46					
Form 54 - non-linked	47					
Total	48		1132053		1132053	1378217

Long-term insurance business : Summary of mathematical reserves

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **100:0 London Life With-Profits Fund**
 Financial year ended **31 December 2013**
 Units **£000**

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

Gross

Form 51 - with-profits	11	198888	442496		641383	773379
Form 51 - non-profit	12		3105		3105	4492
Form 52	13	5212	7666		12878	13867
Form 53 - linked	14					
Form 53 - non-linked	15	5	3960		3965	4171
Form 54 - linked	16					
Form 54 - non-linked	17					
Total	18	204104	457228		661332	795909

Reinsurance - external

Form 51 - with-profits	21	7324			7324	8951
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	7324			7324	8951

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	5			5	7
Form 54 - linked	36					
Form 54 - non-linked	37					
Total	38	5			5	7

Net of reinsurance

Form 51 - with-profits	41	191563	442496		634059	764428
Form 51 - non-profit	42		3105		3105	4492
Form 52	43	5212	7666		12878	13867
Form 53 - linked	44					
Form 53 - non-linked	45		3960		3960	4163
Form 54 - linked	46					
Form 54 - non-linked	47					
Total	48	196775	457228		654003	786951

Long-term insurance business : Summary of mathematical reserves

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **0:100 Non Profit Fund**
 Financial year ended **31 December 2013**
 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	58133	2455825	2513958	3821205
Form 52	13				
Form 53 - linked	14	21247	328682	349928	324363
Form 53 - non-linked	15	95	319	413	853
Form 54 - linked	16	1824	94169	95993	102050
Form 54 - non-linked	17	1	805	806	746
Total	18	81299	2879799	2961098	4249218

Reinsurance - external

Form 51 - with-profits	21				
Form 51 - non-profit	22	(5190)	58	(5132)	1143094
Form 52	23				
Form 53 - linked	24				
Form 53 - non-linked	25				
Form 54 - linked	26	1722		1722	13266
Form 54 - non-linked	27				
Total	28	(3468)	58	(3410)	1156360

Reinsurance - intra-group

Form 51 - with-profits	31				
Form 51 - non-profit	32		1495527	1495527	1742023
Form 52	33				
Form 53 - linked	34	12379		12379	11517
Form 53 - non-linked	35				
Form 54 - linked	36		81046	81046	81700
Form 54 - non-linked	37				
Total	38	12379	1576573	1588952	1835240

Net of reinsurance

Form 51 - with-profits	41				
Form 51 - non-profit	42	63323	960240	1023563	936089
Form 52	43				
Form 53 - linked	44	8868	328682	337549	312846
Form 53 - non-linked	45	95	319	413	853
Form 54 - linked	46	102	13123	13224	7084
Form 54 - non-linked	47	1	805	806	746
Total	48	72388	1303168	1375556	1257619

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

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **90:10 Pearl With-Profits Fund**
 Financial year ended **31 December 2013**
 Units **£000**
 UK Life / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
100	Conventional whole life with-profits OB	19951	90566	3441				43504
105	Conventional whole life with-profits IB	391569	135120	202				103916
120	Conventional endowment with-profits OB savings	14728	93808	2627				76055
125	Conventional endowment with-profits OB target cash	18702	273089	8366				360148
130	Conventional endowment with-profits IB	2268	4241	167				4113
155	Conventional pensions endowment with-profits	1315	31610	257				30670
205	Miscellaneous conventional with-profits	149	6312	93				3760
210	Additional reserves with-profits OB							4403
215	Additional reserves with-profits IB							14533
300	Regular premium non-profit WL/EA OB	3553	9245					6851
310	Non-profit IB	507702	16365					15880
390	Deferred annuity non-profit	1	1					13
435	Miscellaneous non-profit	59	1446	10				217

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

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **90:10 Pearl With-Profits Fund**
 Financial year ended **31 December 2013**
 Units **£000**
 UK Pension / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
155	Conventional pensions endowment with-profits	56978	1253081	3402				1422117
165	Conventional deferred annuity with-profits	158	942	15				6190
200	Annuity with-profits (CPA)	1	4191					57628
210	Additional reserves with-profits OB							4800
300	Regular premium non-profit WL/EA OB	6702	79609					83077
390	Deferred annuity non-profit	1060	1093					8729

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

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **100:0 SERP Fund**
 Financial year ended **31 December 2013**
 Units **£000**
 UK Pension / Gross

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
165	Conventional deferred annuity with-profits	37269	64598	5083				1132053

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

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **100:0 London Life With-Profits Fund**
 Financial year ended **31 December 2013**
 Units **£000**
 UK Life / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
100	Conventional whole life with-profits OB	13679	209552	2133				141262
120	Conventional endowment with-profits OB savings	5931	58398	1002				53647
165	Conventional deferred annuity with-profits	145	2770	7				3979

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

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **100:0 London Life With-Profits Fund**
 Financial year ended **31 December 2013**
 Units **£000**
 UK Life / Reinsurance ceded external

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
100	Conventional whole life with-profits OB		12218	138				6681
120	Conventional endowment with-profits OB savings		611	13				643

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

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **100:0 London Life With-Profits Fund**
 Financial year ended **31 December 2013**
 Units **£000**
 UK Pension / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
155	Conventional pensions endowment with-profits	13856	275536	369				339987
165	Conventional deferred annuity with-profits	169	2112	8				30129
175	Group conventional deferred annuity with-profits		2389					2909
185	Group conventional pensions endowment with-profits	1	4					4
200	Annuity with-profits (CPA)	3563	12300					68470
205	Miscellaneous conventional with-profits	72	664					997
400	Annuity non-profit (CPA)		207					3105
435	Miscellaneous non-profit							0

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

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
Total business / subfund **0:100 Non Profit Fund**
Financial year ended **31 December 2013**
Units **£000**
UK Life / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
300	Regular premium non-profit WL/EA OB	27851	70583	816				61436
325	Level term assurance	43082	3335810	16778				(33714)
330	Decreasing term assurance	9	85	1				230
350	Stand-alone critical illness (guaranteed premiums)	54	2005	15				(6)
360	Income protection non-profit (guaranteed premiums)	399	4185	32				918
385	Income protection claims in payment	16	150					1099
390	Deferred annuity non-profit	566	5748	2				8224
395	Annuity non-profit (PLA)	1512	2138					18328
400	Annuity non-profit (CPA)	363	332					1198
435	Miscellaneous non-profit	6155	140847	1676				421

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

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **0:100 Non Profit Fund**
 Financial year ended **31 December 2013**
 Units **£000**
 UK Life / Reinsurance ceded external

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
300	Regular premium non-profit WL/EA OB		100	2				55
325	Level term assurance		375052	2224				(5075)
350	Stand-alone critical illness (guaranteed premiums)		1003	7				(1)
360	Income protection non-profit (guaranteed premiums)		1606	32				355
385	Income protection claims in payment		6					130
395	Annuity non-profit (PLA)		31					123
435	Miscellaneous non-profit		1855	1215				(777)

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

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **0:100 Non Profit Fund**
 Financial year ended **31 December 2013**
 Units **£000**
 UK Pension / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
300	Regular premium non-profit WL/EA OB	437	504					482
325	Level term assurance	4661	297274	1497				(925)
330	Decreasing term assurance	45	444	3				10
390	Deferred annuity non-profit	1487	2863					26013
400	Annuity non-profit (CPA)	147720	191604					2419159
410	Group Life	27	17366	595				50
435	Miscellaneous non-profit		384	12				4525
440	Additional reserves non-profit OB							6510

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

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **0:100 Non Profit Fund**
 Financial year ended **31 December 2013**
 Units **£000**
 UK Pension / Reinsurance ceded external

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
325	Level term assurance		3254	12				58
330	Decreasing term assurance		355	5				(2)
410	Group Life		3797	24				2

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

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **0:100 Non Profit Fund**
 Financial year ended **31 December 2013**
 Units **£000**
 UK Pension / Reinsurance ceded intra-group

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
400	Annuity non-profit (CPA)		137753	(0)				1495527

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

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
Total business / subfund **90:10 Pearl With-Profits Fund**
Financial year ended **31 December 2013**
Units **£000**
UK Life / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
500	Life UWP single premium	25543	296330		293341	287410	22980	310389
505	Life UWP whole life regular premium	1290	7244	1051	7174	7174	168	7343
506	Life UWP whole life regular premium (ISA)	22806	106974	8198	105904	105904	16325	122229
515	Life UWP endowment regular premium – target cash	3975	83855	2331	34147	34147	10691	44838
545	Individual deposit administration with-profits	10	10			12		12
575	Miscellaneous UWP	332	2563	117	2563	2478	177	2655

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

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
Total business / subfund **90:10 Pearl With-Profits Fund**
Financial year ended **31 December 2013**
Units **£000**
UK Pension / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
525	Individual pensions UWP	356510	2521086	26017	2531544	1992032	599143	2591175
535	Group money purchase pensions UWP	1	57084	179	56797	54657	1405	56062
605	Miscellaneous protection rider		74934	334		2923	(1743)	1180

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

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
Total business / subfund **100:0 London Life With-Profits Fund**
Financial year ended **31 December 2013**
Units **£000**
UK Life / Gross

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
505	Life UWP whole life regular premium	461		93	4951	4951	261	5212

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

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **100:0 London Life With-Profits Fund**
 Financial year ended **31 December 2013**
 Units **£000**
 UK Pension / Gross

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
525	Individual pensions UWP	874		86	7122	7122	544	7666

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

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **90:10 Pearl With-Profits Fund**
 Financial year ended **31 December 2013**
 Units **£000**
 UK Life / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
795	Miscellaneous property linked	539	7052	128	7191	7191	193	7384

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

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
Total business / subfund **90:10 Pearl With-Profits Fund**
Financial year ended **31 December 2013**
Units **£000**
UK Life / Reinsurance ceded intra-group

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
795	Miscellaneous property linked		6942	128	7081	7081	187	7268

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

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **90:10 Pearl With-Profits Fund**
 Financial year ended **31 December 2013**
 Units **£000**
 UK Pension / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
725	Individual pensions property linked						26671	26671

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

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **100:0 London Life With-Profits Fund**
 Financial year ended **31 December 2013**
 Units **£000**
 UK Life / Gross

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

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

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **100:0 London Life With-Profits Fund**
 Financial year ended **31 December 2013**
 Units **£000**
 UK Life / Reinsurance ceded intra-group

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

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

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **100:0 London Life With-Profits Fund**
 Financial year ended **31 December 2013**
 Units **£000**
 UK Pension / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
725	Individual pensions property linked	445					3960	3960

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

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
Total business / subfund **0:100 Non Profit Fund**
Financial year ended **31 December 2013**
Units **£000**
UK Life / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
700	Life property linked single premium	143	13421		13378	13378	47	13425
710	Life property linked whole life regular premium	141	6230	144	1744	1605	5	1610
715	Life property linked endowment regular premium - savings	479	13058	244	6303	6264	42	6306

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

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **0:100 Non Profit Fund**
 Financial year ended **31 December 2013**
 Units **£000**
 UK Life / Reinsurance ceded intra-group

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
700	Life property linked single premium		11748		11748	11748		11748
710	Life property linked whole life regular premium		631	74	631	631		631

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

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **0:100 Non Profit Fund**
 Financial year ended **31 December 2013**
 Units **£000**
 UK Pension / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
725	Individual pensions property linked	3305	113624	369	113624	112334	2	112336
745	DWP National Insurance rebates property linked	17178	216348		216348	216348	317	216664

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

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **0:100 Non Profit Fund**
 Financial year ended **31 December 2013**
 Units **£000**
 UK Life / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
910	Miscellaneous index linked	30	292			1824	1	1825

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

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **0:100 Non Profit Fund**
 Financial year ended **31 December 2013**
 Units **£000**
 UK Life / Reinsurance ceded external

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
910	Miscellaneous index linked		285			1722		1722

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

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **0:100 Non Profit Fund**
 Financial year ended **31 December 2013**
 Units **£000**
 UK Pension / Gross

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
905	Index linked annuity (CPA)	1318	9315			94169	805	94974

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

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **0:100 Non Profit Fund**
 Financial year ended **31 December 2013**
 Units **£000**
 UK Pension / Reinsurance ceded intra-group

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
905	Index linked annuity (CPA)		4124			81046		81046

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

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business
 Financial year ended **31 December 2013**
 Units **£000**

Fund name	Type of fund	Net assets	Main series	Unit management charge	Price at previous valuation date	Price at current valuation date	Change in price during year
1	2	3	4	5	6	7	8
PENSIONS MIXED	12 - individual pension - balanced managed fund	42796	Series S	0.75	4.1031	4.7098	14.78
AMP PENSIONS MANAGED	12 - individual pension - balanced managed fund	231709	Accumulation	0.75	8.7821	10.1089	15.11

Long-term insurance business: Analysis of valuation interest rate

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
Subfund **90:10 Pearl With-Profits Fund**
Financial year ended **31 December 2013**
Units **£000**

Product group 1	Net mathematical reserves 2	Net valuation interest rate 3	Gross valuation interest rate 4	Risk adjusted yield on matching assets 5
UKL WP code 100/120/125/300/435	367696	3.50	3.50	4.19
UKL WP code 105/130/215/310	138442	4.00	4.00	4.70
UKL WP code 125/515	137629	1.80	2.03	2.73
UKL WP code 155/300/390	17793	2.40	2.40	3.06
UKL WP code 155/300	13078	2.30	2.32	2.95
UKL WP code 500	94864	1.50	1.63	2.40
UKL WP code 506	122477	2.70	2.70	4.81
UKL WP code 500/505/515/575	261706	2.10	2.10	2.76
UKP WP code 155	649722	2.30	2.30	2.92
UKP WP code 155/165/210	783386	1.90	1.90	2.55
UKP WP code 200	60058	3.20	3.20	3.88
UKP WP code 525	319152	2.70	2.70	3.39
UKP WP code 535	58029	2.00	2.00	2.69
UKP WP code 525	1848638	1.50	1.50	2.84
UKP WP code 525	417465	3.24	3.24	3.46
UKP WP code 525	8810	0.00	0.00	0.26
UKP NP code 300/390	34486	2.30	2.30	2.92
UKP NP code 300/390	57321	1.90	1.90	2.55
Misc	26677	n/a	n/a	n/a
Total	5417429			

Long-term insurance business: Analysis of valuation interest rate

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Subfund **100:0 SERP Fund**
 Financial year ended **31 December 2013**
 Units **£000**

Product group 1	Net mathematical reserves 2	Net valuation interest rate 3	Gross valuation interest rate 4	Risk adjusted yield on matching assets 5
UK Pension With Profit	1130104	3.55	3.55	3.67
Misc	1949	n/a	n/a	n/a
Total	1132053			

Long-term insurance business: Analysis of valuation interest rate

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
Subfund **100:0 London Life With-Profits Fund**
Financial year ended **31 December 2013**
Units **£000**

Product group 1	Net mathematical reserves 2	Net valuation interest rate 3	Gross valuation interest rate 4	Risk adjusted yield on matching assets 5
UKL WP code 100 / 120	48823	2.54	3.18	3.26
UKL WP code 100 / 120	46498	2.56	3.14	3.22
UKL WP code 100 / 120	92138	3.24	3.94	4.04
UKL WP code 120 / 165	2645	1.18	1.36	1.39
UKL WP code 505	5212	2.15	2.69	2.76
UKL WP code 120 / 120 / 165	1721	2.88	3.53	3.62
UKP WP code 155	153780	1.41	1.41	1.45
UKP WP code 165	6871	5.04	5.04	5.17
UKP WP code 200	67217	2.75	2.75	2.82
UKP WP code 200	1066	3.56	3.56	3.65
UKP WP code 155 / 165 / 175 / 200 / 205	64745	3.22	3.22	3.30
UKP WP code 155 / 185	63933	2.39	2.39	2.45
UKP WP code 525	7885	1.36	1.36	1.39
UKP WP code 725	3960	1.89	1.89	1.94
UKP WP code 155 / 165 / 205	85710	1.36	1.36	1.39
UKP NP code 400 / 435	3105	3.22	3.22	3.30
Total	655310			

Long-term insurance business: Analysis of valuation interest rate

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
Subfund **0:100 Non Profit Fund**
Financial year ended **31 December 2013**
Units **£000**

Product group 1	Net mathematical reserves 2	Net valuation interest rate 3	Gross valuation interest rate 4	Risk adjusted yield on matching assets 5
UKP NP code 390	2133	3.12	3.12	3.20
UKP NP code 390	15042	3.39	3.39	3.48
UKP NP code 400	914632	3.34	3.34	3.43
UKP NP code 400	9000	0.31	0.31	0.32
UKP NP code 300/325/330/410	1300	3.35	3.35	3.44
UKP NP code 325/390/435	7099	3.43	3.43	3.52
UKP NP code 435	4524	3.30	3.30	3.38
UKP NP code 440	6510	3.30	3.30	3.38
UKP NP code 905	805	3.50	3.50	3.59
UKL NP code 300	65553	2.51	2.51	2.57
Miscellaneous	(1816)	n/a	n/a	n/a
Total	1024782			

Long-term insurance business : Distribution of surplus

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **Summary**
 Financial year ended **31 December 2013**
 Units **£000**

Financial year	Previous year
1	2

Valuation result

Fund carried forward	11	8727878	9509394
Bonus payments in anticipation of a surplus	12	141241	114828
Transfer to non-technical account	13	89306	97927
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	8958425	9722149
Mathematical reserves	21	8570888	9361003
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	387536	361146

Composition of surplus

Balance brought forward	31	139789	367165
Transfer from non-technical account	32	(73874)	49333
Transfer from other funds / parts of fund	33		(137273)
Surplus arising since the last valuation	34	321621	81921
Total	39	387536	361146

Distribution of surplus

Bonus paid in anticipation of a surplus	41	141241	114828
Cash bonuses	42	135	84
Reversionary bonuses	43	9433	8518
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	150809	123430
Net transfer out of fund / part of fund	47	89306	97927
Total distributed surplus (46+47)	48	240115	221357
Surplus carried forward	49	147421	139789
Total (48+49)	59	387536	361146

Percentage of distributed surplus allocated to policyholders

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

Long-term insurance business : Distribution of surplus

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **90:10 Pearl With-Profits Fund**
 Financial year ended **31 December 2013**
 Units **£000**

Financial year	Previous year
1	2

Valuation result

Fund carried forward	11	5524960	6053455
Bonus payments in anticipation of a surplus	12	140467	114347
Transfer to non-technical account	13	15898	12992
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	5681325	6180793
Mathematical reserves	21	5409277	5938216
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	272048	242577

Composition of surplus

Balance brought forward	31	107421	107421
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	164627	135156
Total	39	272048	242577

Distribution of surplus

Bonus paid in anticipation of a surplus	41	140467	114347
Cash bonuses	42		
Reversionary bonuses	43	8262	7817
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	148728	122164
Net transfer out of fund / part of fund	47	15898	12992
Total distributed surplus (46+47)	48	164627	135156
Surplus carried forward	49	107421	107421
Total (48+49)	59	272048	242577

Percentage of distributed surplus allocated to policyholders

Current year	61	90.34	90.39
Current year - 1	62	90.39	90.44
Current year - 2	63	90.44	90.62
Current year - 3	64	90.62	90.70

Long-term insurance business : Distribution of surplus

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **100:0 SERP Fund**
 Financial year ended **31 December 2013**
 Units **£000**

Financial year	Previous year
1	2

Valuation result

Fund carried forward	11	1137053	1383177
Bonus payments in anticipation of a surplus	12	100	10
Transfer to non-technical account	13		
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	1137153	1383187
Mathematical reserves	21	1132053	1378217
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	5100	4971

Composition of surplus

Balance brought forward	31	4961	9929
Transfer from non-technical account	32	(29836)	27500
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	29975	(32458)
Total	39	5100	4971

Distribution of surplus

Bonus paid in anticipation of a surplus	41	100	10
Cash bonuses	42		
Reversionary bonuses	43		
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	100	10
Net transfer out of fund / part of fund	47		
Total distributed surplus (46+47)	48	100	10
Surplus carried forward	49	5000	4961
Total (48+49)	59	5100	4971

Percentage of distributed surplus allocated to policyholders

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

Long-term insurance business : Distribution of surplus

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **100:0 London Life With-Profits Fund**
 Financial year ended **31 December 2013**
 Units **£000**

Financial year	Previous year
1	2

Valuation result

Fund carried forward	11	660310	792736
Bonus payments in anticipation of a surplus	12	674	471
Transfer to non-technical account	13		
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	660984	793207
Mathematical reserves	21	654003	786951
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	6981	6255

Composition of surplus

Balance brought forward	31	5000	
Transfer from non-technical account	32	(44037)	21833
Transfer from other funds / parts of fund	33		25000
Surplus arising since the last valuation	34	46019	(40578)
Total	39	6981	6255

Distribution of surplus

Bonus paid in anticipation of a surplus	41	674	471
Cash bonuses	42	135	84
Reversionary bonuses	43	1172	701
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	1981	1255
Net transfer out of fund / part of fund	47		
Total distributed surplus (46+47)	48	1981	1255
Surplus carried forward	49	5000	5000
Total (48+49)	59	6981	6255

Percentage of distributed surplus allocated to policyholders

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

Long-term insurance business : Distribution of surplus

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Total business / subfund **0:100 BLAGAB**
 Financial year ended **31 December 2013**
 Units **£000**

Financial year	Previous year
1	2

Valuation result

Fund carried forward	11		
Bonus payments in anticipation of a surplus	12		
Transfer to non-technical account	13		
Transfer to other funds / parts of funds	14		250656
Subtotal (11 to 14)	15		250656
Mathematical reserves	21		
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29		250656

Composition of surplus

Balance brought forward	31		239815
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34		10841
Total	39		250656

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		250656
Total distributed surplus (46+47)	48		250656
Surplus carried forward	49		
Total (48+49)	59		250656

Percentage of distributed surplus allocated to policyholders

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

Long-term insurance business : Distribution of surplus

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
Total business / subfund **0:100 Non Profit Fund**
Financial year ended **31 December 2013**
Units **£000**

Financial year	Previous year
1	2

Valuation result

Fund carried forward	11	1405556	1280026
Bonus payments in anticipation of a surplus	12		
Transfer to non-technical account	13	73407	84935
Transfer to other funds / parts of funds	14		101792
Subtotal (11 to 14)	15	1478963	1466753
Mathematical reserves	21	1375556	1257619
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	103407	209134

Composition of surplus

Balance brought forward	31	22407	10000
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		190175
Surplus arising since the last valuation	34	81000	8960
Total	39	103407	209134

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	73407	186727
Total distributed surplus (46+47)	48	73407	186727
Surplus carried forward	49	30000	22407
Total (48+49)	59	103407	209134

Percentage of distributed surplus allocated to policyholders

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

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

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Original insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**
 Date of maturity value / open market option **01 March 2014**

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	10333	1955	n/a	CWP	N	10333
Endowment assurance	20	19189	5900	n/a	CWP	N	19189
Endowment assurance	25	30894	9229	n/a	CWP	N	30894
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	56043	15463	n/a	UWP	N	56043
Regular premium pension	20	79191	26827	n/a	UWP	N	79191
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	17516	4389	n/a	UWP	N	17516
Single premium pension	20	23656	7746	n/a	UWP	N	23656

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

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Original insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**
 Date of surrender value **01 March 2014**

Category of with-profits policy 1	Duration at surrender (years) 2	Surrender value 3	Terminal bonus 4	MVA 5	CWP / UWP 6	MVA permitted? 7	Death benefit 8
Endowment assurance	5	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	10	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	15	11646	3396	n/a	CWP	n/a	17412
Endowment assurance	20	19291	7647	n/a	CWP	n/a	24859
With-profits bond	2	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	3	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	5	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	10	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	2	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	3	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	10	n/a	n/a	n/a	n/a	n/a	n/a

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

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Original insurer **LONDON LIFE LIMITED**
 Date of maturity value / open market option **01 March 2014**

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	5430	507	n/a	CWP	No	5430
Endowment assurance	15	9015	908	n/a	CWP	No	9015
Endowment assurance	20	13004	n/a	n/a	CWP	No	13004
Endowment assurance	25	20987	1151	n/a	CWP	No	20987
Regular premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Regular premium pension	10	30346	2842	n/a	UWP	No	30346
Regular premium pension	15	49796	4675	n/a	UWP	No	49796
Regular premium pension	20	68620	7881	n/a	CWP	No	68620
Single premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	10	16458	3308	n/a	UWP	No	16458
Single premium pension	15	15279	n/a	n/a	UWP	No	15279
Single premium pension	20	21211	1928	n/a	CWP	No	21211

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

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Original insurer **LONDON LIFE LIMITED**
 Date of surrender value **01 March 2014**

Category of with-profits policy 1	Duration at surrender (years) 2	Surrender value 3	Terminal bonus 4	MVA 5	CWP / UWP 6	MVA permitted? 7	Death benefit 8
Endowment assurance	5	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	10	3121	1369	n/a	CWP	No	14362
Endowment assurance	15	6562	1614	n/a	CWP	No	16071
Endowment assurance	20	14154	n/a	n/a	CWP	No	16830
With-profits bond	2	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	3	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	5	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	10	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	2	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	3	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	10	n/a	n/a	n/a	n/a	n/a	n/a

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

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Original insurer **AMP UK**
 Date of maturity value / open market option **01 March 2014**

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	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	25	20992	n/a	n/a	CWP	No	20992
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	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
Single premium pension	15	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	20	n/a	n/a	n/a	n/a	n/a	n/a

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

Name of insurer **PHOENIX LIFE ASSURANCE LIMITED**
 Original insurer **AMP UK**
 Date of surrender value **01 March 2014**

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

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

Global business

Financial year ended **31 December 2013**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%	82969		83	87
Classes I (other), II and IX	13	0.15%		1.00		
Classes I (other), II and IX	14	0.3%	3852242	3915628	11499	12157
Classes III, VII and VIII	15	0.3%				1
Total	16		3935210	3915628	11582	12246

Insurance health risk and life protection reinsurance capital component

Class IV supplementary classes 1 and 2 and life protection reinsurance	21				120	124
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Insurance expense risk capital component

Life protection and permanent health reinsurance	31	0%				
Classes I (other), II and IX	32	1%	9744534	8226638	0.85	82829
Classes III, VII and VIII (investment risk)	33	1%	86673	25297	0.85	737
Classes III, VII and VIII (expenses fixed 5 yrs +)	34	1%	25233	22023	0.87	220
Classes III, VII and VIII (other)	35	25%				148
Class IV (other)	36	1%	3171	1532	0.85	27
Class V	37	1%				
Class VI	38	1%				
Total	39					83961

Insurance market risk capital component

Life protection and permanent health reinsurance	41	0%				
Classes I (other), II and IX	42	3%	9744534	8226638	0.85	248486
Classes III, VII and VIII (investment risk)	43	3%	86673	25297	0.85	2210
Classes III, VII and VIII (expenses fixed 5 yrs +)	44	0%	25233	22023		
Classes III, VII and VIII (other)	45	0%	320986	304966		
Class IV (other)	46	3%	3171	1532	0.85	81
Class V	47	0%				
Class VI	48	3%				
Total	49		10180597	8580457		250777

Long term insurance capital requirement	51					346439
						422720

Returns under the Accounts and Statements Rules

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PHOENIX LIFE ASSURANCE LIMITED

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Financial year ended 31 December 2013

Appendix 9.1

0000 Capital support provided to the Long-Term Fund

There are agreements in place for the Company's Shareholder Fund ("SHF") and Non-Profit Fund ("NPF") to provide financial assistance or support to the Company's With-Profits ("WP") funds. At 31 December 2013, the SHF provided support of £713m (2012: £908m) to the SERP Fund and £51m (2012: £145m) to the London Life With-Profits Fund ("LL WP Fund"). At 31 December 2013 the NPF provided support of £102m (2012: £104m) to the LL WP Fund.

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

The Financial Services Authority, on the application of the firm, made a direction under section 148 of the Financial Services and Markets Act 2000 in December 2012. The effect of the direction is to modify the provisions of INSPRU 3.1.35R and IPRU(INS) Appendix 9.3 so that a more appropriate rate of interest is used for assets taken in combination.

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

	2013 £'000	2012 £'000
Form 13 line 89 (total other than long term insurance business assets)	502,817	622,138
Form 13 line 89 (total long term insurance business assets)	14,532,681	17,402,749
Less Form 14 line 71	(12,996,664)	(16,083,688)
Less Form 15 line 69	(271,694)	(271,041)
Net admissible assets	1,767,140	1,670,158
Subordinated debt – Form 3 line 52	250,000	250,000
Capital resources requirement of regulated related undertakings	116,667	132,489
Roundings	1	1
Form 3 line 79 – Total capital resources	2,133,808	2,052,648

0310 Valuation differences shown in Form 3 Line 14

Net positive valuation differences represent:

	2013 £'000	2012 £'000
Actuarial valuation differences between IFRS and Peak 1	1,057,989	781,657
Fair value adjustment of inter company loans	(9,820)	-
Deferred tax	10,112	-
Provision for "reasonably foreseeable adverse variations"	(29,001)	(11,192)
Net positive valuation differences	1,029,281	770,465

Returns under the Accounts and Statements Rules

Supplementary Notes

PHOENIX LIFE ASSURANCE LIMITED

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Financial year ended 31 December 2013

Appendix 9.1 (continued)

0313 Reconciliation of profit and loss account and other reserves

	2013
	£'000
Profit and loss account and other reserves - Form 3 line 12 column 3	675,745
Profit and loss account and other reserves - Form 3 line 12 column 4	782,994
Movement	<u>(107,249)</u>
Loss retained for the financial year - Form 16 line 59	(67,850)
IFRS profit arising in the year within the long term funds	12,469
Movement in deferred tax in other than long term fund	(3,187)
Movement in provision for "reasonably foreseeable adverse variations" in other than long term fund	1,019
Change in valuation of subsidiary undertakings	24,173
Capital support repaid by 0:100 SERP	(29,836)
Capital support repaid by 0:100 London Life With-Profits	<u>(44,037)</u>
	<u>(107,249)</u>

1301 Unlisted and listed investments

	2013	2012
	£'000	£'000
Unlisted investments valued in accordance with the rules in GENPRU 1.3	10,107	8,587
Units or other beneficial interests in collective investment schemes as specified in instruction 5 to Form 13	13,717	32,513
Total	<u>23,824</u>	<u>41,100</u>

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

1304 & *1310* Set off

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

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

Returns under the Accounts and Statements Rules

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PHOENIX LIFE ASSURANCE LIMITED

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Financial year ended 31 December 2013

Appendix 9.1 (continued)

1305 & *1319* Counterparty limits

- (a) The investment guidelines operated by the insurer limit exposure to any one counterparty by establishing limits for each type. These limits are set by reference to the individual and aggregated limits set out in the market and counterparty limits in Chapter 2.1 of the Prudential Sourcebook for Insurers.
- (b) The maximum permitted exposure to counterparty other than an approved counterparty during the year was 5% of the business amount, calculated in accordance with Chapter 2.1 of the Prudential Sourcebook for Insurers. The exceptions to this are in respect of:
- Strategic investment opportunities, where, in order to achieve target mix or diversification, excess exposures may be permitted for the short duration. Where these exposures persist for the longer term, modifications may be sought.
 - Loans to other companies in the same group, where application of these guidelines is just one of the factors considered in determining the most appropriate allocation of capital within the group.
- (c) In accordance with these investment guidelines, during 2013, there were no breaches (2012: £nil).

1308 Unlisted and listed investments

	2013 £'000	2012 £'000
Unlisted Investments valued in accordance with the rules in GENPRU 1.3	569,540	736,140
Listed Investments valued in accordance with the rules in GENPRU 1.3 and which are not readily realisable	29,531	98,510
Units or other beneficial interests in collective investment schemes as specified in instruction 5 to Form 13	557,374	686,274
	<hr/>	<hr/>
	1,156,445	1,520,924

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

1309 Hybrid securities

The aggregate value of Hybrid Securities held by the insurer is £335,140,000.

1313 Fully secured rights

On 4 May 2007 the Company entered into a reinsurance arrangement with Opal Reassurance Limited ("Opal"). The arrangement involved the reinsurance of specified pension annuities in payment to Opal and was effective from 1 January 2007. Note 1402 provides further details of this arrangement.

Returns under the Accounts and Statements Rules

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PHOENIX LIFE ASSURANCE LIMITED

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Financial year ended 31 December 2013

Appendix 9.1 (continued)

1318 Other asset adjustments

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

	Total other than long term £'000	Total long term £'000	100:0 SERP £'000	100:0 London Life With-Profits £'000	0:100 Non Profit Fund £'000
<u>2013</u>					
Value of support	142,587	(142,587)	(91,836)	(50,751)	-
Reclassification of assets backing linked liabilities	-	(615)	-	-	(615)
Reclassification of other creditors	-	(11,366)	-	(11,363)	(3)
	<u>142,587</u>	<u>(154,568)</u>	<u>(91,836)</u>	<u>62,114</u>	<u>(618)</u>

	Total long term £'000	90:10 Pearl With-Profits £'000	100:0 SERP £'000	100:0 London Life With-Profits £'000	0:100 Non Profit Fund £'000
<u>2012</u>					
Reclassification of assets backing linked liabilities	67	-	-	-	67
Reclassification of other creditors	(40,634)	(15,263)	(868)	(21,363)	(3,140)
	<u>(40,567)</u>	<u>(15,263)</u>	<u>(868)</u>	<u>(21,363)</u>	<u>(3,073)</u>

In 2012 the adjustment for the value of support funds was reported in line 98 of Form 13.

1321 Settlement of inter fund balances

At the valuation date, an internal inflation swap arrangement between the Non Profit and 90:10 Funds and the Shareholder Fund was deemed to have been closed out and a transfer of assets totalling £21 million (2012: £13 million) has been reflected on Line 44 with an equal and opposite entry in line 43.

<u>2013</u>	Total other than long term £'000	Total long term £'000	0:100 Non Profit Fund £'000	90:10 Pearl With-Profits £'000
Settlement of internal swap	21,387	(21,387)	(8,778)	(12,609)

<u>2012</u>	Total other than long term £'000	Total long term £'000	0:100 Non Profit Fund £'000	90:10 Pearl With-Profits £'000
Settlement of internal swap	12,679	(12,679)	(4,923)	(7,756)

Returns under the Accounts and Statements Rules

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PHOENIX LIFE ASSURANCE LIMITED

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Financial year ended 31 December 2013

Appendix 9.1 (continued)

1322 Entity reconciliation to Statutory Accounts

	2013 £'000	2012 £'000
Form 13 line 102 Total long term insurance business assets	15,986,195	20,195,975
Form 13 line 102 Total other than long term insurance business assets	1,307,489	1,369,268
Entity adjustments in statutory accounts	(41,023)	(6,220)
Total IFRS Assets	<u>17,252,661</u>	<u>21,559,023</u>

The entity adjustment in the statutory accounts is to gross-up the inter-fund and intercompany balances between debtors and creditors. It is not attributable to any specific fund.

1401 & *1501* Provision for reasonably foreseeable adverse variations

The assets of the insurer are valued at fair value. Consideration is given to any assets where the valuation requires judgement or where the asset is considered to be illiquid or is valued using an internal model. These assets are subject to the rules set out in GENPRU 1.3.30R to GENPRU 1.3.33R which are applied to all identified assets. In assessing the need for a provision the following assumptions have been made:

- The insurer, as part of its asset allocation strategy, invests in assets which are less liquid or where judgement is required within the valuation. The asset liability management process monitors liquidity on a monthly basis and ensures that there is sufficient liquidity at all times.
- 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.

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

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

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

Returns under the Accounts and Statements Rules

Supplementary Notes

PHOENIX LIFE ASSURANCE LIMITED

Global Business

Financial year ended 31 December 2013

Appendix 9.1 (continued)

***1402* Liabilities**

- (a) A reinsurance treaty between the insurer and Opal was signed during 2007. Under the terms of this agreement effective from 1 January 2007, the pension annuity in payment liabilities were reassured to Opal, thereby substantially removing longevity and investment risk from the insurer. The premium payable has been withheld by the insurer as collateral and Opal has a fixed charge over the assets. The aggregate value of the assets which are subject to the charge is £1,776m (2012: £1,936m) (see table below).

Assets which are subject to the charge	2013 £000	2012 £000
<u>Form 13</u>		
Line 22 – UK insurance dependants – debts and loans	52,000	65,000
Line 28 – Other group undertakings – debts and loans	26,960	-
Line 41 – Equity shares	73,700	89,755
Line 43 – Holdings in collective investment schemes	510,930	544,481
Line 44 – Rights under derivative contracts	71,591	307,469
Line 45 – Approved fixed interest securities	211,437	188,838
Line 46 – Other fixed interest securities	736,609	924,938
Line 47 – Approved variable interest securities	91,213	50,996
Line 48 – Other variable interest securities	80,801	53,547
Line 78 – Other due in 12 months or less	18,652	4,373
Line 81 – Deposits not subject to time restriction on withdrawal with approved institutions	13,453	6,862
Line 84 – Accrued interest and rent	16,330	13,766
<u>Less Form 14</u>		
Line 23 – Deposits received from reinsurers	770	-
Line 35 – Debenture loans – Unsecured	-	778
Line 38 – Creditors – Other	127,213	312,908
Line 39 – Accruals and deferred income	57	21
Total	1,775,636	1,936,318

- (b) The total potential liability to taxation on capital gains, which might arise if the insurer were to dispose of its long term insurance business assets, is £nil (2012: £nil).

Returns under the Accounts and Statements Rules

Supplementary Notes

PHOENIX LIFE ASSURANCE LIMITED

Global Business

Financial year ended 31 December 2013

Appendix 9.1 (continued)

1402 Liabilities (continued)

(c) In common with other life insurers in the United Kingdom, which have written pension transfer and opt out business, the insurer has set up provisions for the review and possible redress relating to personal pension policies. These provisions, which have been calculated using data derived both from detailed file reviews of specific cases and from a statistical review of other outstanding cases, are included in the mathematical reserves. The insurer has used the guidelines referred to in the paragraph below to determine reasonable estimates on information available to date.

The Personal Investment Authority (PIA) issued guidelines in 1995 on the analysis of cases by priority and the method of calculation of compensation. The provision for possible redress included in the mathematical reserves for Phase 1 cases is £416m (2012: £527m).

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 £13m (2012: £16m).

Included in the Peak 1 mathematical reserves are also provisions for additional associated costs of £4m (2012: £4m).

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

(d) The insurer has no guarantees, indemnities or other contractual commitments affected other than in the ordinary course of its insurance business in respect of related companies.

(e) In the opinion of the Directors, there are no other fundamental uncertainties affecting the financial position of the insurer.

1405 Other liabilities adjustments

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

	2013	2012
	£'000	£'000
Valuation differences between Peak 1 and IFRS liabilities	1,057,989	781,658
Reclassification of other creditors	(11,366)	(40,634)
Provision for "reasonably foreseeable adverse variations"	(27,859)	(11,069)
Reclassification of assets backing linked liabilities	(615)	67
Deferred tax	15,585	-
Total	<u>1,033,734</u>	<u>730,022</u>

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PHOENIX LIFE ASSURANCE LIMITED

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Appendix 9.1 (continued)

1412 Entity Reconciliation to Statutory Accounts

	2013	2012
	£'000	£'000
Form 14 line 76 Total liabilities	(15,986,195)	(20,195,975)
Form 15 line 85 Total liabilities	(1,307,489)	(1,369,268)
Entity adjustments in statutory accounts	41,023	6,220
Total IFRS liabilities	<u>(17,252,661)</u>	<u>(21,559,023)</u>

The entity adjustment in the statutory accounts is to gross-up the inter-fund and intercompany balances between debtors and creditors. It is not attributable to any specific fund.

1502 Liabilities

- (a) There are no charges over assets.
- (b) There is no potential liability to taxation on capital gains for the other than long term insurance business fund if the insurer disposed of its assets (2012: £nil).
- (c) The Company has committed to provide further capital to National Provident Life Limited ("NPLL"), a subsidiary company, if it is required by NPLL to meet its capital policy, provided that in doing so, the Company continues at all times to be able to meet its own capital policy.
- (d) The insurer has no forward commitments in respect of group undertakings (2012: £nil). The insurer has no guarantees, indemnities or other contractual commitments affected other than in the ordinary course of its insurance business in respect of related companies.

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

1507 Other liabilities adjustments

	2013	2012
	£'000	£'000
Provision for reasonably foreseeable adverse variations	(1,142)	(123)
Reclassification of other creditors	-	(1,232)
Form 15 line 83	<u>(1,142)</u>	<u>(1,355)</u>

1601 Basis of conversion of foreign currency

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

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Appendix 9.1 (continued)

1603 Other income and charges

The total of other income and charges for 2013 is a charge of £4,350,000 (2012: £7,553,000), comprising:

	2013	2012
	£'000	£'000
Professional fees	(771)	(1,617)
Commission received	142	157
Projects	(205)	(85)
Part VII costs - London Life Limited	(17)	(5,436)
Part VII costs - general insurance	-	(557)
Part VII costs - Guardian	(3,514)	-
Release/(Increase) of provision	15	(15)
Total other (charges)	<u>(4,350)</u>	<u>(7,553)</u>

1604 Extraordinary profit or loss

The gain shown on Form 16 line 41 in 2013 represents the gain on the transfer under the Part VII scheme of the remaining balance of the shareholders' fund of London Life Limited ("LLL") following its de-authorisation in accordance with the terms of a scheme under Part VII of the Financial Services and Markets Act 2000 approved by the High Court on 24 September 2012.

	2013	2012
	£'000	£'000
Profit on Part VII transfer in of LLL	4,049	241,793
Loss on Part VII transfer out of general insurance business to BA (GI) Limited	-	(11,504)
	<u>4,049</u>	<u>230,289</u>

1701 Variation margin

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

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Appendix 9.1 (continued)

1701 Variation margin (continued)

Gross Derivatives	Assets £'000	Liabilities £'000	Net £'000
Other than Long term fund	17,957	5,835	12,122
Long term Fund (excluding assets held to match linked liabilities)	529,440	600,040	(70,600)
Total	<u>547,397</u>	<u>605,875</u>	<u>(58,478)</u>
"Net" Exposure by counterparty			
Exchange trade derivatives	2,610	-	2,610
Over the counter derivatives	204,469	265,557	(61,088)
	<u>207,079</u>	<u>265,557</u>	<u>(58,478)</u>
Variation Margin			
On Exchange trade derivatives	2,561	-	
On OTC derivatives	212,233	262,629	
Total	<u>214,794</u>	<u>262,629</u>	

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

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

In respect of exchange traded derivatives, the insurer has a liability to repay "excess" variation margin received at the end of the financial year of £3m included within Form 13 Line 81.

On OTC derivatives, variation margin received in the form of cash amounting to £212m is included within Form 13 Line 43 and a corresponding liability to repay this balance is included within Form 14 Line 38 or Form 15 Line 49. Variation margin received in the form of approved fixed interest securities amounts to £nil and is not reported as an asset in Form 13 or a liability in Form 14.

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Appendix 9.3

4002 Other income and expenditure

2013

The total of other income of £1,139,000 shown on Form 40 line 15 represents:

	Total	90:10 Pearl With- Profits	0:100 Non Profit Fund
	£000	£000	£000
Commission received	1,158	397	761
Management charges	(394)	(185)	(209)
Transfer of management charge	375	-	375
	<u>1,139</u>	<u>212</u>	<u>926</u>

The total of other expenditure of £30,867,000 shown on Form 40 line 25 represents the change in Deposits received from reinsurers under a reinsurance agreement with Opal Reassurance Limited ("Opal").

2012

The total of other income of £442,000 shown on Form 40 line 15 represents:

	Total	90:10 Pearl With- Profits	0:100 Non Profit Fund	0:100 BLAGAB
	£000	£000	£000	£000
Commission received	766	523	161	82
Management charge	(712)	(666)	(46)	-
Transfer of management charge	388	-	388	-
	<u>442</u>	<u>(143)</u>	<u>503</u>	<u>82</u>

The total of other expenditure of £56,877,000 shown on Form 40 line 25 represents the change in Deposits received from reinsurers under a reinsurance agreement with Opal Reassurance Limited ("Opal").

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PHOENIX LIFE ASSURANCE LIMITED

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Financial year ended 31 December 2013

Appendix 9.3 (continued)

4004 Transfers of contracts

Business transfers in are split by fund as follows:

	2013 £'000	2012 £'000
<i>Business Transfers</i>		
100:0 London Life With-Profits	(809)	1,508
0:100 Non Profit Fund	227,073	593,334
<i>Long term fund transfers</i>		
100:0 London Life With-Profits	-	689,054
0:100 Non Profit Fund	-	407,377
Total	<u>226,264</u>	<u>1,691,273</u>

Business transfers out are split by fund as follows:

90:10 Pearl With-Profits	(148,078)	(182,516)
100:0 London Life With-Profits	(22,419)	(20,342)
0:100 BLAGAB	-	(313,102)
0:100 Non Profit Fund	(30,455)	(3,154)
100:0 SERP	(47,222)	(61,838)
Total	<u>(248,174)</u>	<u>(580,952)</u>
Net total	<u>(21,909)</u>	<u>1,110,321</u>

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

Long Term Fund Transfers

The 2012 business transfers also included transfers in of £1,096,431k, which represented the fund value of LLL which was transferred with effect from 1 July 2012 under the Part VII scheme detailed in note 1604.

On 27 June 2012, the Company entered into a business transfer agreement ("BTA") with Guardian Financial Services Limited ("Guardian"). The transfer was originally effected under a reinsurance agreement effective from 1 July 2012. In accordance with the BTA, the business was transferred to Guardian on 30 September 2013 using a scheme under Part VII of the Financial Services and Markets Act 2000 approved by the High Court on 12 September 2013.

As part of the transfer, the Company paid £21.9m consideration to Guardian during 2013 in connection with the on-going servicing of the transferred policies. This amount is included as a business transfer out.

Returns under the Accounts and Statements Rules

Supplementary Notes

PHOENIX LIFE ASSURANCE LIMITED

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Financial year ended 31 December 2013

Appendix 9.3 (continued)

***4006* Apportionments between long term funds**

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

***4008* Provision of management services**

Pearl Group Services Limited has provided management services to the insurer. Ignis 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 and HSBC Bank plc have provided custody, accounting, transition management and associated services for certain managed assets of the insurer during the financial year.

eSecLending Securities Finance Trust Company have provided securities lending services for the Ignis managed assets of the insurer for the whole of the financial year.

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

The insurer entered into a reinsurance treaty, effective 1 January 2007, with Opal. Details of this reinsurance treaty are to be found in paragraph 9 of the Abstract of Valuation Report.

During the year the insurer paid £56.3m (2012: £59.8m) and £19.6m (2012: £21.5m) to Pearl Group Services Limited and Ignis Investment Management Limited in respect of services provided.

At 31 December 2013 there were £586.3m (2012: £554.1m) in loans made to its holding company, Pearl Group Holdings (No. 2) Limited. All five of the loans present at the start of the year were replaced by two new interest bearing loans along with the issue of a further new interest bearing loan of £20m during the year. Interest of £12.2m was capitalised during the year (2012: £11.7m). Each of these loans is repayable on 31 December 2018.

At 31 December 2013 there were £102.0m (2012: £115.0m) in loans made to its subsidiary company, National Provident Life Limited. A repayment of £13m was received during the year. These loans are interest bearing and are repayable on 30 June 2016 and 2 September 2019. A loan of £80.0m (2012: £80.0m) to its subsidiary company, National Provident Life Holdings Limited, along with £5m of accrued interest was repaid on 25 March 2013.

There are four loans to fellow subsidiary companies PGH (LCA) Limited and PGH (LCB) Limited with a combined value of £27.0m. Each of these has one loan that is repayable on 30 June 2016 and one loan that is repayable on 02 September 2024 .

At 31 December 2013 there was a £250.0m (2012: £250.0m) loan to the insurer by a fellow group company Phoenix Life Holdings Limited. This loan is interest bearing and is repayable on 2 September 2019.

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Financial year ended 31 December 2013

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

4600 Single Premiums

The amount of single premiums for 2012 does not match Form 41 as Form 46 does not include premiums relating to the recapture of some reinsurance treaties.

4801 Asset mix for assets share portfolio

90:10 Pearl With-Profits

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

The asset share mix of this portfolio at 31 December 2013 was:

Asset	Proportion
Land and buildings	7.6%
Approved fixed interest securities	12.8%
Other fixed interest securities	22.6%
Variable interest securities	3.6%
UK listed equity shares	12.9%
Non-UK listed equity shares	17.9%
Unlisted equity shares	7.3%
Other assets	15.3%

100:0 London Life With-Profits

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

Asset	Active Block		Passive Block		UWP Block
	Excluding AMP	AMP	Cash Bonus	Pension	
Gilts	42%	42%	34%	71%	24%
Corps	19%	19%	16%	27%	13%
Prop	4%	4%	0%	0%	5%
Equity	32%	0%	0%	0%	50%
Cash	1%	32%	50%	2%	3%
Other	2%	2%	0%	0%	5%

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Financial year ended 31 December 2013

Appendix 9.3 (continued)

4802 Defaulted Assets

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

Pearl With-Profits Fund

Asset	Market Value	Expected Income
LEHMAN BROS CAP FUND Illn 12/49 VAR	1,423	0
LEHMAN BROS UK CAP FUND 04/49 5.75	389	0
BRICK LOAN NOTE 12/17 FRN	54	0
TCF Partners 5% 31/12/2059	0	0
Lehman Brothers Holdings 7.875% 08/05/18	631,755	0
Intermediate Cap Grp Frm 27/09/2049	9,960,359	0
Cattles 7.64% 12/12/2049	1,112,500	0
Lehman Bothers 4.625% VRN 14/03/2019	0	0

London Life With-Profits Fund

Asset	Market Value	Expected Income
BRICK LOAN NOTE 12/17 FRN	18	0
PINTON ESTATES PLC 03/14 1	0	0
Aviation Hldgs 12.75% CV 30/06/2049	0	0
Aviation Hldgs 10.5% CV 12/12/2049	0	0
Lehman Brothers Holdings 7.875% 08/05/18	35,097	0

4803 Assumptions regarding redemption dates

90:10 Pearl With-Profits

For assets that may be redeemed over a period at the option of the guarantor or the issuer, the investment manager has provided an appropriate redemption date. The value of these assets at the valuation date was £1,991m.

100:0 SERP With-Profits

For assets that may be redeemed in full at the option of the guarantor or the issuer on specified dates, the assumed maturity date has been at the first call date. The value of callable corporate bonds at the valuation date was £8m. It has been assumed the sinking bonds will be redeemed according to schedules of planned redemptions provided by the investment manager. The value of sinking bonds was £61 million at the valuation date.

100:0 London Life-With Profits

For assets that may be redeemed over a period at the option of the guarantor or the issuer, the investment manager has provided an appropriate redemption date. The value of these assets was £5m at the valuation date.

Non-Profit Fund

For assets that may be redeemed over a period at the option of the guarantor or the issuer, the investment manager has provided an appropriate redemption date. The value of these assets at the valuation date was £575m.

Returns under the Accounts and Statements Rules

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PHOENIX LIFE ASSURANCE LIMITED

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Financial year ended 31 December 2013

Appendix 9.3 (continued)

4804 Asset yields

Non-Profit Fund

The yields for the assets contained with line 18 of Form 48 are as follows:

Asset	Yield
Other assets with income	1.04%
Other assets no income	0.00%

There is a loan of £52m yielding 9.25% in Other assets with income.

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

90:10 Pearl With-Profits

The assets used to calculate the Note shown to BM on 10/03 who confirmed he is happy with the investment returns shown in Form 48 line 21 to line 29 column 5 are the portfolio of assets used to back asset shares.

100:0 SERP With-Profits

The assets used in the calculation of the with profit return are all assets backing asset shares.

100:0 London Life With-Profits

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

4807 Allocation of assets to column 2 of Form 48

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

4808 Non Linked Assets

All funds

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

Returns under the Accounts and Statements Rules

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Appendix 9.3 (continued)

***4901* Credit rating agency**

All funds except the 100:0 SERP With-Profits

Ratings shown are the weaker of ratings provided by Moody's Investors Services and Standard & Poor's Corporation, otherwise the credit ratings used were provided by Ignis Investment Services Limited.

100:0 SERP With-Profits

The credit rating agencies used to provide the split were UBS, Standard and Poor's and Moody's.

***4902* Fixed Interest Assets**

All funds

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

***5101* Group Scheme Business**

The following group schemes exist on Form 51:

100:0 London Life With-Profits

Number of schemes	Product Code
0	175
1	185

Non-Profit Fund

Number of schemes	Product Code
27	410
0	420

***5103* Miscellaneous product codes**

All Funds

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

***5600* Index Linked Business**

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

Returns under the Accounts and Statements Rules

Supplementary Notes

PHOENIX LIFE ASSURANCE LIMITED

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Financial year ended 31 December 2013

Appendix 9.3 (continued)

***5701* Negative Mathematical Reserve Offsets**

Non-Profit Fund

UK Pension F53 Non unit reserves codes 325/435.

These have been combined as a single line entry in Form 57. This grouping of product codes has negative net reserves of £(36.2)m in respect of protection business. All other product codes in this group have positive net mathematical reserves.

***5702* Risk adjusted yield**

(a) As referred to in note 0201, the FSA, on the application of the firm, made a direction under section 148 of the Financial Services and Market Act 2000 in December 2013. The effect of the direction is to modify the provisions of INSPRU 3.1.35R and IPRU(INS) Appendix 9.3 so that a more appropriate rate of interest is used for assets taken in combination.

(b) SERP With-Profits Fund

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

	Risk adjusted yield on matching assets	Adjustment	Risk adjusted yield on matching assets using PRA Waiver
UK Pension With Profit	3.48%	0.19%	3.67%

Non-Profit Fund

Product group	Risk adjusted yield on matching assets	Adjustment	Risk adjusted yield on matching assets as per direction
UKP NP code 390	3.27	0.21	3.48
UKP NP code 400	3.04	0.39	3.43
UKP NP code 300/325/330/410	3.29	0.15	3.44
UKP NP code 325/390/435	3.32	0.20	3.52
UKP NP code 435	3.21	0.17	3.38
UKP NP code 440	3.17	0.21	3.38
UKP NP code 905	3.29	0.30	3.59
UKP NP code 500	2.45	0.12	2.57

Returns under the Accounts and Statements Rules

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PHOENIX LIFE ASSURANCE LIMITED

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Appendix 9.3 (continued)

***5802* Transfer to non-technical account**

Pearl With-Profits Fund

A transfer to the non-technical account of £15,898k occurred on 31 December 2013 and is shown in Line 13 of Form 58.

SERP With-Profits Fund

During the financial year, the long term insurance business fund repaid £29,836k of capital support to the shareholder fund which is shown in Line 32 of Form 58.

London Life With-Profits Fund

During the financial year, the long term insurance business fund repaid £44,037k of capital support to the shareholder fund which is shown in Line 32 of Form 58.

Non-Profit Fund

A transfer to the non-technical account of £73,407k occurred on 31 December 2013 and is shown in Line 13 of Form 58.

Returns under the Accounts and Statements Rules

Statement of additional information on derivative contracts required by rule 9.29

PHOENIX LIFE ASSURANCE LIMITED

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Financial year ended 31 December 2013

- (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 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 does not explicitly prohibit the use of contracts where any rights or obligations were not, at the time when the contract was entered into, reasonably likely to be exercised. However the requirement that contracts are used for the purposes of efficient portfolio management means that such occurrences are unlikely.

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

- (c) During the financial year the insurer bought and sold options where, at outset, the strike price of a call option was above the price of the underlying instrument or the strike price on a put option was below the price of the underlying instrument.

The total nominal value of payer swaptions where the fixed rate exceeds 8% p.a., and hence which would require a significant market movement to become 'in the money' options, was £720m.

Returns under the Accounts and Statements Rules

Statement of additional information on derivative contracts required by rule 9.29

PHOENIX LIFE ASSURANCE LIMITED

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(continued)

- (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 derivative 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

Phoenix Life Assurance Limited

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

- a) Pearl Group Holdings (No. 2) Limited;
- b) Phoenix Life Holdings Limited
- c) PGH (LCA) Limited;
- d) PGH (LCB) Limited;
- e) Phoenix Group Holdings;
- f) Jambright Limited #;
- g) TDR Capital Nominees Limited #; and
- h) TDR Capital LLP #

ceased to be a controller of the insurer on 10 December 2013

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

1. Pearl Group Holdings (No. 2) Limited

As at 31 December 2013, Pearl Group Holdings (No. 2) Limited held 100% of the issued share capital of Phoenix Life Assurance Limited and, to the knowledge of the insurer, was entitled at the end of the financial year to exercise 100% of the voting power at any general meeting of Phoenix Life Assurance Limited.

2. Phoenix Life Holdings Limited

As at 31 December 2013, Phoenix Life Holdings Limited held 100% of the issued share capital of Pearl Group Holdings (No. 2) Limited, a company of which Phoenix Life Assurance Limited is a subsidiary undertaking, and, to the knowledge of the insurer, was entitled at the end of the financial year to exercise 100% of the voting power at any general meeting of Phoenix Life Assurance Limited.

3. PGH (LCA) Limited

As at 31 December 2013, PGH (LCA) Limited held 50% of the issued share capital of Phoenix Life Holdings Limited, a company of which Phoenix Life Assurance Limited is a subsidiary undertaking, and, to the knowledge of the insurer, was entitled at the end of the financial year to exercise 50% of the voting power at any general meeting of Phoenix Life Holdings Limited.

4. PGH (LCB) Limited

As at 31 December 2013, PGH (LCB) Limited held 50% of the issued share capital of Phoenix Life Holdings Limited, a company of which Phoenix Life Assurance Limited is a subsidiary undertaking, and, to the knowledge of the insurer, was entitled at the end of the financial year to exercise 50% of the voting power at any general meeting of Phoenix Life Holdings Limited.

Returns under the Accounts and Statements Rules

Statement of additional information on controllers required by rule 9.30

Phoenix Life Assurance Limited

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(continued)

5. Phoenix Group Holdings

As at 31 December 2013, Phoenix Group Holdings held 100% of the issued share capital of PGH (LCA) Limited and PGH (LCB) Limited which between them owned 100% of the shares of Phoenix Life Holdings Limited, a company of which Phoenix Life Assurance Limited is a subsidiary undertaking. At the end of the financial year, to the knowledge of the insurer, Phoenix Group Holdings was not entitled to exercise, or control the exercise of, any voting power at any general meeting of Phoenix Life Assurance Limited or another company of which Phoenix Life Assurance Limited is a subsidiary undertaking.

6. Jambright Limited

As at 31 December 2013, Jambright 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, held 0.93% of the issued share capital of Phoenix Group Holdings, a company of which Phoenix Life Assurance Limited is a subsidiary undertaking. At the end of the financial year, to the knowledge of the insurer, Jambright Limited was entitled to exercise 0.93% of the voting power at any general meeting of Phoenix Group Holdings.

7. TDR Capital Nominees Limited

As at 31 December 2013, 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, directly held the legal title to 5.27% of the issued share capital of Phoenix Group Holdings, a company of which Phoenix Life Assurance Limited is a subsidiary undertaking.

In addition, to the knowledge of the insurer, as at 31 December 2013, TDR Capital Nominees Limited's ownership of the legal title to 91.7% of the issued share capital of Jambright Limited, ultimately entitled them to the 0.93% interest in the issued share capital of Phoenix Group Holdings held by Jambright Limited.

On this basis, as at 31 December 2013, TDR Capital Nominees Limited's overall interest in the issued share capital of Phoenix Group Holdings, a company of which Phoenix Life Assurance Limited is a subsidiary undertaking, amounted to 6%.

At the end of the financial year, to the knowledge of the insurer, TDR Capital Nominees Limited was entitled to exercise, or control the exercise of, 6% of the voting power at any general meeting of Phoenix Group Holdings.

Returns under the Accounts and Statements Rules

Statement of additional information on controllers required by rule 9.30

Phoenix Life Assurance Limited

Global Business

Financial year ended 31 December 2013

(continued)

8. TDR Capital LLP

As at 31 December 2013, 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 of TDR Capital LLP, in aggregate held 6% of the issued share capital of Phoenix Group Holdings, a company of which Phoenix Life Assurance Limited is a subsidiary undertaking. At the end of the financial year, to the knowledge of the insurer, TDR Capital LLP was entitled to control the exercise of 6% of the voting power at any general meeting of Phoenix Group Holdings.

PHOENIX LIFE ASSURANCE LIMITED

APPENDIX 9.4

ABSTRACT OF VALUATION REPORT

1. INTRODUCTION

(1) Valuation Date

The date to which the actuarial investigation relates is 31 December 2013.

(2) Previous Valuation

The date to which the previous actuarial investigation under IPRU (INS) rule 9.4 related was 31 December 2012.

(3) Interim Valuations

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

2. PRODUCT RANGE

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

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

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

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

Pearl With-Profits Fund

3. DISCRETIONARY CHARGES AND BENEFITS

(1) Application of Market Value Reduction

Market Value Adjustments (MVAs) were applied as follows:

Product	Policy Year of entry	Period applied
Homebuyer version 1	1995	See Note 1
Reinsurance Accepted Portfolio Bond 1a	Jul 1999 to Sep 2001 Sep 2001 to Dec 2001 Jan 2002 to Mar 2002 April 2002 to Dec 2005 Jan 2006 to Jun 2006 Jul 2006 to Sep 2006 Oct 2006 to Dec 2007 Jan 2008 to Dec 2012 Jan 2013 to March 2013	Jan 2013 to Jun 2013 Jul 2013 to Dec 2013 Jan 2013 to Dec 2013 Jul 2013 to Dec 2013 Jan 2013 to Dec 2013 Jan 2013 to Sep 2013 Jan 2013 to Jun 2013 Jul 2013 to Dec 2013 Jul 2013 to Sep 2013
Reinsurance Accepted Portfolio Bond 1b & Reinsurance Accepted Portfolio Bond 2	Jan 2000 to Jun 2001 Jul 2001 to Sep 2001 Sep 2001 to Mar 2007 Apr 2007 to Dec 2007 Jan 2008 to Mar 2013 Apr 2013 to Jun 2013	Jan 2013 to Jun 2013 Jan 2013 to Dec 2013 Jul 2013 to Dec 2013 Jan 2013 to Dec 2013 Jul 2013 to Dec 2013 Oct 2013 to Dec 2013
Reinsurance Accepted Investment Bond	Oct 2000 to Jun 2001 Jul 2001 to Sep 2001 Sep 2001 to Jun 2002 Jul 2002 to Jun 2005 Jul 2005 to Sep 2006 Oct 2006 to March 2007 Apr 2007 to Dec 2007 Jan 2008 to Jun 2008 Jul 2008 to Mar 2013 Apr 2013 to Jun 2013	Jan 2013 to Jun 2013 Jan 2013 to Sep 2013 Jan 2013 to Mar 2013 Jul 2013 to Dec 2013 Jul 2013 to Dec 2013 Jan 2013 to Mar 2013 Jul 2013 to Dec 2013 Jan 2013 to Sep 2013 Jan 2013 to Jun 2013 Jan 2013 to Mar 2013 Jul 2013 to Dec 2013 Jul 2013 to Dec 2013 Oct 2013 to Dec 2013
Reinsurance Accepted Socially Responsible With Profits Bond	Oct 2000 to Mar 2001 Apr 2001 to Mar 2007 April 2007 to Jun 2007 Jul 2007 to Mar 2013 Apr 2013 to Sep 2013	Jan 2013 to Dec 2013 Jul 2013 to Dec 2013 Jan 2013 to Dec 2013 Jul 2013 to Dec 2013 Oct 2013 to Dec 2013
Product	Policy Year of entry	Period applied
Reinsurance Accepted Individual Pensions & Reinsurance Accepted Group Pensions	Jan 2000 to Jun 2001 Jul 2001 to Sep 2001 Sep 2001 to Mar 2007 Apr 2007 to Dec 2007 Jan 2008 to Mar 2013	Jan 2013 to Jun 2013 Jan 2013 to Dec 2013 Jul 2013 to Dec 2013 Jan 2013 to Dec 2013 Jul 2013 to Dec 2013
Reinsurance Accepted Socially Responsible With Profits Pensions	Jan 2001 to Mar 2001 Apr 2001 to Mar 2007 Apr 2007 to Jun 2007 Jul 2007 to Mar 2013 Apr 2013 to Jun 2013	Jan 2013 to Dec 2013 Jul 2013 to Dec 2013 Jan 2013 to Dec 2013 Jul 2013 to Dec 2013 Oct 2013 to Dec 2013

Note:

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

(2) Premiums on Reviewable Protection Policies

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

(3) Non-profit Deposit Administration

No policies have been sold in this category.

(4) Service Charges on Linked Policies

Policy fees for Homebuyer version 1 were increased in 2013 in line with the National Average Earnings Index, an increase of 1.1%.

(5) Benefit Charges on Linked Policies

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

(6) Accumulating With-Profits Charges

The following levels of unit management charges were introduced for Individual Pensions UWP - PP on 1 January 2013:

Regular Premiums and Paid Up Policies	1.23% pa
Single Premiums	0.93% pa
DSS Recurrent Single Premiums	0.98% pa

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

The amount of business affected by this change involve basic mathematical reserves of £877m for regular premium and paid up policies, £191m for single premium policies and £772m for DSS recurrent single premium policies.

(7) Unit Pricing of Internal Linked Funds

- (a) Units are all of the same type (net accumulation).

- (i) The creation or cancellation of units in the internal linked funds is performed at unrounded bid price values. This ensures that unit prices are unaffected by the creation or cancellation of units and that the interests of unit holders not taking part in a unit transaction are unaffected by that transaction.
 - (ii) Base prices are derived from the internal fund valuations, which are adjusted for fund specific charges. Increasing the base price by the bid-offer spread and rounding to the higher tenth of a penny gives the “offer price”. The “bid price” is the base price rounded to the lower tenth of a penny.
 - (iii) The asset values of the internal linked funds are calculated on a “bid” basis, as the expected cash flows are negative for all asset categories. The valuation includes the income since the last valuation and allowances for tax on income and realised and unrealised capital gains.
 - (iv) The assets of the internal linked funds are valued at noon on each working day. If markets move significantly between noon and 4 pm, allowance for this market movement is made.
- (b) During the financial year there were no times at which different pricing bases applied to different policies.
- (c) A mid-market price generally applies to the collective investment schemes, although this price may swing up or down if the net transactions on any trading day exceed a set threshold. In the linked funds, these collective investment schemes are valued on unswung prices but subject to a deduction if the fund is priced on a bid basis or an addition if the fund is priced on an offer basis.

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

(8) Tax Deductions From Internal Linked Funds

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

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

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

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

(9) Tax Provisions for Internal Linked Funds

See (8) above.

(10) Discounts on Unit Purchases

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

4. VALUATION BASIS (Other Than For Special Reserves)

(1) Valuation Methods

The general principles and methods adopted in the valuation are:

NON-LINKED BUSINESS

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

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

LINKED BUSINESS

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

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

(2) Valuation Interest Rates

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

Product Group	2013	2012	Product Code
Conventional Life Business	3.50%	2.50%	100, 120, 125, 205, 300, 435
Industrial Branch	4.00%	4.00%	105, 130, 310
Conventional General Annuity endowments	2.40%	2.40%	155, 300
Conventional Pensions deferred annuities	1.90%	1.90%	165, 390
Conventional Pensions endowments	1.90%	1.90%	155, 300
Reinsurance Accepted Immediate Annuities	3.20%	3.20%	200
Individual Pensions UWP - PP	1.50%	1.50%	525
Individual Pensions UWP	2.70%	1.70%	525
Unitised Accumulating With Profits – Life Business	2.10%	1.10%	500, 505, 515, 575
Reinsurance Accepted Bonds	1.50%	1.50%	500
Unitised Accumulating With Profits – ISA Business	2.70%	1.70%	506
Reinsurance Accepted Pensions Business	2.00%	2.00%	535

(3) Risk Adjustments

The yields on assets were reduced for risk as follows:

Fixed Interest

The gross redemption yield is sourced from the monthly asset listing provided by Ignis. Where yield information is not available it is assumed to be zero.

There is a 15% cap on fixed interest yields.

Approved Securities

The risk adjusted yield on UK Government and other approved fixed interest securities is determined by INSPRU 3.1.39R as the annualised gross redemption yield. No allowance is made for credit risk.

Other securities

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

The yield on assets is reduced to account for default risk.

Ignis obtain the agency ratings of all stocks and then recommend a rating for haircut purposes which will either be one of the agency ratings or a lower rating if they consider that more appropriate (taking into account such factors as current spread).

This rating is then used to derive a haircut from the table below. For stocks other than bank subordinated debt i.e. standard haircut, this is prudently based on double the historical default experience (1920 - 2012), net of an allowance for 37.0% recovery. The recovery is based on the issuer-weighted Senior Unsecured historical defaults using average corporate debt recovery rates measured by post-default trading prices. Sovereign, Sub-Sovereign, Regional or Supranational bonds with a rating of AA and below are treated in the same way as standard haircut while AAA rated bonds assume no haircut.

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

The long-term average default rates are based on:

Credit Rating	Standard (non-subordinated) Debt Term (bps)			Bank Subordinated Debt Term (bps)		
	5 year	10 year	20 year	5 year	10 year	20 year
AAA	4.2	11.7	13.6	6.7	18.6	21.6
AA	21.4	33.8	46.5	33.9	53.6	73.8
A	35.2	48.9	63.0	55.9	77.6	100.1
BBB	79.2	96.1	109.4	125.8	152.6	173.7
BB	253.7	260.3	254.9	402.9	413.4	404.8
B	564.2	484.9	390.6	896.2	770.3	620.4

Bonds rated CCC and below are taken as having no value.

The resulting haircuts are expressed in basis points rather than as a percentage of the spread (difference) between bond yields and a Gilt of the same term. This means that the haircuts are not dependent on the absolute level of spreads. As spreads rise, the haircut as a percentage of spread falls and vice versa. It is recognised that such an approach could lead, in circumstances such as pertained immediately prior to mid-2007, to haircuts of 100% of spread or more, indicating that bonds were poor value relative to Gilts on a risk-adjusted basis.

Variable Interest

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

The real yield is provided by the back office administrators of the portfolios. Where the information is not available the yield is assumed to be zero.

Equities

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

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

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

Property

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

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

(4) Mortality Basis

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

Product Group	2013		2012		Product Code
	Male	Female	Male	Female	
Conventional Life Business	116% AMC00	116% AFC00	116% AMC00	116% AFC00	100, 120, 125, 205, 300, 435
Industrial Branch	70% ELT14 (Male)	70% ELT14 (Male)	70% ELT14 (Male)	70% ELT14 (Male)	105, 130, 310
Conventional General Annuity endowments	79% AMC00	79% AFC00	79% AMC00	79% AFC00	155, 300
Conventional Pensions deferred annuities (pre vesting basis)	79% AMC00	79% AFC00	79% AMC00	79% AFC00	165, 390
Conventional Pensions deferred annuities (post vesting basis)	109.2% RMV00 Improvements CMI_2012 C2029 ^{(1) (2)}	106.8% RFV00 Improvements CMI_2012 C2030 ^{(1) (2)}	106.8% RMV00 Improvements CMI_2009 C2028 ^{(2) (3)}	111.6% RFV00 Improvements CMI_2009 C2026 ^{(2) (3)}	165, 390
Conventional Pensions endowments with a variable retirement age	79% AMC00	79% AFC00	79% AMC00	79% AFC00	155, 300
Conventional Pensions endowments – Other – Compound Bonus	79% AMC00	79% AFC00	79% AMC00	79% AFC00	155
Conventional Pensions endowments – Other – Simple Bonus	97% AMC00	97% AFC00	97% AMC00	97% AFC00	155, 300
Reinsurance Accepted Immediate Annuities	87.8% PMA00 Improvements CMI_2012 ⁽¹⁾	85.5% PFA00 Improvements CMI_2012 ⁽¹⁾	92.6% PMA00 Improvements CMI_2009 ⁽³⁾	83.1% PFA00 Improvements CMI_2009 ⁽³⁾	200
Individual Pensions UWP – PP	79% AMC00	79% AFC00	79% AMC00	79% AFC00	525
Unitised Accumulating With Profits – Homebuyer	89% AM80	89% AF80	89% AM80	89% AF80	515
Unitised Accumulating With Profits – Other	79% AMC00	79% AFC00	79% AMC00	79% AFC00	500, 505, 506, 525, 575
Reinsurance Accepted Portfolio Bonds 1a, 1b and Investment Bond	85% AM92	85% AF92	85% AM92	85% AF92	500
Reinsurance Accepted Portfolio Bond 2	105% AM92	105% AF92	105% AM92	105% AF92	500
Reinsurance Accepted Pensions Business	95% AM92	95% AF92	95% AM92	95% AF92	535

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

Pearl With-Profits Fund

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

Product Group	Annuities in payment		Deferred annuities: life expectation at age 65	
	Age 65	Age 75	Age 45	Age 55
Conventional Deferred Annuities			26.1	24.6
Reinsurance Accepted Immediate Annuities	23.1	14.0		

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

Product Group	Annuities in payment		Deferred annuities: life expectation at age 65	
	Age 65	Age 75	Age 45	Age 55
Conventional Deferred Annuities			29.2	27.9
Reinsurance Accepted Immediate Annuities	26.5	16.6		

(5) Morbidity Basis

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

(6) Expense Basis

The expense bases are as follows:

Per Policy Expenses

Product Group	2013 £pa	2012 £pa	Tax Relief	Product Code
Conventional endowment with-profits OB savings	75.23	76.07	20%	120
Conventional endowment with-profits OB target cash	75.23	76.07	20%	125
Conventional pensions endowment with-profits	75.23	76.07	0%	155
Conventional deferred annuity with-profits	75.23	76.07	0%	165
Life UWP single premium	67.71	68.46	20%	500
Life UWP endowment regular premium – target cash ⁽²⁾	75.23	76.07	20%	515
Individual pensions UWP	75.23	76.07	0%	525
Group money purchase pensions UWP	0.00	0.00	0%	535
Individual Pensions UWP – PP	32.39	34.61	0%	525
Individual Pensions UWP – PP (AMC) ⁽¹⁾	48bp	48bp	0%	525

Note:

- These expenses are per arrangement rather than per element. No expenses are allocated to PP Additional Life Cover elements. The per-policy expense for Personal Pensions has been converted into a part per policy expense and a part Annual Management Charge.
- The prudent expense assumptions also apply to the hybrid unitised with-profits policies sold in 1995 that have unit linked elements.

Gross Investment expenses

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

Product Group	2013 Bp ⁽²⁾	2012 Bp ⁽²⁾
All business except Personal Pensions Guarantee Reserve ⁽¹⁾	38	40
Personal Pensions Guarantee Reserve ⁽¹⁾	5	5

Notes:

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

(7) Inflation Rates

Inflation rates for expenses and policy charges were as follows:

Description	2013	2012
Expense inflation	3.5%	2.9%
Policy charge inflation	3.8%	3.1%
Expense inflation (Reinsurance Accepted Bonds)	5.3%	4.6%
Expense inflation (Reinsurance Accepted Immediate Annuities)	5.3%	4.6%

(8) Future Bonus Rates

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

(9) Persistency

A summary of the surrender, lapse and paid-up assumptions is as follows:

Product ^{(1) (2) (3)}		Average lapse/ surrender/ paid - up rate for the policy years			
		1-5	6-10	11-15	16-20
UWP bond	Surrender	nil	nil	nil	nil
UWP bond	Automatic Withdrawals ⁽³⁾	1.5%	1.5%	1.5%	1.5%
Individual Pensions UWP	PUP	10.5%	10.5%	10.5%	10.5%
Individual Pensions UWP - PP	PUP	6.0%	6.0%	6.0%	6.0%

Notes:

1. This table gives the persistency assumptions used in the valuation for the products specified in the instructions in IPRU (INS) for paragraph 4(9) of Appendix 9.4 where either the gross mathematical reserves or the gross annual premiums exceed the lesser of £10m and 1% of the total gross mathematical reserves.
2. Where alternative bases are used for the same product, the basis shown is that which is used by at least 50% of the business for that product.

Pearl With-Profits Fund

3. The above rates are for policies that are not currently making automatic withdrawals. For policies that are currently making automatic withdrawals the current rate is assumed to remain unchanged.

(10) Retirement Rates

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

Age Attained	2013	2012
60	27%	27%
61	7%	7%
62	6%	6%
63	6%	6%
64	12%	12%
65	67%	67%
66	18%	18%
67	12%	12%
68	12%	12%
69	11%	11%
70	16%	16%
71	11%	11%
72	6%	6%
73	5%	5%
74	24%	24%
75	100%	100%

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

(11) Allowance for Derivatives

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

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

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

None

5. OPTIONS AND GUARANTEES

(1) Guaranteed Annuity Rate Options

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

The valuation is calculated at an individual policy level and allows for voluntary discontinuance in deferment, the take up rate of the guarantee and the terms of the guarantee.

Some Conventional Pensions endowment with-profits policies also have a guaranteed minimum pension. The guarantee reserve is calculated as above but taking the higher of the guaranteed annuity payment under the guaranteed annuity rate option and the guaranteed minimum pension.

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

Assumption	2013
Take up Rate	100%
Rate of interest	Min(Gilts, Swaps), capped at 2.3%
Mortality in payment	109.2% RMV00 C2031(1) 106.8% RFV00 C2031(1)
Expected annuity Guarantee periods	A period of 5 years is assumed for Top Hats and Freedom Bonds. For Table XII the assumption is split: 0 years 65% 5 years 10% 10 years 25%
Expected annuity Escalation rates	A rate of 0% p.a. is assumed for Table XII. For Top Hats and Freedom Bonds the assumption is split: 0% p.a. 85% 3% p.a. 15% 5% p.a. 0%
Tax free lump sum	17% decreasing linearly to 5% after 20 years for Table XII, Top Hats and Freedom Bonds
Retirement Rates	As per 4(10) above
Voluntary Discontinuance in deferment	Conventional Pensions endowments with a variable retirement age: Regular: 1% p.a. Single: 0.75% p.a. All other business: 0% p.a.

Note:

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

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

Type of Business	Product name	Basic reserve £'000	Spread of outstanding durations ⁽¹⁾	Guarantee reserve ⁽²⁾ £'000	GAR (% fund for 65 year old male) ⁽³⁾	Increments allowed?	Annuity form	Retirement Age	Product Code
UK Life	Conventional pensions endowment with-profits	17,671	Gradual run-off, mean term of 15	12,999	10%	No	See Note 4	60-70	155
UK Pension	Conventional pensions endowment with-profits	772,395	Gradual run-off, mean term of 9 years	649,722	10%	No	See Note 4	60-75	155
UK Pension	Regular premium endowment non-profit	48,592	Gradual run-off, mean term of 9 years	34,486	10%	No	See Note 4	60-75	300
UK Pension	Reinsurance Accepted Annuity Rate Guarantee	53,589 See Note 5	Gradual run-off, mean term of 8 years	26,671	10%	No	See Note 4	60-75	725

Notes:

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

(2) Guaranteed Surrender and Unit-linked Maturity Values

No investment performance guarantee is given on linked contracts.

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

(3) Guaranteed Insurability Options

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

(4) Personal Pensions Guarantee Reserve

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

The following method is used to determine the mathematical reserves:

- a) For cases that have been given a guarantee: on a case by case basis using the actual information available to calculate or estimate the liability period, current salary, policy value offsets and thus calculate the overall liability. All the calculations assume a model pension scheme benefit rather than the actual scheme benefits of the fund of which the policyholder was or could have been a member.
- b) For other cases which have not been given a guarantee, or where the guarantee has been satisfied but where the internal accounting on the case is not yet finally complete: by allocating a notional settlement cost as necessary to each case on the basis of a potential liability period, or if this is unknown, an appropriate average liability period. The notional settlement cost per year of liability period being appropriately determined from recent settlement statistics.

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

Assumption	2013
Real rate of interest	-0.2% per annum
Future RPI inflation ⁽¹⁾	3.68% per annum
Salary increases above inflation, inclusive of allowance for future salary progression	1.85% per annum
Annuity pricing margin	11.0%
Mortality during deferment	79% AM/FC00 Ultimate
Mortality in payment	109.2% RMV00 (CMI_2012 improvements up to 2.50%, age related min improvement) 106.8% RFV00 (CMI_2012 improvements up to 2.50%, age related min improvement)
Percentage assumed married	100%
Allowance for future service	up to 14 years for those unable to rejoin their pension scheme

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

The amount of business involved had a basic mathematical reserve of £58 million reserve with additional reserves of £426 million. This additional reserve also includes an allowance for future expenses and policies where the compensation process is yet to be completed.

(5) Mortgage Endowment Promise

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

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

Assumption	2013
Rate of interest	1.8% per annum
Mortality - Conventional Life Endowment	116% AMC/AFC00 Ult
Mortality - Unitised Accumulating With Profits - Homebuyer	89% AM/AF80 Ult
Voluntary Discontinuance	0% p.a.
Prudence Factor	5%

The amount of business involved had a basic reserve of £265 million and additional reserves (MEP reserve) of £138 million.

6. EXPENSE RESERVES

(1) Aggregate Expense Loadings

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

Homogeneous risk group	Implicit allowances £m	Explicit allowances (investment) £m	Explicit allowances (other) £m	Non-attributable expenses £m	Total £m
Individual Pensions UWP - PP	0	9	11	1	21
Other	0	13	33	1	47
Total	0	22	44	2	68

(2) Implicit Allowances

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

(3) Form 43 Comparison

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

(4) New Business Expense Overrun

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

(5) Maintenance Expense Overrun

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

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

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

(6) Non-attributable expenses

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

7. MISMATCHING RESERVES

(1) Analysis of Reserves by Currency

The liabilities are sterling liabilities.

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

Currency	Liabilities £m	Assets £m
GBP	5,418	4,598
Euro	0	356
USD	0	463
Other	0	1
Total	5,418	5,418

(2) Other Currency Exposures

See table in 7(1)

(3) Currency Mismatching Reserve

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

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

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

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

Not applicable – see 7(4).

(6) Resilience Capital Requirement

Not applicable – see 7(4).

(7) Additional Reserves Arising From INSPRU 1.1.34(2)(R))

No additional reserve is held.

8. OTHER SPECIAL RESERVES

Details of other special reserves are set out below:

Description	Reserve (£m)
Future projects and issues (Data)	17.6

Additional Reserves

Additional reserves, exceeding the lesser of £10m and 0.1% of total mathematical reserves, comprise:

- The provision for Future projects and issues is a Data Contingency reserve for additional liabilities which may arise in connection with data errors affecting the long-term business.

9. REINSURANCE

(1) Facultative Treaties

No reinsurance has been ceded on a facultative basis to reinsurers who are not authorised to carry on business in the United Kingdom. No deposit back arrangement exists.

(2) Reinsurance Treaties

There is no significant reinsurance out of the Pearl With-Profits Fund.

10. REVERSIONARY (OR ANNUAL) BONUS

Industrial Branch – Conventional Business policies

Bonus Series	31.12.2013 Basic Mathematical Reserve £'000	31.12.2013 Reversionary Bonus Per £14 weekly premium £	31.12.2012 Reversionary Bonus Per £14 weekly premium £	31.12.2013 Total guaranteed bonus Per £14 weekly premium £
Endowment policies	4,113	£0	£0	£N/A
Whole Life policies	118,573	£14	£0	£N/A

Ordinary Branch – Conventional Business policies (Simple bonus)

Bonus Series	31.12.2013 Basic Mathematical Reserve £'000	31.12.2013 Reversionary Bonus %	31.12.2012 Reversionary Bonus %	31.12.2013 Total guaranteed bonus %
Life regular premium	66,225	4%	2%	0
Pensions regular premium	71,758	0%	0%	0

Ordinary Branch – Conventional Business policies (Compound bonus)

Bonus Series	31.12.2013 Basic Mathematical Reserve £'000	31.12.2013 Reversionary Bonus %	31.12.2012 Reversionary Bonus %	31.12.2013 Total guaranteed bonus %
Life regular premium and paid up policies	417,302	0%	0%	N/A
General annuity fund regular premium and paid up policies	30,118	0%	0%	N/A
Pensions regular premium and paid up policies	731,431	0%	0%	N/A
Pensions single premium	624,783	0%	0%	N/A

Ordinary Branch – Individual Pensions UWP - PP

Bonus Series	31.12.2013 Basic Mathematical Reserve £'000	31.12.2013 Reversionary Bonus %	31.12.2012 Reversionary Bonus %	31.12.2013 Total guaranteed bonus %
Regular Premium	883,763	0%	0%	N/A
Single Premium	191,407	0%	0%	N/A
Protected rights DSS recurring single premium	772,276	0%	0%	N/A

Ordinary Branch – Unitised Accumulating With-Profits Business (Super Compound Bonus)

Bonus Series	31.12.2013 Basic Mathematical Reserve £'000	01.01.2013 to 31.12.2013 Reversionary Bonus %	31.12.2013 Total guaranteed bonus %
Life policies issued in 1995	8,010	0.75% / 0.42%	N/A
Life policies issued after 1995	245,278	0.75% / 0.42%	N/A
Pensions policies	317,442	1.70% / 0.85%	N/A
ISA Bonus Account policies	122,229	0.50% / 0.25%	N/A
Bonus Account policies	7,343	0.40% / 0.20%	N/A

Ordinary Branch - Reinsured Accepted Business

Bonus Series	31.12.2013 Basic Mathematical Reserve £'000	31.12.2013 Reversionary Bonus %	31.12.2012 Reversionary Bonus %	31.12.2013 Total guaranteed bonus %
Portfolio Bond 1a	11,843	1.00%	1.00%	N/A
Portfolio Bond 1b	1,828	1.00%	1.00%	N/A
Portfolio Bond 2	3,474	1.00%	1.00%	See Note (1)
Investment Bond	35,602	1.00%	1.00%	N/A
Socially Responsible With Profits Bond	30,321	1.00%	1.00%	N/A
Individual Pensions and Socially Responsible With Profits Pensions	21,479	1.50%	1.50%	N/A
Group Pensions	16,396	1.50%	1.50%	N/A
Capital Account Pensions	15,129	9.25%	5.25%	N/A
Immediate Annuities Series 3	13,875	4.47%	4.47%	N/A
Immediate Annuities Series 4	32,563	4.47%	4.47%	N/A

Notes:

1. For Portfolio Bond 2, there is an additional 2% bonus added at the fifth policy anniversary to all funds in force at that time plus another 2% bonus every five years thereafter.
2. The bonus rates shown are gross of the policies' respective annual management charge.

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

SERP With-Profits Fund

3. DISCRETIONARY CHARGES AND BENEFITS

(1) Application of Market Value Reduction

Not applicable.

(2) Premiums on Reviewable Protection Policies

Not applicable.

(3) Non-profit Deposit Administration

Not applicable.

(4) Service Charges on Linked Policies

Not applicable.

(5) Benefit Charges on Linked Policies

Not applicable.

(6) Accumulating With-Profits Charges

Not applicable.

(7) Unit Pricing of Internal Linked Funds

Not applicable.

(8) Tax Deductions From Internal Linked Funds

Not applicable.

(9) Tax Provisions for Internal Linked Funds

Not applicable.

(10) Discounts on Unit Purchases

Not applicable.

4. VALUATION BASIS (Other Than For Special Reserves)

(1) Valuation Methods

The general principles and methods adopted in the valuation are:

Mathematical reserves have been determined using an individual gross premium method. The reserve for each policy is subject to a minimum of any guaranteed surrender value. Where it has been considered appropriate to do so, the mathematical reserves include additional amounts for future expenses and options and guarantees.

Under with-profit S620 annuities issued after April 1971, provision is made for the option that policies may vest prior to the vesting date written in the policy. The percentage of policyholders assumed to vest on reaching each retirement age is as follows:

Age	Percentage Retiring
60	37.5%
65	60.0%
70	100.0%
75	100.0%

The benefits discounted are calculated on both the cash sum available at the pension date and the deferred annuity and the higher reserve is taken.

For policyholders older than 59, the reserve is the greater of the reserve calculated using the method mentioned above and that assuming immediate vesting.

Post-vesting expenses reflect the present expense assumptions for annuities in payment, increased in line with expense inflation assumptions. Post retirement mortality is adjusted to make allowance for future mortality improvements between the year end and the vesting date in line with the Pensioner Mortality Improvement model issued by the CMI bureau.

(2) Valuation Interest Rates

The following table sets out the rates of interest used for all classes of business:

Product Group	2013	2012	Product Code
Gross premium basis			
SERP	3.55%	2.83%	165

(3) Risk Adjustments

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

(4) Mortality Basis

The following table sets out the mortality bases used for all classes of business:

Product Group	2013		2012		Product Code
	Males	Females	Males	Females	
Pre-vesting					
SERP	50% AM92	50% AF92	50% AM92	50% AF92	165
Post-vesting / In payment					
SERP	97% RMV00	97% RFV00	97% RMV00	97% RFV00	165

Notes:

1. Ultimate mortality has been used in all cases.
2. At 31 December 2013, for post-vesting mortality using the RMV00 and RFV00 tables, future mortality improvements use the CMI Working Paper 63 Mortality Projection Model (published in February 2013) blending historic improvement data with a long term annual improvement assumption of 2.5% up to age 75 reducing linearly to 0% at age 120.

At 31 December 2012, for post-vesting mortality using the RMV00 and RFV00 tables, future mortality improvements use the CMI Working Paper 41 Mortality Projection Model (published in November 2009) blending historic mortality improvement data with a long term annual improvement assumption of 3.25% up to age 60 reducing linearly to 0% at age 120.

Male complete life expectations for annuity contracts are as follows:

Product Group	Deferred annuities: life expectation at age 65	
	Age 45	Age 55
SERP	27.0	25.5

Female complete life expectations for annuity contracts are as follows:

Product Group	Deferred annuities: life expectation at age 65	
	Age 45	Age 55
SERP	29.9	28.6

(5) Morbidity Basis

There are no products using a morbidity basis.

(6) Expense Basis

The expense bases are as follows:

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

Product Group	Premium paying		Paid up & single premium		Product Code
	2013	2012	2013	2012	
	£pa	£pa	£pa	£pa	
CWP pensions	65.65	62.94	26.38	25.29	165
Annuity			40.20	38.54	400

Notes:

All expenses above are shown as per policy rather than per benefit.

Gross Investment expenses

Investment expenses have been allowed for through a reduction to the valuation interest rates. The table below sets out the basis point (“bp”) reductions applied:

Fund	2013 Bps	2012 Bps
Gilts	8.00	12.84
IL Gilts	7.50	7.50
Approved	9.66	10.00
Other Bonds		
AAA	8.11	8.06
AA	9.69	8.06
A	9.14	8.06
BBB	9.10	8.06
BB	11.00	8.06
B	11.00	8.06
CCC	11.00	8.06
Other	11.00	8.06
Property	32.00	26.25
Derivatives	8.00	0.00

(7) Inflation Rates

Expense inflation rates are:

Product Group	Expense Inflation	
	Rate (% p.a)	
	2013	2012
All business	4.40	3.90

(8) Future Bonus Rates

As a realistic basis life firm no allowance has been made in the determination of mathematical reserves for future bonuses in accordance with INSPRU 1.2.9R.

(9) Persistency

A summary of the surrender and paid-up assumptions is as follows:

Product		Average lapse / surrender / paid up rate for the policy years			
		1-5	6-10	11-15	16-20
CWP pension regular premium	PUP	0.00%	0.00%	0.00%	0.00%
CWP pension regular premium	surrender	0.50%	0.50%	0.50%	0.50%
CWP pension single premium	surrender	0.50%	0.50%	0.50%	0.50%

Notes:

The surrender rates above apply to policyholders below age 60. For policyholders aged 60 and above the surrender rate is assumed to be zero.

(10) Other material basis assumptions:

Relief for tax applied to expenses is 0% for SERP pension business. Tax on investment income is set out in the following table:

Type of business	2013	2012
UK Pensions – all income	0%	0%
UK Pensions – all gains	0%	0%

(11) Allowance for Derivatives

The fund holds a number of swap contracts, some of which are used to determine valuation rates of interest.

No other allowance has been made for derivative contracts in determining the amount of the long-term liabilities.

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

Not applicable.

5. OPTIONS AND GUARANTEES

(1) Guaranteed Cash Rate Options

The policies have an option to convert their annuity at retirement to a cash value on guaranteed terms. As the guarantees are very “out of the money” the proportion of fund taken as cash is assumed to be nil. This assumption is unchanged from the previous valuation. The reserve for this Guaranteed Cash Fund is set at a nominal amount of £0.1 million.

6. EXPENSE RESERVES

(1) Aggregate Expense Loadings

The aggregate amount of expense loadings, grossed up for taxation where appropriate, expected to arise during the 12 months from the 'valuation date' are £2.88m.

Homogeneous Risk Group	Implicit Allowances £million	Explicit Allowances (Investment) £million	Explicit Allowances (Other) £M	Non-attributable Expenses £M	Total £M
Non-unitised business	0.00	0.97	1.91	0.00	2.88
Total	0.00	0.97	1.91	0.00	2.88

(2) Implicit Allowances

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

(3) Form 43 Comparison

The difference between the allowance for maintenance expenses shown above and those shown in Form 43 are due to one-off expenses and the run-off of business (since Form 43 shows actual 2013 figures while the loadings are expected 2014). The one off expenses are performance related investment management fees.

(4) New Business Expense Overrun

Not applicable.

(5) Maintenance Expense Overrun

Not applicable.

(6) Non-attributable expenses

Not applicable.

7. MISMATCHING RESERVES

(1) Analysis of Reserves by Currency

The liabilities are sterling liabilities.

The following table shows the sum of the mathematical reserves (other than liabilities for property linked benefits), analysed by reference to the currencies in which the liabilities are expressed to be payable, together with the value of the assets, analysed by reference to currency, which match the liabilities:

Currency	Liabilities £m	Assets £m
Sterling	1,132.1	1,132.1
Total	1,132.1	1,132.1

(2) Other Currency Exposures

See table in 7(1)

(3) Currency Mismatching Reserve

The amount of reserve for currency mismatching is £nil as sufficient sterling assets are held to cover the sterling liabilities in the table in 7(1).

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

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

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

Not applicable – see 7(4).

(6) Resilience Capital Requirement

Not applicable – see 7(4).

(7) Additional Reserves Arising From INSPRU 1.1.34(2)(R)

No additional reserve is held.

8. OTHER SPECIAL RESERVES

An additional reserve, held at the last valuation to allow for a further prudential margin of 5% of the default deductions to allow for higher levels of default in the medium term, has been released.

9. REINSURANCE

(1) Facultative Treaties

There are no reinsurance arrangements in place for this business.

(2) Reinsurance Treaties

Not applicable.

10. REVERSIONARY (OR ANNUAL) BONUS

Compound Bonus

Bonus series	31.12.2013	31.12.2013	31.12.2012	31.12.2013	Product code
	Mathematical reserve	Reversionary bonus	Reversionary bonus	Total guaranteed bonus	
	£000	%	%	%	
With-profit S620 deferred annuities (SERP)	1,131,953	0.00%	0.00%	-	165

London Life With-Profits Fund

3. DISCRETIONARY CHARGES AND BENEFITS

(1) Application of Market Value Reduction

Market Value Adjustments (MVAs) were applied as follows:

Product	Policy Year of Entry	Period Applied
Unitised With Profit Life	1999-2001 2007	Throughout 2013
Unitised With Profit Pension	1999-2001 2007	Throughout 2013

(2) Premiums on Reviewable Protection Policies

There have been no changes to premiums on reviewable protection policies during the financial year.

(3) Non-profit Deposit Administration

No policies have been sold in this category.

(4) Service Charges on Linked Policies

Policy fees on linked policies increased on 1 January 2013, in line with the Retail Price Index increases from September 2011 to September 2012, an increase of 3.3%.

(5) Benefit Charges on Linked Policies

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

(6) Accumulating With-Profits Charges

During the financial year, unit management charges for unitised accumulating with-profit and linked policies remained unchanged.

(7) Unit Pricing of Internal Linked Fund

- (a) Units are of two types – net capital and net accumulation. The following method is applied to both types of units.
- (i) The creation or cancellation of units in the internal linked funds is performed at unrounded bid price values. This ensures that unit prices are unaffected by the creation or cancellation of units and that the interests of unit-holders not taking part in a unit transaction are unaffected by that transaction.
 - (ii) Base prices are derived from the internal fund valuations, which are adjusted for fund specific charges. Increasing the base price by the bid-offer spread and rounding to the higher tenth of a penny gives the “offer price”. The “bid price” is the base price rounded to the lower tenth of a penny, except for the former AMP (UK) business, on which the “bid price” is rounded to the higher tenth of a penny.
 - (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.

London Life With-Profits Fund

- (iv) The assets of the internal linked funds are valued at noon on each working day. If markets move significantly between noon and 4 pm, allowance for this market movement is made. This market adjustment is made automatically every day for business other than the former AMP (UK) business.
- (b) During the financial year there was no time at which different pricing bases applied to different policies.
- (c) A mid-market price applies to the collective investment schemes, although this price may swing up or down if the net transactions on any trading day exceed a set threshold. The time on each working day at which the assets in the internal linked funds are valued is the same as that at which the units in the underlying collective investment schemes are valued.

(8) Tax Deductions from Internal Linked Funds

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

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

Fund Type	Realised Gains	Unrealised Gains	Realised Losses	Unrealised Losses
Fixed Interest	20%	20%	20%	20%
Fixed Interest tax accruals are settled annually				
Equity (Direct Holdings)	20%	19.50%	20%	19.50%
Equity (Direct Holdings) accruals for realised gains and losses are settled once a year. Accruals for unrealised gains and losses are not cleared until they become realised, in which they will be settled during the annual settlement process.				
Equity (Collective Investment Scheme Holdings)	20%	19.50%	20%	19.50%
Equity (Collective Investment Scheme Holdings) accruals for realised gains and losses are settled annually. Accruals for unrealised gains and losses are cleared at the end of each financial year under the "deemed disposal" regime. The tax rate used for this purpose at the end of 2013 was 19.5%.				

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

(9) Tax Provisions for Internal Linked Funds

See (8) above

(10) Discounts on Unit Purchases

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

4 VALUATION BASIS (OTHER THAN FOR SPECIAL RESERVES)

(1) Valuation Methods

The general principles and methods adopted in the valuation are:

NON-LINKED BUSINESS

Mathematical reserves have been determined using a gross premium method, or a method at least as strong as a gross premium method, except for the classes of business mentioned below. Where it has been considered appropriate to do so, the mathematical reserves include additional amounts for future expenses and options and guarantees.

A prospective method of valuation has not been used for the following non-linked contracts:

- For Group Life and Group Reversionary Assurance business, the liability was determined as the unexpired risk at the valuation date plus an allowance for expenses.
- For Deposit Administration business, the liability was determined as the accumulation, with earned interest, of the premiums, after providing for expense charges and the cost of any group life benefits.
- Certain miscellaneous policies for which approximate mathematical reserves of adequate amount have been made.

Specific modification has been made to the gross premium method for:

- Policies issued with an addition to the age for extra risks are valued at the increased age.

For conventional with-profits business, the amounts of benefit valued includes bonuses declared on or before 31 December 2013, which apply during the period 1st July 2013 to 30th June 2014 for traditional London Life Business and during the period 1st July 2013 to 31st April 2014 for former AMP(UK) Business.

For the Cash Bonus (Reduction of Premium) product group, the value of office premiums is decreased by the value of reductions, or cash allocations, on the assumption that the rates declared for the current bonus year will remain the same throughout the duration of the policies.

For unitised with-profits contracts a prospective valuation method is used. The liability is calculated as the capitalised value of benefits purchased to date, including existing annual bonuses. The valuation reserve is subject to a minimum of the bid value of the units in force at the valuation date.

INDEX LINKED BUSINESS

Mathematical reserves have been determined using a gross premium method.

LINKED BUSINESS

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

The non-unit reserve is obtained on a discounted cashflow method. The amount of the non-unit reserve is the net present value of any yearly deficiencies of income over outgo less yearly surpluses of income over outgo, making no allowance for surrender/lapse but allowing for policies being made paid up. The net present value is calculated over the number of years from the valuation date that gives the maximum value.

Modifications to the Valuation Method

For policies in which the benefits are expressed in terms of the values of Capital Units and Accumulation Units, sufficient Asset Units are held to ensure that their value is at least equal to the surrender Cash Value (or Early Retirement Benefit Value) of the Units allocated to the contract at the valuation date.

The London Life Pension Unit Linked product group is written in the with profit fund and the unit reserve is reinsured into the PLAL Non Profit Fund, where the funds' management charge arises and which prudently more than covers the related investment fees. The per-policy expenses arise in the with profit fund and there is no income to offset against these costs, thus the non-unit reserve is calculated without allowance for management fee income on the funds under management or for investment management fees on those funds.

For Investment Linked Managed Fund, Investment Linked Managed Pension Fund, and Investment Linked Guaranteed Pension Fund business, for which the contributions are applied in the purchase of units in an internal linked fund, the following method was used:

- For Capital and Accumulation Units, sufficient Asset Units are held to ensure that their value is at least equal to the surrender Cash Value (or Early Retirement Benefit Value) of the Units allocated to the contract at the valuation date.

(2) Valuation Interest Rates

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

Sub Fund	Product Group	2013	2012	Product Code
100:0 LL WPF	Cash Bonus	2.54%	1.84%	100, 120
100:0 LL WPF	Fund R Compound Bonus	2.56%	2.26%	100, 120, 335
100:0 LL WPF	Unitised With Profit Life	2.15%	1.76%	505
100:0 LL WPF	Fund T Compound Bonus	1.18%	1.85%	120, 165
100:0 LL WPF	AMPUK Business	3.24%	1.38%	100, 120, 205
100:0 LL WPF	Pension Compound Bonus	3.22%	1.69%	155, 165
100:0 LL WPF	Unitised With Profit Pension	1.36%	1.76%	155
100:0 LL WPF	Fund W Deferred Simple Bonus	5.04%	2.58%	165
100:0 LL WPF	Fund W In Payment Simple Bonus	2.75%	2.42%	200
100:0 LL WPF	AMPUK Business	2.39%	2.47%	155
100:0 LL WPF	London Life Pension unit linked	2.09%	2.00%	725, 745
100:0 LL WPF	SPP With Profit Immediate Annuity	3.56%	2.25%	200

(3) Risk Adjustments

Approved Securities

No reduction was applied other than a yield deduction on sovereign debt rated below AAA, or sovereign debt rated AAA but notched downwards to below AAA in line with the description for other securities below.

Other securities

A deduction was applied to the yield on an individual stock by stock basis to allow for the risk of default. The individual stock risk margins were calculated as a long term average default rate plus an additional allowance for short-term factors and expected deviations from the historic average.

The long term average default rates (in basis points), net of an allowance for recovery on default, were:

Credit Rating	Standard (non-subordinated) Debt Term (bps)		
	5 year	10 year	20 year
AAA	4.2	11.7	13.6
AA	21.4	33.8	46.5
A	35.2	48.9	63.0
BBB	79.2	96.1	109.4
BB	253.7	260.3	254.9
B	564.2	484.9	390.6

A number of different techniques were then employed to arrive at an additional haircut, namely:

- Stocks were ‘notched’ downwards where the credit rating was considered to be inappropriate (after analysis of the current market spread and other factors).
- For bank subordinated debt the haircut was based on the rating of senior debt issued by the borrowing company, with an assumption of nil recovery on default. If a materially more onerous result was obtained by the standard approach described above then the standard approach was adopted for bank subordinated debt. This assessment was performed at an aggregated portfolio level; for this fund, bank subordinated debt adopted the standard approach.
- For corporate bonds rated below B no value was taken for the yield..

For sovereign debt, the above principles were also applied. Where a sovereign debt holding was rated A or below, or where notching was applied to treat the holding as being rated A or below, default allowances were as per the table above. For sovereign debt holdings rated AA, or notched to AA, default allowances were one-third of those indicated in the above table. For sovereign debt holdings rated AAA no default allowance was made.

London Life With-Profits Fund

(4) Mortality Basis

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

Sub Fund	Product Group	2013		2012		Product Code
		Male	Female	Male	Female	
100:0 LL WPF	Cash Bonus	42% AM80	68% AF80	42% AM80	68% AF80	100, 120
100:0 LL WPF	Fund R Compound Bonus	51% AM80	84% AF80	51% AM80	84% AF80	100, 120, 335
100:0 LL WPF	Fund T Compound Bonus	70% AMC00	70% AFC00	70% AMC00	70% AFC00	120, 165
100:0 LL WPF	AMPUK Life Business	116% AMC00	107% AFC00	116% AMC00	107% AFC00	100, 120, 205
100:0 LL WPF	Pension Compound Bonus	70% AMC00	70% AFC00	70% AMC00	70% AFC00	155, 165
100:0 LL WPF	AMPUK Pensions Business	95% AMC00	95% AFC00	95% AMC00	95% AFC00	155
100:0 LL WPF	Fund W Deferred (pre-vesting)	70% AMC00	70% AFC00	70% AMC00	70% AFC00	165
100:0 LL WPF	Fund W Deferred (post-vesting)	87.8% PCMA00 CMI_2012_M [2.5% to age 75, reducing linearly to 0% from age 120]	85.5% PCFA00 CMI_2012_F [2.5% to age 75, reducing linearly to 0% from age 120]	87.8% PCMA00 CMI_2009_M [3.25% to age 60, reducing linearly to 0% from age 120]	85.5% PCFA00 CMI_2009_F [3.25% to age 60, reducing linearly to 0% from age 120]	165
100:0 LL WPF	Fund W In Payment Simple Bonus	87.8% PCMA00 CMI_2012_M [2.5% to age 75, reducing linearly to 0% from age 120]	85.5% PCFA00 CMI_2012_F [2.5% to age 75, reducing linearly to 0% from age 120]	87.8% PCMA00 CMI_2009_M [3.25% to age 60, reducing linearly to 0% from age 120]	85.5% PCFA00 CMI_2009_F [3.25% to age 60, reducing linearly to 0% from age 120]	200
100:0 LL WPF	SPP With Profit Immediate Annuity	87.8% PCMA00 CMI_2012_M [2.5% to age 75, reducing linearly to 0% from age 120]	85.5% PCFA00 CMI_2012_F [2.5% to age 75, reducing linearly to 0% from age 120]	87.8% PCMA00 CMI_2009_M [3.25% to age 60, reducing linearly to 0% from age 120]	85.5% PCFA00 CMI_2009_F [3.25% to age 60, reducing linearly to 0% from age 120]	200
100:0 LL WPF	Unitised With Profit Pension	70% AMC00	70% AFC00	70% AMC00	70% AFC00	155
100:0 LL WPF	London Life Pension unit linked	100% A67/70 Ult	100% A67/70 Ult minus 4 yrs	100% A67/70 Ult	100% A67/70 Ult minus 4 yrs	725, 745

London Life With-Profits Fund

For annuity contracts life expectation for males is as follows:

Sub Fund	Product Group	Annuities in payment		Deferred annuities: life	
		Age 65	Age 75	Age 45	Age 55
100:0 LL WPF	Fund W - Deferred Annuities			28.3	26.8
100:0 LL WPF	SPP With Profit -Immediate Annuity	25.3	15.6		
100:0 LL WPF	Fund W Immediate Annuity	25.3	15.6		

For annuity contracts life expectation for females is as follows:

Sub Fund	Product Group	Annuities in payment		Deferred annuities: life	
		Age 65	Age 75	Age 45	Age 55
100:0 LL WPF	Fund W - Deferred Annuities			30.5	29.0
100:0 LL WPF	SPP With Profit -Immediate Annuity	27.5	17.6		
100:0 LL WPF	Fund W Immediate Annuity	27.5	17.6		

(5) Morbidity Basis

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

(6) Expense Basis

The expense bases are as follows:

NON LINKED BUSINESS

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

Sub fund	Product Group	2013 £pa	2012 £pa	Tax Relief	Product Code
100:0 LL WPF	Conventional endowment with-profits OB savings (AMP Life) ⁽²⁾	43.01	41.69	20%	120
100:0 LL WPF	Conventional endowment with-profits OB savings (Fund P and Fund R) ⁽²⁾	42.13	40.81	20%	120
100:0 LL WPF	Conventional pensions endowment with-profits	106.15	102.96	0%	155
100:0 LL WPF	Conventional deferred annuity with- profits	42.13	40.81	20%	165
100:0 LL WPF	Conventional deferred annuity with- profits	47.63	46.09	0%	165
100:0 LL WPF	Individual pensions UWP	106.15	102.96	0%	525

Notes:

1. These policies are not shown separately in FSA Form 51.

LINKED BUSINESS

Sub fund	Product Group	2013 £pa	2012 £pa	Product Code
100:0 LL WPF	Life property linked	47.37	44.49	700
100:0 LL WPF	Individual pension property linked	106.15	102.96	725

LINKED AND NON-LINKED BUSINESS

Gross Investment expenses

Investment expenses have been allowed for through a reduction to the valuation interest rates. The table below sets out the basis point reductions applied:

Sub fund	Product Groups	2013 bps	2012 bps
100:0 LL WPF	All	17	17

Furthermore, a performance fee overlay has been introduced which works to reward Ignis Asset Management Ltd for over-performance but applies a penalty on under-performance. This is not allowed for in the valuation basis because no over or under investment performance is assumed in the valuation interest basis.

LINKED AND NON-LINKED BUSINESS

(7) Inflation Rates

Inflation rates for expenses and policy charges were as follows:

Sub fund		2013	2012
100:0 LL WPF	Expense inflation	3.50%	2.80%
All	Policy fee inflation	2.80%	2.10%

(8) Future Bonus Rates

As a realistic basis life firm no allowance has been made in the determination of mathematical reserves for future bonuses in accordance with INSPRU 1.2.9R except for SPP With Profit Immediate annuities where allowance is made for the guaranteed annual bonus.

(9) Surrender/Lapse Rates

No allowance is made for surrender and lapse rates other than for Guaranteed Annuity Options.

(10) Paid up Rates

No allowance is made for policies being made paid up other than for non-linked calculations in respect of regular premium accumulating with-profits business.

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.

(11) Tax Rates

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

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

Type of business	2013	2012
UK Life – UK dividend income	0%	0%
UK Life – other income	20%	20%
UK Pension – overseas dividend income	0%	0%
UK Pension – other income	0%	0%

(12) Allowance for Derivatives

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

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

There have been no changes since the previous valuation.

5 OPTIONS AND GUARANTEES

(1) Guaranteed Annuity Rate Options

(a) 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	2013
Take up Rate ⁽¹⁾	100:0 LL WPF	Fund R Compound Bonus	84%
	100:0 LL WPF	Fund T Compound Bonus	100%
	100:0 LL WPF	AMPUK Pension	86%
	100:0 LL WPF	Pensions Compound Bonus (traditional)	90%
	100:0 LL WPF	BIGVIP	85%
	100:0 LL WPF	VIPMIG OLD	85%
	100:0 LL WPF	POLMIG	46%
Rate of interest	Life	All	Max of B&H gilts spot and swap curves capped at 2.88%
	Pensions	All	Max of B&H gilts spot and swap curves capped at 3.60%
Tax	Life	All	20%
	Pensions	All	0%
Mortality in payment	All	Male	87.8% PCMA00 CMI_2012_M [2.5% to age 75, reducing linearly to 0% from age 120]
	All	Female	85.5% PCFA00 CMI_2012_F [2.5% to age 75, reducing linearly to 0% from age 120]
Retirement Rates	All	All	Normal retirement age
Voluntary Discontinuance in deferment	All	All	0.50%

Notes:

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

(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	583	1-22 years	318	9%	No	See Note 3	See Note 3
UK Life	120, 165	Fund T Compound Bonus	2,513	1-12 years	1,403	9%	No	See Note 3	See Note 3
UK Pension	120	Former AMPUK Pension	37,556	1-27 years	20,987	10%	No	See Note 3	See Note 3
UK Pension	165	Pension Compound Bonus (Pension Protector)	33,114	1-17 years	23,014	10%	No	See Note 3	See Note 3
UK Pension	155,205	Pension Compound Bonus (PC Contracts)	4,618	1-16 years	2,984	10%	No	See Note 3	See Note 3
UK Pension	155	Pension Compound Bonus hybrid (premium paid up to December 1999)	73,046	1-32 years	38,370	10%	No	See Note 3	See Note 3
UK Pension	155	Pension Compound Bonus hybrid (premiums paid from January 2000)	12,321	1-36 years	355	6%	Yes	See Note 3	See Note 3

Notes:

1. The spread of outstanding durations has been taken as the term to expected retirement.
2. Guaranteed annuity rates are for the following form of annuity: Single life, annual in advance, no escalation or guarantee period and are shown to whole numbers.
3. Different products offer different guaranteed terms. All common forms of annuity types are offered at a wide range of retirement ages.

(2) Guaranteed Surrender and Unit-linked Maturity Values

No investment performance guarantee is given on linked contracts. The prices of units in the Deposit Fund are guaranteed not to fall. The underlying assets are entirely cash or cash-based collective investment schemes.

All guaranteed surrender values are allowed for in the valuation of the basic mathematical reserve.

(3) Guaranteed Insurability Options

Not applicable

(4) Mortgage Endowment Promise

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

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

Assumption	2013
Rate of interest	3.24% per annum for AMPUK 2.56% per annum for Fund R
Mortality – Conventional Life Endowment	51% AM80 84% AF80
Mortality – AMPUK Business	116% AMC00 107% AFC00
Prudence Factor	5%

The amount of business involved had a basic mathematical reserve of £42.4m with additional reserves of £4.0m.

6 EXPENSE RESERVES

(1) Aggregate Expense Loadings

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

Explicit per policy expense loading.....	£ 2.4 million
Allowance for investment management expenses.....	£ 2.4 million

No other significant expense reserves are held.

There are no significant non-attributable expenses.

(2) Implicit Allowances

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

(3) Form 43 Comparison

The amount of maintenance expenses is not significantly different from the maintenance expenses shown at line 14 of Form 43.

(4) New Business Expense Overrun

Since London Life is closed to new business other than for increments and internal commencements, no reserves are required for expenses of continuing to transact new business after the valuation date.

(5) Maintenance Expense Overrun

No maintenance expense overrun reserve is held.

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

The MSA with Pearl Group Services Ltd is structured on a fixed cost per policy per annum. Pearl Group Services Limited has engaged Diligenta, a UK based and FSA regulated subsidiary of Tata Consulting Services Limited, to implement the outsource of processing and administration work which gives Phoenix Life Assurance Ltd certainty over the majority of the cost base into the future, especially in relation to economies of scale and fixed costs.

As the London Life With-Profits fund is closed to new business, other than for increments and internal commencements, no reserve is held for discontinuance costs, or the valuation strain or expense overrun from the writing of new business.

(6) Non-attributable expenses

There are no non-attributable expenses.

7 MISMATCHING RESERVES

(1) Analysis of Reserves by Currency

The mathematical reserves are denominated in sterling. There are sufficient sterling assets to cover mathematical reserves.

(2) Other Currency Exposures

No currency mismatch reserves are held as the mathematical reserves are covered by assets in sterling. For the premium withheld, the arrangement is such that the liability is equal to the value of the assets. In addition, there are currency hedges in place to remove exposure from any currency movements.

(3) Currency Mismatching Reserve

Phoenix Life Assurance Ltd is a realistic reporting firm to which GENPRU 2.1.8R applies and so does not hold a resilience capital requirement under INSPRU 3.1.10R.

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

Not Applicable see 7 (3) above

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

Not Applicable see 7 (3) above

(6) Additional Reserves Arising From INSPRU 1.1.34(2)(R)

No additional reserve is held.

8 OTHER SPECIAL RESERVES

There are four special reserves exceeding the lesser of £10m and 0.1% of total mathematical reserves. These are:

Provision	£m
Data	1.80
Litigation	1.10
Fender	0.71
Henderson Oversight	0.80

9 REINSURANCE

(1) Facultative Treaties

Reinsurance has not been ceded on a facultative basis to reinsurers who are not authorised to carry on business in the United Kingdom.

(2) Reinsurance Treaties

There is no significant reinsurance out of the London Life With Profits Fund.

10 REVERSIONARY (OR ANNUAL) BONUS

Life Compound Bonus Participation Pool (1)

Bonus Series	31.12.2013 Mathematical reserve £000	31.12.2013 reversionary bonus %	31.12.2012 reversionary bonus %
R1A, R2A, R2E, R2F, R2G, R4D, R4E	44,950	0.00%	0.00%

AMPUK Life Participation Pool (2)

Bonus Series	31.12.2013 Mathematical reserve £000	31.12.2013 reversionary bonus %	31.12.2012 reversionary bonus %
AMPUK Life: JU, GJU, GRU, Gift, TU, Life JUB	39,346	0.00%	0.00%
AMPUK Life: AU, AUF, QU, GU	17,383	0.00%	0.00%
AMPUK Life: ALU, ALUF, AJLU, (X)NBU	24,841	0.00%	0.00%

Cash Bonus Participation Pool (3)

Bonus Series	31.12.2013 Mathematical reserve £000	31.12.2013 reversionary bonus %	31.12.2012 reversionary bonus %
Fund P Assurance (up to 68th series)	33,396	3.00% (Cash Bonus)	3.00% (Cash Bonus)
Fund P Assurance (69th series onwards)	15,300	2.00% (Cash Bonus)	2.00% (Cash Bonus)

Simple Bonus Participation Pool (4)

Bonus Series	31.12.2013 Mathematical reserve £000	31.12.2013 reversionary bonus %	31.12.2012 reversionary bonus %
Fund W Deferred	15,568	0.00%	0.00%
Fund W Annuities in Payment	58,324	7.00%	7.00%

Pension Compound Bonus Participation Pool (4)

Bonus Series	31.12.2013 Mathematical reserve £000	31.12.2013 reversionary bonus %	31.12.2012 reversionary bonus %
VIPMIG and BIGVIP + RPP84	63,368	0.00%	0.00%
POLMIG, GRPAVC, RPP85	55,930	0.00%	0.00%
V9a, V9B, V9C	56,128	0.00%	0.00%
V71, V72, V73	6,428	0.00%	0.00%
PPS, PPSTV, MINPPS, VIPLUS, VIPMIGO	63,698	0.00%	0.00%
SPP Bonus Series 3	13,342	0.00%	0.00%
SPP Bonus Series 4	31,310	0.00%	0.00%

AMPUK Pension Participation Pool (4)

Bonus Series	31.12.2013 Mathematical reserve £000	31.12.2013 reversionary bonus %	31.12.2012 reversionary bonus %
AMPUK Pensions: DK, DL (PB post 1/1/87), EBS	55,674	0.00%	0.00%
AMPUK Pensions: PAC	15,807	0.00%	0.00%
Deposit Administration GKA	11,299	1.80%	2.10%

Unitised With Profit Pension Participation Pool (5)

Bonus Series	31.12.2013 Mathematical reserve £000	31.12.2013 reversionary bonus %	31.12.2012 reversionary bonus %
UWP Pension	7,666	2.5%/5%	2.5%/5%

Notes:

1. The asset shares in these participation pools are invested in the Active (Excluding AMP) Block (see note 4801).
2. The asset shares in these participation pools are invested in the Active (AMP) Block (see note 4801).
3. The asset shares in these participation pools are invested in the Passive (Cash Bonus) Block (see note 4801).
4. The asset shares in these participation pools are invested in the Passive (Pensions) Block (see note 4801).
5. The asset shares in the unitised with profit participation pools are invested in the UWP Block (see note 4801).
6. Super compound bonus rates are shown as rates applied to the basic sum assured / bonus sum assured.
7. Reversionary Bonus for Deposit Admin GKA was for 31.12.2013 is an interim bonus.

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

PLAL Non Profit Fund

3 DISCRETIONARY CHARGES AND BENEFITS

(1) Application of Market Value Reduction

Not Applicable

(2) Premiums on Reviewable Protection Policies

Policies previously written in Pearl Assurance Ltd

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

Policies previously written in London Life Limited

There have been no changes to premiums on reviewable protection policies during the financial year.

(3) Non Profit deposit administration contracts

No policies have been sold in this category.

(4) Service Charges on Linked policies

Policies previously written in Pearl Assurance Ltd

Not Applicable

Policies previously written in London Life Limited

Policy fees on linked policies increased on 1 January 2014, in line with the Retail Price Index increases from September 2012 to September 2013, an increase of 3.2%.

(5) Benefit Charges on Linked Policies

Policies previously written in Pearl Assurance Ltd

Not Applicable

Policies previously written in London Life Limited

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

(6) Accumulating With Profits Charges

Not Applicable

(7) Unit Pricing for Internal Linked Funds

Policies previously written in Pearl Assurance Ltd

Not Applicable

Policies previously written in London Life Limited

(a) Units are of two types – net capital and net accumulation. The following method is applied to both types of units.

- (i) The creation or cancellation of units in the internal linked funds is performed at unrounded bid price values. This ensures that unit prices are unaffected by the creation or cancellation of units and that the interests of unit-holders not taking part in a unit transaction are unaffected by that transaction.
- (ii) Base prices are derived from the internal fund valuations, which are adjusted for fund specific charges. Increasing the base price by the bid-offer spread and rounding to the higher tenth of a penny gives the “offer price”. The “bid price” is the base price rounded to the lower tenth of a penny, except for the former AMP (UK) business, on which the “bid price” is rounded to the higher tenth of a penny.
- (iii) The asset values of the internal linked funds are calculated on a “bid” basis as the expected cash flows are negative for all asset categories. The valuation includes the income since the last valuation and, in Life funds, allowances for tax on income and realised and unrealised capital gains.
- (iv) The assets of the internal linked funds are valued at noon on each working day. If markets move significantly between noon and 4 pm, allowance for this market movement is made. This market adjustment is made automatically every day for business other than the former AMP (UK) business.

(b) During the financial year there was no time at which different pricing bases applied to different policies.

(c) A mid-market price applies to the collective investment schemes, although this price may swing up or down if the net transactions on any trading day exceed a set threshold. The time on each working day at which the assets in the internal linked funds are valued is the same as that at which the units in the underlying collective investment schemes are valued.

(8) Tax Deductions From Internal Linked Funds

Policies previously written in Pearl Assurance Ltd

Not Applicable

Policies previously written in London Life Limited

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

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)	20%	19.50%	20%	19.50%
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				
Equity (Collective)	20%	19.50%	20%	19.50%
Equity (Collective Investment Scheme Holdings) accruals for realised gains and losses are settled annually. Accruals for unrealised gains and losses are cleared at the end of each financial year under the "deemed disposal" regime. The tax rate used for this purpose at the end of 2013 was 19.5%.				

The tax treatment of Life unit linked funds (formerly the London Life Linked Assurance policies) reinsured to the Phoenix Life Limited Non Profit Fund follows the tax treatment in that company.

(9) Tax Provisions For Internal Linked Funds

Policies previously written in Pearl Assurance Ltd

Not Applicable

Policies previously written in London Life Limited

See (8) above.

(10) Discounts On Unit Purchases

Policies previously written in Pearl Assurance Ltd

Not Applicable

Policies previously written in London Life Limited

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

4 VALUATION BASIS (OTHER THAN FOR SPECIAL RESERVES)

(1) Valuation Methods

Policies previously written in Pearl Assurance Ltd

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. Where appropriate the mathematical reserves include additional amounts for future expenses, options and guarantees and rider benefits such as waiver of premium benefit.

INDEX LINKED BUSINESS

Mathematical reserves have been determined using a gross premium method.

Policies previously written in London Life Limited

The general principles and methods adopted in the valuation are:

NON-LINKED BUSINESS

Mathematical reserves have been determined using a gross premium method, or a method at least as strong as a gross premium method, except for the classes of business mentioned below. Where it has been considered appropriate to do so, the mathematical reserves include additional amounts for future expenses and options and guarantees.

A prospective method of valuation has not been used for the following non-linked contracts:

- For Group Life and Group Reversionary Assurance business, the liability was determined as the unexpired risk at the valuation date plus an allowance for expenses.
- For Deposit Administration business, the liability was determined as the accumulation, with earned interest, of the premiums, after providing for expense charges and the cost of any group life benefits.
- Certain miscellaneous policies for which approximate mathematical reserves of adequate amount have been made.

Specific modification has been made to the gross premium method for:

- Policies issued with an addition to the age for extra risks are valued at the increased age.

For 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.

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 London Life With Profit Fund and the unit reserve is reinsured into the PLAL Non Profit Fund, where the funds' management charge arises and which prudently more than covers the related investment fees. The per-policy expenses arise in the with profit fund and there is no income to offset against these costs, thus the non-unit reserve is calculated without allowance for management fee income on the funds under management or for investment management fees on those funds.

For Investment Linked Managed Fund, Investment Linked Managed Pension Fund, and Investment Linked Guaranteed Pension Fund business, for which the contributions are applied in the purchase of units in an internal linked fund, the following method was used:

- For Capital and Accumulation Units, sufficient Asset Units are held to ensure that their value is at least equal to the surrender Cash Value (or Early Retirement Benefit Value) of the Units allocated to the contract at the valuation date.

(2) Valuation Interest Rates

Policies previously written in Pearl Assurance Ltd

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

Product Group	2013	2012	Product Code
Conventional General Annuity pre 1992	3.23%	2.55%	390, 395, 400
Conventional Life Assurances	2.51%	2.24%	300, 325, 435
Yearly Renewable Term Assurances	3.08%	3.33%	325, 435
Conventional Pensions Immediate Annuities (Direct and Reinsurance Accepted from other than NP Life)	3.34%	2.95%	400
Reinsurance Accepted from NP Life Immediate Annuities	3.34%	2.95%	400
Conventional Pensions Immediate Annuities – index linked	3.50%	2.57%	905
Reinsurance Accepted from NP Life Immediate Annuities – index linked	3.50%	2.57%	905

Policies previously written in London Life Limited

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

Product Group	2013	2012	Product Code
Immediate annuities	2.58%	2.55%	395, 905
Pension deferred annuities	3.39%	2.51%	390
Life deferred annuities	2.56%	2.45%	390
AMPUK Life unit linked	0.25%	0.40%	700, 715, 795
Level immediate annuities	3.34%	2.95%	400
Index-linked immediate annuities	3.50%	2.57%	905
AMPUK Pension unit linked	0.25%	0.40%	725, 745
Policies on maturity	3.12%	2.15%	390
Deferred Annuities	3.35%	2.45%	390

(3) Risk Adjustments

Approved Securities

No risk adjustments are applied to UK gilts. For other approved securities, no reduction was applied other than a yield deduction on sovereign debt rated below AAA, or sovereign debt rated AAA but notched downwards to below AAA in line with the description for other securities below.

Other securities

A deduction was applied to the yield on an individual stock by stock basis to allow for the risk of default. The individual stock risk margins were calculated as a long term average default rate plus an additional allowance for short-term factors and expected deviations from the historic average.

The long term average default rates (in basis points), net of an allowance for recovery on default, were:

Credit Rating	Standard (non-subordinated) Debt		
	Term		
	5 year	10 year	20 year
AAA	4.2	11.7	13.6
AA	21.4	33.8	46.5
A	35.2	48.9	63.0
BBB	79.2	96.1	109.4
BB	253.7	260.3	254.9
B	564.2	484.9	390.6

A number of different techniques were then employed to arrive at an additional haircut, namely:

- Stocks were 'notched' downwards where the credit rating was considered to be inappropriate (after analysis of the current market spread and other factors).
- For bank subordinated debt the haircut was based on the rating of senior debt issued by the borrowing company, with an assumption of nil recovery on default. If a materially more onerous result was obtained by the standard approach described above then the standard approach was adopted for bank subordinated debt. This assessment was performed at an aggregated portfolio level; for this fund, bank subordinated debt adopted the rating of senior debt issued by the borrowing company.
- For corporate bonds rated below B no value was taken for the yield.
- For investments in secured loans, a different assumption is made for recovery rate on default, leading to different assumed default rates .

For sovereign debt, the above principles were also applied. Where a sovereign debt holding was rated A or below, or where notching was applied to treat the holding as being rated A or below, default allowances were as per the table above. For sovereign debt holdings rated AA, or notched to AA, default allowances were one-third of those indicated in the above table. For sovereign debt holdings rated AAA no default allowance was made.

The adjustments described in this section are in addition to the 2.5% required by the regulations.

(4) Mortality Basis

Policies previously written in Pearl Assurance Ltd

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

Product Group	2013		2012		Product Code
	Male	Female	Male	Female	
Conventional Life Assurances	116% AMC00	116% AFC00	116% AMC00	116% AFC00	300, 435
Conventional General Annuity Immediate Annuities	109.2% RMV00 Improvements CMI_2012 ⁽⁴⁾	106.8% RFV00 Improvements CMI_2012 ⁽⁴⁾	109.2% RMV00 Improvements CMI_2009 ⁽¹⁾	106.8% RFV00 Improvements CMI_2009 ⁽¹⁾	395, 400
Conventional Non Profit in deferment	97% AMC00	97% AFC00	97% AMC00	97% AFC00	390
Conventional Non Profit post vesting	109.2% RMV00 Improvements CMI_2012 C2031 ^{(4) (5)}	106.8% RFV00 Improvements CMI_2012 C2031 ^{(4) (5)}	109.2% RMV00 Improvements CMI_2009 C2028 ^{(1) (2)}	106.8% RFV00 Improvements CMI_2009 C2026 ^{(1) (2)}	390
Term Assurance non-YRT	122% AMC00 ⁽³⁾	122% AFC00 ⁽³⁾	122% AMC00 ⁽³⁾	122% AFC00 ⁽³⁾	325, 435
Yearly Renewable Term Assurances (non-smoker)	60% AM80	60% AF80	60% AM80	60% AF80	325
Yearly Renewable Term Assurances (smoker)	120% AM80	120% AF80	120% AM80	120% AF80	325
Conventional Pensions Immediate Annuities (Direct and Reinsurance Accepted from other than NPLL, London Life With Profit and SERP)	109.2% RMV00 Improvements CMI_2012 ⁽⁴⁾	106.8% RFV00 Improvements CMI_2012 ⁽⁴⁾	109.2% RMV00 Improvements CMI_2009 ⁽¹⁾	106.8% RFV00 Improvements CMI_2009 ⁽¹⁾	400, 905
Conventional Non Profit in deferment	97% AMC00	97% AFC00	97% AMC00	97% AFC00	390, 435
Conventional Non Profit post vesting	109.2% RMV00 Improvements CMI_2012 C2031 ^{(4) (5)}	106.8% RFV00 Improvements CMI_2012 C2031 ^{(4) (5)}	109.2% RMV00 Improvements CMI_2009 C2028 ^{(1) (2)}	106.8% RFV00 Improvements CMI_2009 C2026 ^{(1) (2)}	390, 435
Term Assurance non-YRT	122% AMC00 ⁽³⁾	122% AFC00 ⁽³⁾	122% AMC00 ⁽³⁾	122% AFC00 ⁽³⁾	325
Yearly Renewable Term Assurances (non-smoker)	60% AM80	60% AF80	60% AM80	60% AF80	325
Yearly Renewable Term Assurances (smoker)	120% AM80	120% AF80	120% AM80	120% AF80	325
Reinsurance Accepted from NPLL Immediate Annuities	99.7% RMV00 Improvements CMI_2012 ⁽⁴⁾	96.9% RFV00 Improvements CMI_2012 ⁽⁴⁾	99.7% RMV00 Improvements CMI_2009 ⁽¹⁾	96.9% RFV00 Improvements CMI_2009 ⁽¹⁾	400, 905
Vestings from London Life With Profit Fund Immediate Annuities	87.8% PMA00 Improvements CMI_2012 ⁽⁴⁾	85.5% PFA00 Improvements CMI_2012 ⁽⁴⁾	87.8% PMA00 Improvements CMI_2009 ⁽¹⁾	85.5% PFA00 Improvements CMI_2009 ⁽¹⁾	400, 905
Vestings from SERP Immediate Annuities	90.2% RMV00 Improvements CMI_2012 ⁽⁴⁾	96.9% RFV00 Improvements CMI_2012 ⁽⁴⁾	85.5% RMV00 Improvements CMI_2009 ⁽¹⁾	96.9% RFV00 Improvements CMI_2009 ⁽¹⁾	400, 905

Notes:

1. CMI 2009 improvements 3.25% for ages up to age 60, reducing linearly down to 0% at age 120.
2. CMI Uses C = 2028 for Males and C = 2026 for Females, chosen to approximate U = 2011
3. The basis uses an average scaling % factor to give a prudent margin of 5% in aggregate over both the Non-Smoker and Smoker sub-groups of the product group.
4. CMI 2012 improvements 2.5% for ages up to age 75, reducing linearly down to 0% at age 120.
5. CMI Uses C = 2031 for both Males and Females, chosen to approximate U = 2013

Policies previously written in London Life Limited

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

Product Group	2013		2012		Product Code
	Male	Female	Male	Female	
AMPUK Life unit linked	100% A67-70 Ult	100% A67-70 Ult – 4 yrs	100% A67-70 Ult	100% A67-70 Ult – 4 yrs	700, 715, 795
Immediate Annuities	87.8% PMA00 Improvements CMI_2012_M ⁽³⁾	85.5% PFA00 Improvements CMI_2012_F ⁽³⁾	87.8% PMA00 Improvements CMI_2009_M ⁽¹⁾	85.5% PFA00 Improvements CMI_2009_F ⁽¹⁾	395
Deferred Annuities (pre-vesting)	100% A67-70 Ult - 4 yrs	100% A67-70 Ult - 8 yrs	100% A67-70 Ult - 4 yrs	100% A67-70 Ult - 8 yrs	390
Deferred Annuities (post-vesting)	87.8% PMA00 Improvements CMI_2012_M C2033 ^{(3) (4)}	85.5% PFA00 Improvements CMI_2012_F C2036 ^{(3) (4)}	87.8% PMA00 Improvements CMI_2009_M C2032 ^{(1) (2)}	85.5% PFA00 Improvements CMI_2009_F C2036 ^{(1) (2)}	390
Immediate Annuities	87.8% PMA00 Improvements CMI_2012_M ⁽³⁾	85.5% PFA00 Improvements CMI_2012_F ⁽³⁾	87.8% PMA00 Improvements CMI_2009_M ⁽¹⁾	85.5% PFA00 Improvements CMI_2009_F ⁽¹⁾	400
Deferred Annuities (pre-vesting)	100% A67-70 Ult - 4 yrs	100% A67-70 Ult – 8 yrs	100% A67-70 Ult - 4 yrs	100% A67-70 Ult – 8 yrs	390
Deferred Annuities (post-vesting)	87.8% PMA00 Improvements CMI_2012_M C2033 ^{(3) (4)}	85.5% PFA00 Improvements CMI_2012_F C2036 ^{(3) (4)}	87.8% PMA00 Improvements CMI_2009_M C2032 ^{(1) (2)}	85.5% PFA00 Improvements CMI_2009_F C2036 ^{(1) (2)}	390
AMPUK Pensions unit linked	100% A67-70 Ult	100% A67-70Ult - 4yrs	100% A67-70 Ult	100% A67-70Ult - 4yrs	725, 745

- Where appropriate, additional reserves for extra mortality from AIDS are established.
- The additional reserves are calculated assuming an 17% of Projection R in the fourth report of the Institute of Actuaries AIDS Working Party
- These will apply to male lives only and is included within the reserves for relevant product lines.

Notes:

1. CMI 2009 improvements 3.25% for ages up to age 60, reducing linearly down to 0% at age 120.
2. CMI Uses C = 2032 for Males and C = 2036 for Females, chosen to approximate U = 2012.
3. CMI 2012 improvements 2.5% for ages up to age 75, reducing linearly down to 0% at age 120.
4. CMI Uses C = 2033 for Males and C = 2036 for Females, chosen to approximate U = 2013.

Policies previously written in Pearl Assurance Ltd

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

Product Group	Annuities in payment	
	Age 65	Age 75
Conventional General Annuity Immediate Annuities	23.1	14.0
Conventional Pensions Immediate Annuities (Direct and Reinsurance Accepted from other than listed below)	23.1	14.0
Reinsurance Accepted from NPLL Immediate Annuities	23.9	14.6
Vestings from London Life With Profit Fund Immediate Annuities	25.3	15.6
Vestings from SERP Immediate Annuities	24.7	15.3

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

Product Group	Annuities in payment	
	Age 65	Age 75
Conventional General Annuity Immediate Annuities	26.5	16.6
Conventional Pensions Immediate Annuities (Direct and Reinsurance Accepted from other than listed below)	26.5	16.6
Reinsurance Accepted from NPLL Immediate Annuities	27.2	17.2
Vestings from London Life With Profit Fund Immediate Annuities	27.5	17.6
Vestings from SERP Immediate Annuities	27.2	17.2

Policies previously written in London Life Limited

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

Product Group	Annuities in payment		Deferred annuities: life expectation at age 65	
	Age 65	Age 75	Age 45	Age 55
Life Deferred Annuities			28.3	26.8
Life Immediate Annuities	25.3	15.6		
Pensions Deferred Annuities			28.3	26.8
Pensions Immediate Annuities	25.3	15.6		

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

Product Group	Annuities in payment		Deferred annuities: life expectation at age 65	
	Age 65	Age 75	Age 45	Age 55
Life Deferred Annuities			30.5	29.0
Life Immediate Annuities	27.5	17.6		
Pensions Deferred Annuities			30.5	29.0
Pensions Immediate Annuities	27.5	17.6		

(5) Morbidity Basis

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

(6) Expenses

Policies previously written in Pearl Assurance Ltd

The expense bases are as follows:

NON LINKED BUSINESS

Product Group	2013 £pa	2012 £pa	Code
Life Immediate Annuities	53.95	51.57	400
Pensions Immediate Annuities Pre March 2018	29.79	28.00	400
Pensions Immediate Annuities Post March 2018 (1)	53.95	51.57	400
Life Term Assurance and Conventional Non Profit	62.66	60.01	300
Pensions Term Assurance and Conventional Non Profit	53.95	51.57	325

Note:

- 1 This is the expense assumption to be used post 2018 to allow for the agreement that PLAL has in place with Pearl Group Services Ltd.

The expenses on life business are netted down for tax at 20%.

Gross Investment expenses

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

Product Group	2013	2012
	Bp	Bp
Life business	10	10
Pension business	9	9

Policies previously written in London Life Limited

The expense bases are as follows:

NON LINKED BUSINESS

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

Product Group	2013	2012	Product
	£pa	£pa	Code
Pension Immediate Annuities	24.20	27.83	400
Level term assurance	12.10	13.97	325
Decreasing term assurance	12.10	13.97	330

The expenses on life business are netted down for tax at 20%.

LINKED BUSINESS

Product Group	2013	2012	Product
	£pa	£pa	Code
Life property linked endowment	27.17	31.24	715
Individual pension property linked	27.17	31.24	725
Group money purchase pension property linked	27.17	31.24	735

LINKED AND NON-LINKED BUSINESS

Gross Investment expenses

Investment expenses have been allowed for through a reduction to the valuation interest rates (but see note 1 below for unit linked business). The table below sets out the basis point reductions applied:

Product Groups	2013	2012
	bps	bps
All life conventional business	10	10
All life unit linked business ⁽¹⁾	31	84
All pension conventional business	9	9
All pension unit linked business ⁽¹⁾	31	38

Note:

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

(7) Unit Growth Rates and Expense Inflation

Policies previously written in Pearl Assurance Ltd

NON LINKED BUSINESS

Inflation rates for expenses and policy charges were as follows:

Description	2013	2012
Life Expense inflation	3.5%	2.9%
Pensions Expense inflation	4.1%	3.4%

Policies previously written in London Life Limited

LINKED BUSINESS

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

Product Group	Unit Growth Rate (% p.a.)	
	2013	2012
AMP Unit Linked Pension	3.70%	2.55%
AMP Unit Linked Life	3.55%	2.50%

LINKED AND NON-LINKED BUSINESS

Inflation rates for expenses and policy charges were as follows:

Description	2013	2012
Expense inflation	4.10%	3.70%
Policy fee inflation	2.80%	2.10%

(8) Future Bonus Rates

Not applicable.

(9) Persistency Assumptions

Policies previously written in Pearl Assurance Ltd

A summary of the surrender, lapse and paid-up assumptions is as follows:

Product ⁽¹⁾ ⁽²⁾ ⁽³⁾	Lapse assumptions for the policy years									
	1	2	3	4	5	6	7	8	9	10+
Level term	8%	8%	8%	8%	8%	8%	8%	8%	8%	8%
Decreasing term	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%

Notes:

1. This table gives the persistency assumptions used in the valuation for the products specified in the instructions in IPRU (INS) for paragraph 4(9) of Appendix 9.4 where either the gross mathematical reserves or the gross annual premiums exceed the lesser of £10m and 1% of the total gross mathematical reserves.
2. Where alternative bases are used for the same product, the basis shown is that which is used by at least 50% of the business for that product.
3. The above rates are for policies that are not currently making automatic withdrawals. For policies that are currently making automatic withdrawals the current rate is assumed to remain unchanged.

Policies previously written in London Life Limited

Surrender/Lapse Rates

No allowance is made for surrender and lapse rates.

Paid up Rates

No allowance is made for policies being made paid up other than for non-linked calculations in respect of regular premium accumulating with-profits and unit linked business.

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

(10) Other Material Assumptions

Retirement Rates

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

Age Attained	2013	2012
60	27%	27%
61	7%	7%
62	6%	6%
63	6%	6%
64	12%	12%
65	67%	67%
66	18%	18%
67	12%	12%
68	12%	12%
69	11%	11%
70	16%	16%
71	11%	11%
72	6%	6%
73	5%	5%
74	24%	24%
75	100%	100%

Tax Rates

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

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

Type of business	2013	2012
UK Life – UK dividend income	0%	0%
UK Life – other income	20%	0%
UK Pension – overseas dividend income	0%	0%
UK Pension – other income	0%	0%

(11) Allowance for Derivatives

The funds hold a number of swap contracts, some of which are used to determine valuation rates of interest.

No other allowance has been made for derivative contracts in determining the amount of the long-term liabilities.

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

There have been no changes since the previous valuation

5 OPTIONS AND GUARANTEES

Not Applicable.

6 EXPENSE RESERVES

(1) Aggregate Expense loadings

Policies previously written in Pearl Assurance Ltd

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

Homogeneous risk group	Implicit allowances £m	Explicit allowances (investment) £m	Explicit allowances (other) £m	Non-attributable expenses £m	Total £m
Other	0	1	8	1	10
Total	0	1	8	1	10

Policies previously written in London Life Limited

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

Explicit per policy expense loading.....	£ 0.9 million
Allowance for investment management expenses.....	£ 1.1 million

No other significant expense reserves are held.

There are no significant non-attributable expenses.

(2) Implicit Allowance

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

(3) Form 43 Comparison

The amount of expense loadings expected to arise in the next 12 months is different from the maintenance expenses shown on Form 43. This is mainly due to one-off project expenses that were incurred in 2013.

(4) New Business Expense Overrun

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

(5) Maintenance Expense Overrun

No maintenance expense overrun reserve is held.

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

The MSA with Pearl Group Services Ltd is structured on a fixed cost per policy per annum. Pearl Group Services Limited has engaged Diligenta, a UK based and FSA regulated subsidiary of Tata Consulting Services Limited, to implement the outsource of processing and administration work which gives London Life Ltd certainty over the majority of the cost base into the future, especially in relation to economies of scale and fixed costs.

As Phoenix Life Assurance Ltd does not write new business, other than for increments and internal commencements, no reserve is held for discontinuance costs, or the valuation strain or expense overrun from the writing of new business.

(6) Non-attributable expenses

Policies previously written in Pearl Assurance Ltd

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

Policies previously written in London Life Limited

There are no non-attributable expenses.

7 MISMATCHING RESERVES

(1) Analysis of Reserves by Currency

The mathematical reserves are denominated in sterling. There are sufficient sterling assets to cover mathematical reserves. There is a premium withheld arrangement of £1,776m included in line 23 of Form 14 where the liabilities are equal to the value of the assets and the assets contain £392m worth of assets in USD and £228m worth of assets in Euro.

(2) Other Currency Exposures

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

(3) Currency Mismatching Reserves

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

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

Not applicable – see 7(3).

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

Not applicable – see 7(3).

(6) Resilience Capital Requirement

Not applicable

(7) Additional Reserves Arising From INSPRU 1.1.34(2)(R)

No additional reserve is held.

8 OTHER SPECIAL RESERVES

Opal mortality basis provision

A £5m reserve is held to cover the cost of future mortality basis strengthening on annuities reassured to Opal Re. This is driven by a clause in the reinsurance treaty.

9 REINSURANCE

(1) Facultative Reinsurance

No reinsurance has been ceded on a facultative basis to reinsurers who are not authorised to carry on business in the United Kingdom. No deposit back arrangement exists.

(2) Reinsurance Treaties

The following table shows the principal reinsurance treaties used:

Reinsurer	Nature and Extent of the Cover	Premium £m	Premium withheld £m	Closed to New Business?	Amount of Undischarged Obligation	Mathematical Reserves Ceded £m	Retention by the Insurer
Opal Reassurance Ltd	Liability to pay the Basic Annuity.	0	1,776	Yes	Nil	1,582	Nil
Phoenix Life Limited Non Profit Fund	100% reinsurance of unit-linked liabilities	Nil	Nil	No	Nil	12	Nil

Opal Reassurance Ltd

- l) Opal Reassurance Limited is not authorised to carry on insurance business in the United Kingdom
- m) Opal Reassurance Limited is part of the Phoenix group of companies.
- n) There are no material contingencies, such as credit risk or legal risk, to which the treaty is subject.
- o) No provision has been made for any liability of the insurer 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) N/A, as the arrangement with Opal Reassurance Limited is not a financing arrangement.

10 REVERSIONARY (OR ANNUAL) BONUS

Not Applicable.

APPENDIX 9.4A

PHOENIX LIFE ASSURANCE LIMITED

Abstract of Valuation Report for Realistic Valuation

1. Introduction

(1) Valuation Date

The valuation date is 31 December 2013.

(2) Previous Valuation

The previous valuation date was 31 December 2012.

(3) Interim Valuations

An interim valuation was carried out at 30 June 2013.

APPENDIX 9.4A

PEARL WITH-PROFITS FUND

2. Assets

(1) Economic Assumptions For Valuing Non-Profit Business

The economic assumptions for non-profit products are as follows:

	Current valuation	Previous valuation
Gross investment return	See below	See below
Risk discount rate	See below	See below
RPI inflation	3.30%	2.60%
Expense inflation	3.10%	3.20%

The value of future profits on non-profit products was calculated by assuming risk free rates of investment return and discount rates. These were based on a zero coupon gilt yield curve plus 10 basis points as at the valuation date.

Earned rates of return were assumed to be annual forward yields derived from the curve, net of tax and investment expenses.

The risk free yield curves (gilt yield curve plus 10 basis points) were:

Term (years)	Risk free rate %	
	Current valuation	Previous valuation
1	0.51	0.32
2	0.90	0.43
3	1.31	0.60
4	1.72	0.80
5	2.08	1.01
6	2.41	1.22
7	2.69	1.43
8	2.94	1.63
9	3.14	1.82
10	3.32	1.99
12	3.57	2.31
15	3.79	2.70
20	3.92	3.18
25	3.93	3.49

(2) Amount Determined Under INSPRU 1.3.33(2)(R)

Not applicable.

(3) Valuation Of Contracts Written Outside The Fund

Not applicable.

(4) Different Sets Of Assumptions

Not applicable.

(5) De Minimis Limit

Not applicable.

3. With-Profits Benefit Reserve Liabilities

(1) Calculation Of With-Profits Benefits Reserve

The table below shows the methods used to calculate the with-profits benefits reserve.

Table of Retrospective and Prospective Methods Used to Calculate the With-Profits Benefits Reserve (£m)			
Product Class	Method used to calculate With-Profits Benefit Reserve	With-Profits Benefits Reserve	Future Policy Related Liabilities
Conventional With-Profits Industrial Branch business	Retrospective – asset shares	156	101
Conventional With-Profits Ordinary Branch Life business	Retrospective – asset shares ¹	497	182
Conventional With-Profits Ordinary Branch Pensions business	Retrospective – asset shares ¹	526	543
Direct Unitised Accumulating With-Profits Personal Pensions business	Retrospective – asset shares	2,550	631
Direct Unitised Accumulating With-Profits business other than Personal Pensions	Retrospective – shadow fund	720	192
Reassurance Accepted Unitised Accumulating With-Profits business	Retrospective – shadow fund	153	10
Reassurance Accepted With-Profits Pension Annuity business	Retrospective – shadow fund ²	60	0
Other business	Not applicable	0	491
Total		4,662	2,148

¹ Asset shares are not calculated for some paid-up policies and the with-profits benefits reserve for such policies is the regulatory reserve.

² The with-profits benefits reserve for annuity business reinsured from London Life is set to the regulatory reserve.

(2) Correspondence With Form 19

The with-profits benefits reserve and future policy related liability figures in the above table represent the totals in Form 19.

(3) With-Profits Benefits Reserves below De Minimis Limit

Not applicable.

(4) Types Of Products

Not applicable.

4. With-Profits Benefits Reserve – Retrospective Method

(1) Retrospective Methods

- (a) The with-profits benefit reserve for all business other than Industrial Branch business is calculated on an individual basis. This amounts to 96.6% of the total with-profits benefit reserve.
- (b) The with-profits benefit reserve for Industrial Branch business is calculated on a grouped basis. This amounts to 3.4% of the total with-profits benefit reserve.
- (c) (i) Contracts are grouped at homogeneous premium series level and premium paying status and then grouped either by year of entry and year of birth for whole life policies or by year of entry and five year term bands for endowment policies.
- (ii) The total number of Industrial Branch with-profits contracts included in the model at 31 December 2013 was 163,177. These contracts were grouped into a total of 2,581 model points.
- (iii) The effect of any grouping was tested by comparing the number of contracts, total with-profits benefits reserves, total office premiums and total guaranteed benefits at product line level.

(2) Significant Changes To Valuation Method

- (a) Following an investigation carried out during 2013, the fund now assumes that a large number of in force whole of life policies at each age will never result in a claim as death has already occurred and no claim has been made or future claims will not be made. At this valuation the fund has applied write-off factors to allow for this and reserves have been released as a result. There have been no other significant changes in the method of calculating the with-profits benefits reserve.
- (b) Not applicable.

(3) Expense Allocation

- (a) As maintenance expenses are defined in the Management Service Agreement, an expense investigation is not necessary.

Expenses consist of:

- Defined per policy maintenance and annual management charges from a Service Management Agreement,
- Project costs,
- Direct costs such as regulatory costs, and
- Investment management expenses.

Project and direct costs are calculated each year based on the costs incurred.

Investment management expenses are charged directly based on an Investment Management Fee Agreement.

- (b) Not applicable.
- (c) (i) No expenses were identified as initial expenses.

(ii)

Expenses Allocated to With-Profits Benefits Reserve during 2013	
Expense Type	Amount (£m)
Initial expenses	0.0
Maintenance expenses ¹	36.5
Investment expenses	10.1
Total expenses	46.6

¹ Service company charges, plus project and direct costs of £2.1m less payments of £0.7m received for an expense inflation hedge.

(iii) For product lines with the with-profit benefits reserve calculated using “retrospective asset shares”, other than Personal Pensions business the expenses charged to individual with-profits benefit reserves are for maintenance expenses expressed as annual management charges (maintenance expenses were expressed as per policy amounts up to the end 2007), and for investment management expenses expressed as a percentage of funds under management.

For business calculated using “retrospective – shadow fund”, an allowance for expenses is made through an annual management charge expressed as a percentage of the fund.

(iv) Investment expenses on assets needed to cover the excess of the realistic liabilities over and above the with-profits benefits reserve (i.e. not deducted from the with-profits benefits reserve) were valued at £8.5m.

(4) Significant Charges

In 2007 the Liability Management Project introduced measures to de-risk the estate and hence increase the amount of estate available for distribution to policyholders. The measures included the transfer of the risks arising from:

- the costs of guarantees (other than those in connection with the Mortgage Endowment Promise or pensions misselling), and
- the costs of smoothing from the estate to the asset shares.

The adjustments to asset shares arising from this transfer of risks can be in the form of credits added to or charges deducted from the relevant asset shares. The guarantee and smoothing adjustments applied in 2013 are shown in the following tables:

Guarantee Adjustments Applied to Asset Shares in 2013¹		
Date Applied	IB	OB
01-Jan-13	0.98%	0.00%
01-Jul-13	1.00%	0.39%

Smoothing Adjustments Applied to Asset Shares in 2013¹		
Date Applied	IB	OB
01-Jan-13	-0.027%	0.016%
01-Jul-13	0.001%	0.018%

¹ A positive percentage reflects a credit to asset shares whilst a negative percentage reflects a charge to asset shares.

The guarantee and smoothing adjustments applied in 2012 are shown in the following tables:

Guarantee Adjustments Applied to Asset Shares in 2012¹		
Date Applied	IB	OB
01-Jan-12	0.73%	0.79%
01-Jul-12	-0.79%	-1.00%

Smoothing Adjustments Applied to Asset Shares in 2012¹		
Date Applied	IB	OB
01-Jan-12	-0.280%	-0.005%
01-Jul-12	-0.086%	0.020%

¹ A positive percentage reflects a credit to asset shares whilst a negative percentage reflects a charge to asset shares.

(5) Charges For Non-Insurance Risk

For Direct Unitised Accumulating with-profits business other than Personal Pensions, a periodical management charge is made to the asset shares, where the charge is as described in Appendix 9.4 for the relevant product.

For Reassurance Accepted Unitised Accumulating with-profits business, the same charging structure is applied to the shadow fund as to the unit fund.

(6) Ratio Of Claims To Reserve

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

Average Claim Payout Ratio (%)	
Year	Payout Ratio
2013	116%
2012	110%
2011	109%
2010	116%
2009	118%
2008	109%

The previous table shows a best estimate of the payout ratio for with-profits business for the period based on claims paid, including any guarantee costs. It should be noted that individual payout ratios will differ to this depending on the product and timing of claim.

(7) Allocated Return

The investment return (before tax and expenses) allocated to the with-profits benefits reserve for with-profits business during 2013 was 7.89%.

5. With-Profits Benefits Reserve – Prospective Method

(1) Key Assumptions

Not applicable.

(2) Different Sets Of Assumptions

Not applicable.

6. Costs of Guarantees, Options and Smoothing

(1) De Minimis Limit

Not applicable.

(2) Valuation Methods For Guarantees etc.

(a) The cost of all significant guarantees, options and smoothing have been valued using a full stochastic approach.

(b) (i) Not Applicable.

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

(iii) Contracts are grouped by product group and premium series, issue year and quinquennial bands by original term and issue age (where necessary). The total number of with-profits contracts included in the model at 31 December 2013 was 750,806 (comprising 506,151 pension contracts and 244,655 life contracts). These contracts were grouped into a total of 8,869 model points (comprising 2,009 pensions and 6,860 life).

The total number of contracts, total with-profits benefits reserves, total office premiums and total guaranteed benefits for the grouped and ungrouped data were compared at product line level.

(c) Not applicable.

(3) Significant Changes

Planned deductions from the with-profits benefit reserve are no longer being modelled dynamically at 31 December 2013. This is a change from the previous valuation. This change primarily affects the planned deductions and planned enhancements elements of future policy related liabilities. As a result of the change planned deductions from the with-profits benefit reserve have reduced by £240m.

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

(4) Further Information on Stochastic Approach

(a) (i) The main guarantees, options and smoothing valued are:

- Basic benefit guarantees, e.g. the sums assured and attaching reversionary bonuses for conventional with-profits business and the unit fund for accumulating with-profits business payable on death or maturity for a whole life or endowment or deferred annuity.

- Annuity rate guarantees on certain self employed deferred annuities and some other deferred annuity policies, i.e. a guaranteed annuity rate specified in the contract that can be applied at retirement to convert the cash benefits provided by the contract into annuity benefits. Generally, these annuity rate guarantees are in-the-money.
- Guaranteed minimum pensions (GMP) on Freedom Bond conventional pensions policies that resulted from transfers from contracted out schemes. This guarantee is that the pension provided at retirement is at least above a certain level. Generally, these guaranteed minimum pensions are in-the-money.
- The Mortgage Promise made to certain mortgage endowment policies. Generally, this promise is in-the-money.
- Guaranteed surrender values on direct unitised accumulating with-profits business, where the policyholder receives the unit fund less a surrender penalty on surrender, and where no MVA is applicable. Generally, these guaranteed surrender values are currently in-the-money.
- The cost of smoothing arises due to the policy of constraining the change in payouts from year to year. This acts as a constraint on targeting payouts to 100% of asset share.
- Guarantees in respect of certain Personal Pension policyholders where failure to adhere to the best advice rules may have occurred. This includes guarantees issued by the former Pearl Assurance Ltd and those where they are shared between the former Pearl Assurance Ltd and the former Pearl Assurance (Unit Linked Pensions) Limited business which now forms part of Phoenix Life Limited. Generally, these guarantees are in-the-money.

(ii) The asset models are unchanged in the period from 31 December 2012 to 31 December 2013, and assume 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.
- All equity processes 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.

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

The following tables show the credit spreads over gilts + 10bp and long term volatility targets at 31 December 2013 in basis points:

Corporate Bond Spreads				
Term	AAA	AA	A	BBB
1	4	38	55	124
2	8	47	68	148
3	14	55	80	162
5	26	71	97	173
7	38	82	107	173
10	53	93	115	168
12	61	98	118	164
15	70	103	120	159
17	75	106	121	156
20	81	108	122	152
25	88	110	121	145
30	92	111	120	140

Volatility assumptions for corporate bond spreads (bps)				
Rating	Maturity (years)			
	1	7	10	30
AAA	46	42	37	40
AA	73	67	69	70
A	116	101	95	88
BBB	142	123	112	102

Equity and Property

Five asset classes are modelled as equity-type processes: UK equity index, overseas equity index, UK property index and two hedge fund assets known as “Quant” and “Fundamental”. These are modelled as geometric Brownian motions with stochastic drift, which is equated to the stochastic interest rate.

The Economic Scenario Generator (ESG) asset modelling remains in line with the latest Industry practice for UK equity, employing the Stochastic Volatility Jump Diffusion (SVJD) equity model.

The implied volatility surface used in the calibration is shown below:

		Strike						
	%	0.7	0.8	0.9	1	1.1	1.2	1.3
Maturity	1	23.9	20.5	17.1	14.3	13.2	13.0	13.0
	3	22.0	20.1	18.4	17.0	15.8	15.0	14.4
	5	22.5	21.2	20.0	18.9	17.8	16.9	16.2
	7	23.5	22.4	21.4	20.5	19.7	19.0	18.4
	9	24.5	23.4	22.4	21.6	20.9	20.2	19.7

All other equity type asset classes are modelled using constant volatility. These parameters are shown below:

OS equity volatility	24.83%
Property volatility	30.00%
Quant fund volatility	5.10%
Fundamental volatility	7.00%

The correlations between the log-normal processes are equated to the correlations between asset classes and between changes in risk-free bond yields.

The correlations assumed are as follows:

	UK equities	OS equities	Property	Interest rates	Quant	Funda-mental
UK equities	1	0.9	0.35	-0.10	0.38	0.44
OS equities		1	0.15	-0.10	0.35	0.47
Property			1	-0.10	0.16	0.38
Interest rates				1	-0.33	-0.49
Quant					1	0.61
Fundamental						1

The volatility and correlation assumptions for standard asset classes are derived from Barrie & Hibbert best estimate assumptions. The correlation assumptions for the two hedge fund asset classes, Quant and Fundamental, are those recommended by Ignis.

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(iii) The following table shows the simulated values of specific options and/or contracts.

The table contains the values derived from the same set of 1000 scenarios that are used for the base realistic balance sheet, with the exception that for credit, the AA-rated process is used, not the combined credit process used in the base realistic balance sheet.

		FSA Table											
		0.75				1				1.5			
<i>n</i>	<i>K</i>	5	15	25	35	5	15	25	35	5	15	25	35
<i>r</i>	<i>Duration (n)</i> <i>Annualised compound equivalent</i> <i>of the risk free rate assumed for</i> <i>the period (r)</i>	2.09%	3.79%	3.93%	3.85%	x	x	x	x	x	x	x	x
1	Risk-free zero coupon bond	£901,804	£572,223	£381,093	£266,154	x	x	x	x	x	x	x	x
2	FTSE All Share Index (p=1)	£67,763	£214,246	£322,233	£408,321	£164,984	£357,990	£490,967	£595,922	£522,216	£714,634	£872,584	£999,745
3	FTSE All Share Index (p=0.8)	£63,483	£175,475	£242,095	£288,940	£155,036	£294,863	£372,334	£423,036	£495,292	£594,960	£669,197	£718,158
4	Property (p=1)	£122,843	£263,748	£359,681	£433,385	£259,510	£432,869	£543,528	£627,751	£627,747	£826,072	£946,283	£1,040,075
5	Property (p=0.8)	£115,917	£215,948	£270,713	£307,062	£247,120	£359,703	£414,754	£448,858	£602,530	£697,950	£731,587	£753,350
6	15 year risk free zero coupon bond (p=1)	£16,692	£19,779	£15,795	£21,924	£88,705	£81,632	£87,774	£120,864	£499,278	£500,368	£505,388	£527,710
7	15 year risk free zero coupon bond (p=0.8)	£14,716	£11,828	£6,503	£4,973	£79,631	£46,624	£26,895	£26,353	£468,878	£345,112	£263,011	£228,539
8	15 year risk free bonds (p=1)	£21,270	£30,185	£31,083	£42,489	£97,662	£107,024	£112,761	£141,259	£497,622	£492,879	£493,458	£516,332
9	15 year risk free bonds (p=0.8)	£18,858	£19,060	£13,418	£12,380	£88,278	£66,204	£49,107	£48,117	£467,584	£344,447	£266,119	£237,682
10	Portfolio of 65% FTSE All Share and 35% property (p=1)	£54,296	£179,739	£269,695	£354,938	£159,270	£319,508	£434,885	£532,547	£530,188	£681,645	£812,591	£930,154
11	Portfolio of 65% FTSE All Share and 35% property (p=0.8)	£50,076	£142,937	£196,307	£241,732	£148,383	£257,073	£317,668	£368,990	£503,173	£560,241	£609,841	£650,630
12	Portfolio of 65% equity and 35% 15 year risk free zero coupon bonds (p=1)	£31,937	£121,434	£199,599	£267,593	£115,533	£243,827	£343,272	£429,498	£502,389	£597,157	£704,932	£806,628
13	Portfolio of 65% equity and 35% 15 year risk free zero coupon bonds (p=0.8)	£29,056	£92,536	£139,194	£170,820	£105,851	£187,481	£239,590	£279,901	£473,142	£473,797	£507,378	£540,507
14	Portfolio of 40% equity, 15% property, 22.5% 15 year risk free zero coupon bonds and 22.5% 15 year corporate bonds (p=1)	£20,466	£81,684	£137,619	£191,762	£101,749	£192,887	£266,800	£341,652	£501,847	£555,662	£629,530	£713,631
15	Portfolio of 40% equity, 15% property, 22.5% 15 year risk free zero coupon bonds and 22.5% 15 year corporate bonds (p=0.8)	£18,026	£57,193	£87,189	£109,835	£91,766	£140,673	£172,912	£202,726	£472,343	£426,706	£427,880	£448,825
16	Receiver sw options	10.02%	9.92%	8.13%	6.31%	12.40%	12.22%	9.92%	7.66%	14.52%	14.17%	11.38%	8.73%
		<i>Swap Duration = 15 years</i>				<i>Swap Duration = 20 years</i>				<i>Swap Duration = 25 years</i>			

Notes:

Row zero shows the risk free rate rounded to two decimal places. When deriving the strike for each option we have not used the truncated risk free rate; rather we have used the risk free rate implied by the scenarios.

(iv) Income yields for each asset class are shown in the following table.

Dividend Yields by Asset Class	
Asset Class	Dividend Yield
UK Equity	3.21%
Property	3.55%
OS Equity	2.15%
Quant	0.00%
Fundamental	0.00%

(v) For the purposes of rule 1.3.62 of the INSPRU sourcebook, the US and the Eurozone were the only significant overseas territories. There is no separate asset model for overseas assets and so the simulated prices of the swaptions would be the same as those set out in the table in 6(4)(a) (iii).

(vi) The outstanding term of significant guarantees within material product classes are shown in the following table.

Outstanding term of significant guarantees (years)				
Product Class	GAO / GMP on maturity	Guarantees on maturity	Guarantees on surrender	Mortgage Endowment Promise
Conventional With-profits Life business	N/A	4	N/A	3
Conventional With-profits Pension business	8	8	N/A	N/A
Conventional With-profits Industrial Branch business (endowments only)	N/A	4	N/A	N/A
Non unitised Accumulating With-profits business	N/A	9	N/A	N/A
Direct Unitised Accumulating With-profits business	N/A	8	6	5
Reassurance Accepted Unitised Accumulating With-profits business	N/A	N/A	N/A	N/A

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

Ratio of simulated to market swaption volatilities					
		Swap Length			
		5	10	20	30
Option Maturity	5	94.53%	100.46%	99.32%	98.56%
	10	107.88%	107.80%	103.11%	99.88%
	15	102.17%	102.79%	100.47%	98.01%
	20	91.36%	92.49%	93.05%	92.80%

This table demonstrates that the scenarios can be used to reproduce market volatilities. The observed errors are relatively small in the calibration range of length 10-20 years and 5-15 years expiry, showing that the simulation process does not introduce significant additional errors over and above that arising from the calibration process.

(vii) We carry out comprehensive tests on the output produced by the Barrie & Hibbert asset model as follows:

For UK and Overseas equities, UK property, Quant and Fundamentals we have verified that the ratio of the average (over the simulated scenarios) of the discounted present values of projected asset values (with income reinvested) to the original asset value are acceptably close to unity– the martingale property.

The same test has been undertaken for 4 classes of zero-coupon gilts of term 4, 8, 11 and 13 years and for 4 classes of zero-coupon corporate bonds with terms of 4, 8, 11

and 13 years. Departures from unity in the average discounted present values have not had a significant impact on the valuation result.

We have verified that zero coupon bond yields calculated from the model cash output matches yields calculated from input Government spot rates and initial spot rates output from the model at time zero within an acceptable error margin.

For UK equity options we have verified, within acceptable limits, that the option prices calculated from the model output and converted into implied volatilities using the Black-Scholes formula reproduce the expected volatility surface.

We have also verified, within acceptable limits, that implied volatilities calculated from the simulation model output reproduces the market volatility term structure for 5, 10 and 20 year at the money swaptions

(viii) The assets and liabilities have been computed using 1,000 (500 antithetic pairs of) simulated scenarios.

For a 10-year at the money (based on the forward price) UK equity put option at a strike of 1.0, the standard error of the estimated option price represents 2.73% of its calculated value.

Similarly, for a range of swaptions with maturities between 5 and 25 years on underlying 20 year swaps the standard errors in the calculated prices represent, typically, 3.19% of these prices.

(b) Not applicable.

(c) Not applicable.

(5) Management Actions

- (a) The following management actions are assumed when determining the realistic balance sheet:
- Final bonus rates are changed to target asset share, subject to guarantees and smoothing constraints.
 - Annual bonus rates are set depending on economic conditions
 - Smoothing profits/losses are credited / charged to relevant asset shares.
 - The amount of estate available for distribution is included in the claims paid.
 - If assets deemed alternative investments earn less than the risk free rate for two consecutive years, then the company sells these assets and reverts to conventional assets.

- (b) The following tables set out the proportion of the assets backing the with-profits benefit reserve which would consist of equities (UK and non-UK) and annual bonus rates that would be modelled under the three different assumed risk-free curves.

Projected Equity Proportions – Scenarios (i), (ii) and (iii)		
	Accumulating with-profits	Conventional with-profits
(i) Risk free interest rate curve - At 31 December 2013	41.5%	41.5%
(i) Risk free interest rate curve - End 5 years	38.0%	38.0%
(i) Risk free interest rate curve - End 10 years	32.6%	32.6%
(ii) Risk free interest rate curve + 17.5% - At 31 December 2013	41.5%	41.5%
(ii) Risk free interest rate curve + 17.5% - End 5 years	38.0%	38.0%
(ii) Risk free interest rate curve + 17.5% - End 10 years	32.6%	32.6%
(iii) Risk free interest rate curve – 17.5% - At 31 December 2013	41.5%	41.5%
(iii) Risk free interest rate curve – 17.5% - End 5 years	38.0%	38.0%
(iii) Risk free interest rate curve – 17.5% - End 10 years	32.6%	32.6%

Projected Annual Bonus Rates – Scenarios (i), (ii) and (iii)

(i) Risk Free Interest Rate Curve				
		31-Dec-13	31-Dec-18	31-Dec-23
Direct Unitised Accumulating With-profits business other than Personal Pensions ⁽¹⁾	Life	0.8 / 0.4	0.8 / 0.4	0.8 / 0.4
	Pensions	1.7 / 0.9	1.7 / 0.9	1.7 / 0.9
	Bonus Account	0.4 / 0.2	0.4 / 0.2	0.4 / 0.2
	ISA	0.5 / 0.3	0.5 / 0.3	0.5 / 0.3
Direct Unitised Accumulating With-profits Personal Pensions business	Pensions	0.0	0.0	0.0
Reassurance Accepted Unitised Accumulating with-profits business	Life	1	1	1
	Pensions	1.5	1.5	1.5
	Capital Account	9.25	9.25	9.25

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(ii) Risk Free Interest Rate Curve +17.5% of Long Term Gilt Yield				
		31-Dec-13	31-Dec-18	31-Dec-23
Direct Unitised Accumulating With-profits business other than Personal Pensions ⁽¹⁾	Life	0.8 / 0.4	0.8 / 0.4	0.8 / 0.4
	Pensions	1.7 / 0.9	1.7 / 0.9	1.7 / 0.9
	Bonus Account	0.4 / 0.2	0.4 / 0.2	0.4 / 0.2
	ISA	0.5 / 0.3	0.5 / 0.3	0.5 / 0.3
Direct Unitised Accumulating With-profits Personal Pensions business	Pensions	0	0.0	0.0
Reassurance Accepted Unitised Accumulating with-profits business	Life	1	1	1
	Pensions	1.5	1.5	1.5
	Capital Account	9.25	9.25	9.25

(iii) Risk Free Interest Rate Curve -17.5% of Long Term Gilt Yield				
		31-Dec-13	31-Dec-18	31-Dec-23
Direct Unitised Accumulating With-profits business other than Personal Pensions ⁽¹⁾	Life	0.8 / 0.4	0.8 / 0.4	0.8 / 0.4
	Pensions	1.7 / 0.9	1.7 / 0.9	1.7 / 0.9
	Bonus Account	0.4 / 0.2	0.4 / 0.2	0.4 / 0.2
	ISA	0.5 / 0.3	0.5 / 0.3	0.5 / 0.3
Direct Unitised Accumulating With-profits Personal Pensions business	Pensions	0	0.0	0.0
Reassurance Accepted Unitised Accumulating with-profits business	Life	1	1	1
	Pensions	1.5	1.5	1.5
	Capital Account	9.25	9.25	9.25

⁽¹⁾ Bonus rates given are the high and low bonus rates.

(6) Persistency Assumptions

The persistency assumptions used to determine the costs of guarantees, options and smoothing are outlined in the following table.

Product	Average paid-up / lapse rate for the policy years				
		1 to 5	6 to 10	11 to 15	16 to 20
CWP Life business regular premium	PUP	0.5%	0.5%	0.5%	0.5%
CWP Life business regular premium	lapse	2.0%	2.0%	2.0%	2.0%
CWP Life business single premium	lapse	2.0%	2.0%	2.0%	2.0%
CWP Pensions business regular premium	PUP	1.0%	1.0%	1.0%	1.0%
CWP Pensions business regular premium (Note 1)	lapse	0.5%	0.5%	0.5%	0.5%
CWP Pensions business single premium	lapse	0.5%	0.5%	0.5%	0.5%
CWP Industrial Branch business regular premium	PUP	0.0%	0.0%	0.0%	0.0%
CWP Industrial Branch business regular premium	lapse	0.0%	0.0%	0.0%	0.0%
Direct Unitised AWP Personal Pensions business	PUP	4.0%	4.0%	4.0%	4.0%
Direct Unitised AWP Personal Pensions business	lapse	2.5%	2.5%	2.5%	2.5%
Direct UWP Life business regular premium	PUP	1.0%	1.0%	1.0%	1.0%
Direct UWP Life business regular premium	lapse	5.0%	5.0%	5.0%	5.0%
Direct UWP Life business single premium (Note 2)	lapse	5.0%	5.0%	5.0%	5.0%
Direct UWP Pensions business other than Personal Pensions regular premium	PUP	7.0%	7.0%	7.0%	7.0%
Direct UWP Pensions business other than Personal Pensions regular premium	lapse	2.5%	2.5%	2.5%	2.5%
Direct UWP Pensions business other than Personal Pensions single premium	lapse	2.5%	2.5%	2.5%	2.5%
Direct UWP business ISA and Bonus Account	PUP	3.0%	3.0%	3.0%	3.0%
Direct UWP business ISA and Bonus Account	lapse	10.0%	10.0%	10.0%	10.0%
Reassurance Accepted Unitised AWP Life Business	lapse	9.7%	9.7%	9.7%	9.7%
Reassurance Accepted with-profits Pensions business - Personal Pension Plan	lapse	7.3%	7.3%	7.3%	7.3%
Reassurance Accepted with-profits Pensions business - Flexible Income Plan	lapse	10.9%	10.9%	10.9%	10.9%

- (1) These rates also apply to non-profit pensions contracts which were originally written as simple bonus with-profit contracts, but became non-profit when paid up.
- (2) In addition a partial withdrawal rate of 2% per annum of the initial investment is assumed, where applicable.

The annuitant mortality and take-up rate assumptions are shown in the following tables:

Annuitant Mortality Assumptions		
	Projection Basis	
	Male	Female
Annuity Rate Guarantee – post vesting ⁽¹⁾	115% RMV00	112.5% RFV00

⁽¹⁾ Improvements CMI_2012 [2.0% for ages up to age 75, reducing linearly down to 0% from age 110]

Annuity Rate Guarantee Take-up rate Assumptions		
Tax free cash percentage	Self Employed Deferred Annuity	21%
	Other Deferred Annuity	21%
Take-up rate	Self Employed Deferred Annuity	100%
	Other Deferred Annuity	100%

(7) Policyholders' Actions

There is no allowance for any policyholder actions that would be taken by policyholders in the projection of the assets and the liabilities.

7. Financing Costs

Not applicable.

8. Other Long-Term Insurance Liabilities

A breakdown of the other long-term insurance liabilities is set out below.

Other Long-Term Insurance Liabilities at 31 December 2013 (£m)	
Liability	Value
Pensions misselling	239
Other misselling provisions	0
Value of future profits from direct unitised accumulating with-profits business	(27)
Value of future shareholder transfers from direct unitised accumulating with-profits business	34
Investment return tax and investment expenses	15
Value of investment fees	9
Value of future tax charges levied	5
AST reconciliation *	60
Additional liability for expenses	11
Other additional liabilities	46
Total	392

Form 19 Line 47	392
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No provisions have been included in respect of 'Any other liabilities related to regulatory duty to treat customers fairly.

* As a result of the transitioning to a new actuarial modelling system, a number of improvements/corrections relating to methodology and data conversion process will crystallise. Legacy models have still been used at this valuation, so a provision has been established to allow for these improvements prior to full implementation of the models.

9. Realistic Current Liabilities

The realistic current liabilities were £2,061m and the following table gives a breakdown.

Current liabilities at 31 December 2013 (£m)	
Liability	Value
Outstanding claims	55
Other provisions	3
Creditors	1,996
Accruals and deferred income	7
Direct Insurance Business	0
Deferred tax liability	0
Total Realistic Current liabilities	2,061
Provision for "reasonably foreseeable adverse variations"	28
Total Regulatory Current Liabilities	2,089

10. Risk Capital Margin

(a) The risk capital margin at 31 December 2013 was zero.

The most onerous scenario is that which combines:

(i) 20% fall in equity values; 12.5% fall in property values (25% was used to allow for gearing)

(ii) 17.5% rise in yield curve for UK assets, equivalent to a 0.60% nominal increase in the long term gilt yield. US bond yields are increased by 0.61%. Eurozone bond yields are increased by 0.43%.

(iii) The average change in spreads for non-credit exempt bonds was +133 basis points when weighted by value (this would be +109 basis points if weighted by value and duration), resulting in 4.73% fall in bond asset value.

(iv) The persistency risk scenario resulted in a 0.22% increase in the realistic value of liabilities.

(v) Not applicable.

- (b)
- (i) No additional management actions to those described in 6(5)(a) above were assumed for the purposes of calculating the risk capital margin.
 - (ii) Not applicable.
 - (iii) Not applicable.
 - (iv) Not applicable.
- (c)
- (i) Not applicable.
 - (ii) Not applicable.

11. Tax

The following tax treatment has been assumed:

(i) For assets backing the with-profits benefits reserve, policyholder taxes are calculated on the "I-E" tax basis applicable to BLAGAB business and deducted from the with-profits benefit reserve. The tax rates are 20% on savings income and indexed capital gains (before allowance for deferral of gains) and nil on franked income. Tax relief on expenses is assumed to be 20%.

(ii) Allowance is made for the "I-E" tax due on assets needed to back the excess of realistic liabilities over and above the with-profits benefits reserve and is included in the Other Long Term Insurance Liabilities.

(iii) The allowance made for tax on the assets backing realistic current liabilities is similar to that outlined in (ii) above.

12. Derivatives

Broad type of derivative	Description	Details	Market value (000 '£)	Nominal value (000 '£)
Future	Overseas Bond Futures	Long	(5,500)	418,127
Future	UK Bond Futures	Long	(1,877)	86,953
Future	Overseas Bond Futures	Short	10,098	789,189
Future	UK Bond Futures	Short	219	12,686
Swap	UK Interest Rate Swap	Receiver	228,200	1,521,564
Swap	UK Interest Rate Swap	Payer	(239,000)	1,680,639
Swap	Non UK Interest Rate Swap	Receiver	3,312	592,978
Swap	Non UK Interest Rate Swap	Payer	(21,375)	311,309
Swap	Inflation indexed swaps	Receiver of RPI	63	230,000
Swap	Inflation indexed swaps	Payer of RPI	(3,486)	281,250
Swap	Credit Default Swaps (Credit single name)	Long	102	6,323
Swap	Credit Default Swaps (Credit single name)	Short	(121)	12,521
Future	Equity index Futures	Long	3,005	116,068
Currency Forwards	Currency Forwards	Long	(639,634)	658,568
Currency Forwards	Currency Forwards	Short	655,622	1,329,821
Total Return Swap	Total Return Swap	Payer	(24,056)	579,713
Swaption	15 year term	Receiver	59,260	434,720
Swaption	20 year term	Payer	1,134	428,526

13. Analysis of Working Capital

Analysis of Movement in Working Capital (£m)	
With-Profits Fund Working Capital at 31 December 2012	£m
Undo zeroisation to Opening Working Capital	1,045
Opening Adjustments	10
Methodology Changes	(180)
Investment return on opening Working Capital	1
Economic assumption changes	20
Non economic assumption changes	13
Economic variances	79
Other Economic variances	45
Non economic variance	52
Guarantee charges and Estate distribution	(72)
Unexplained	14
Planned Enhancements	(1,028)
Reported Working Capital at 31 December 2013	0.0

14. Optional Disclosure

Not applicable.

APPENDIX 9.4A

SERP WITH-PROFITS FUND

2. Assets

(1) Economic Assumptions For Valuing Non-Profit Business

There are no non-profit insurance contracts within the SERP With-Profits Fund. Not applicable.

(2) Amount Determined Under INSPRU 1.3.33(2)(R)

Not applicable.

(3) Valuation Of Contracts Written Outside The Fund

Not applicable.

(4) Different Sets Of Assumptions

Not applicable.

(5) De Minimis Limit

Not applicable.

3. With-Profits Benefit Reserve Liabilities

(1) Calculation Of With-Profits Benefits Reserve

A retrospective method has been used to calculate the with-profit benefits reserves for contracts within the SERP With-Profits Fund. This method is the calculation of an asset share.

The following table shows the amount of the with-profit benefits reserve and the future policy related liabilities:

Product class	With-profit benefits reserve, £m	Future policy related liabilities, £m
Conventional with-profit pensions	476	661

(2) Correspondence With Form 19

The with-profits benefits reserve and future policy related liability figures in the above table represent the totals in Form 19.

(3) With-Profits Benefits Reserves below De Minimis Limit

Not applicable.

(4) Types Of Products

Not applicable.

4. With-Profits Benefits Reserve – Retrospective Method

(1) Retrospective Methods

- (a) 100% of the with-profits benefits reserve has been calculated on an individual basis using a retrospective method.
- (b) Not applicable.
- (c) Not applicable.

(2) Significant Changes To Valuation Method

- (a) Not applicable.
- (b) Not applicable.

(3) Expense Allocation

The Scheme of Transfer effective 4 January 2010 specifies the calculation basis for determining the aggregate expenses to be charged to the fund in respect of administration and investment management. The administration expenses are expressed as an amount per policy, with the number of policies determined annually on the 1 July each year. Investment management expenses are expressed as a percentage of funds under management. No other expenses or charges shall be allocated to this fund.

- (d) The calculation of the administration expenses chargeable to the fund was last performed as at 1 July 2013.
- (e) The calculation of the administration expenses chargeable to the fund is performed annually.
- (f) (i) No expenses were identified as initial expenses.

(ii) A table of maintenance expenses allocated to the with-profit benefit reserves during 2013:

Product Class	Maintenance expenses, £m	Investment management expenses, £m
Conventional with-profit pensions	2.0	0.4

The maintenance expenses above are in line with the Schedule 2C Scheme.

(iii) The expenses charged to individual with-profit benefits reserves are the maintenance expenses expressed as per policy amounts, together with investment management expenses expressed as a percentage of the with-profit benefits reserves. The maintenance expenses vary by product line, as set out in the Scheme of Transfer.

(iv) Not applicable.

(4) Significant Charges

Smoothing charges of £0.5m were deducted from the with-profit benefits reserves during the financial year. Smoothing charges of £0.7m were deducted from the with-profit benefits reserves during the previous financial year.

(5) Charges For Non-Insurance Risk

No charges were deducted from the with-profit benefits reserves in respect of non-insurance risk.

(6) Ratio Of Claims To Reserve

The average claim to with-profit benefit reserve payout ratio for each year is shown in the table below:

Average Claim Payout Ratio (%)	
Year	Payout Ratio
2013	219%
2012	215%
2011	194%

(7) Allocated Return

The investment return (before tax and expenses) allocated to the with-profit benefits reserve in respect of the financial year was 4.08%.

5. With-Profits Benefits Reserve – Prospective Method

(1) Key Assumptions

Not applicable.

(2) Different Sets Of Assumptions

Not applicable.

6. Costs of Guarantees, Options and Smoothing

(1) De Minimis Limit

Not applicable.

(2) Valuation Methods For Guarantees etc.

(a) The cost of all significant guarantees, options and smoothing have been valued using a full stochastic model approach.

(b) (i) None.

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

(iii) The individual policies have been grouped in a manner consistent with the methods used in practice to determine reversionary and terminal bonuses

The following table sets out the grouping criteria:

Product class	Grouping Criteria
Conventional with-profits pensions	Entry year, maturity year, age at maturity and premium payment type

In total there are 37,269 individual policies and members of group schemes, which have been grouped together into 1,642 model points.

The grouping is validated by comparing the cost of guarantees from the business using grouped data with those obtained using the individual policy data.

(c) Not applicable.

(3) Significant Changes

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

(4) Further Information on Stochastic Approach

(a) (i) The main contractual guarantee costs valued are:

Deferred annuity benefits, where the contract is written as a basic deferred annuity plus attaching reversionary bonus at vesting. These guarantees are largely in the money.

The costs of financial options relate to:

The value of the guaranteed cash factors, where the contracts are written with a guaranteed rate of conversion from annuity to cash. These conversion options are significantly out of the money.

The cost of smoothing arises due to the policy of constraining the change in payouts from year to year. This acts as a constraint on targeting payouts to 100% of asset share.

(ii) The asset model assumes that:

The asset model used was the Barrie & Hibbert market consistent asset model which assumes that:

The interest rate calibration process is as follows:

- Interest rates follow an annual LIBOR market model on gilts + 10 basis points.
- The initial yield curve is a direct input to the LIBOR Market Model. The model calibration is based on the market spot rates and swaption volatilities. The interest rate volatilities are calibrated to swaption implied volatilities. The fitting method is weighted least squares over the swaption volatility surface.
- It is not currently possible to observe meaningful option prices for the property market from which implied levels of property volatility can be derived. A real world estimate of levels of volatilities has therefore been used in the market-consistent calibration. Ideally, the volatility parameter would be set to reflect the prices of long-term at-the-money property options. However, since this market is in its infancy, the parameter has been set to 15% based on analysis of historic volatility of property indexes. As property returns are calculated in excess of the short-term interest rate, the stochastic interest rate model introduces a term structure of implied volatility (even though the excess volatility is fixed).
- The corporate bond process is calibrated using real world unconditional estimates of long term transition probabilities, spread volatilities and corporate bond spreads at 31 December 2013. To fit the model, the fit is targeted to the average duration of 10 years with the spread of 57 basis points which reflects the average rating and duration on the bonds in the actual portfolio.

The correlation assumptions used are listed in the table below. These assumptions are derived from Barrie & Hibbert best estimate assumptions.

Correlation factors between asset classes				
	Equity	Property	Government bonds	Nominal short-rate
Equities	100%	35%	17%	-10%
Property		100%	10%	-10%

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

SERP WITH-PROFITS FUND

		Asset type (all UK assets)	K=0.75				K=1				K=1.5			
	n		5	15	25	35	5	15	25	35	5	15	25	35
	r	Annualised compound equivalent of the risk free rate assumed for the period (to two decimal places)	2.10%	3.79%	3.92%	3.85%	x	x	x	x	x	x	x	x
1		Risk-free zero coupon bond	£901,219	£572,747	£382,568	£266,879	x	x	x	x	x	x	x	x
2		FTSE All Share Index (p=1)	£69,182	£209,733	£327,480	£415,414	£167,238	£350,358	£497,369	£601,043	£522,804	£703,717	£878,388	£1,001,737
3		FTSE All Share Index (p=0.8)	£64,853	£172,108	£247,437	£295,304	£157,223	£288,166	£378,528	£430,438	£495,975	£584,637	£675,204	£722,843
4		Property (p=1)	£34,702	£109,450	£180,502	£235,864	£138,604	£245,314	£333,851	£402,698	£519,820	£618,616	£715,026	£792,807
5		Property (p=0.8)	£30,776	£77,706	£114,390	£137,770	£127,520	£183,015	£224,612	£248,758	£492,316	£492,453	£508,602	£518,035
6		15 year risk free zero coupon bonds (p=1)	£19,966	£16,479	£11,974	£18,303	£90,199	£78,763	£80,318	£116,513	£500,674	£498,599	£500,161	£521,659
7		15 year risk free zero coupon bonds (p=0.8)	£17,796	£9,450	£4,194	£2,776	£81,070	£42,762	£22,005	£22,521	£470,059	£343,924	£257,695	£224,383
8		15 year corporate bonds (p=1)	£21,133	£24,669	£28,311	£41,952	£94,270	£100,563	£110,454	£146,355	£500,561	£499,075	£501,101	£527,059
9		15 year corporate bonds (p=0.8)	£18,799	£14,150	£11,534	£11,859	£85,070	£59,927	£45,003	£47,664	£470,068	£348,986	£271,195	£245,738
10		Portfolio of 65% FTSE All Share and 35% property (p=1)	£41,224	£145,886	£243,554	£320,886	£130,708	£276,723	£400,186	£492,988	£510,672	£630,514	£770,494	£880,318
11		Portfolio of 65% FTSE All Share and 35% property (p=0.8)	£37,839	£113,305	£173,110	£214,592	£120,597	£217,836	£289,943	£334,549	£482,210	£509,016	£570,201	£609,015
12		Portfolio of 65% equity and 35% 15 risk free zero coupon bonds (p=1)	£32,598	£119,660	£202,664	£277,975	£116,599	£239,777	£349,260	£440,847	£504,402	£589,748	£713,351	£816,181
13		Portfolio of 65% equity and 35% 15 risk free zero coupon bonds (p=0.8)	£29,656	£90,629	£140,376	£181,232	£106,834	£185,027	£244,821	£290,689	£474,839	£466,339	£515,979	£552,647
14		Portfolio of 40% equity, 15% property, 22.5% 15 year risk free zero coupon bonds and 22.5% 15 year corporate bonds (p=1)	£16,681	£69,594	£128,433	£187,750	£92,133	£176,435	£258,617	£332,903	£501,235	£539,842	£620,924	£700,353
15		Portfolio of 40% equity, 15% property, 22.5% 15 year risk free zero coupon bonds and 22.5% 15 year corporate bonds (p=0.8)	£14,596	£47,611	£78,994	£107,970	£82,425	£125,301	£164,047	£198,730	£471,001	£408,749	£419,848	£438,654
			L=15				L=20				L=25			
16		Receiver swaptions	10.73%	9.98%	8.15%	6.16%	13.30%	12.30%	9.95%	7.43%	15.60%	14.27%	11.42%	8.44%

The credit model used to determine the realistic balance sheet is implemented within the ALM. This model includes bonds based on the duration of the liabilities and the average credit quality of the corporate bond portfolio; it does not have the functionality to reproduce the corporate bonds returns required for the above table (i.e. all bond holdings have a rolling duration of 15 years and all corporate bond holdings are AA-rated). The credit model in the ALM is driven by a credit risk driver from the ESG's credit model, and the underlying credit model behind both the ESG and the ALM is the extended version of the Jarrow, Lando and Turnbull (JLT) model. Hence we have used output from the credit model in the ESG to produce the results in the above table.

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- (iv) The initial property rental yield for the UK is 4.3%.
- (v) For the purposes of INSPRU 1.3.63R there are no significant overseas territories.
- (vi) The average outstanding durations of significant guarantees by main product type are shown in the table below:

Product class	Outstanding duration of guarantees (years)
Conventional with-profits pensions	22

The fit of the asset model to specimen swaptions and put options is demonstrated below:

Ratio of simulated swaption values to pseudo swaption prices				
Option maturity	Swap length			
	10 years	15 years	20 years	30 years
10 years	102.56%	98.72%	97.15%	93.72%
15 years	98.90%	96.36%	96.10%	93.53%

Note: The figures are based on swaptions consistent with the gilts + 10bp risk free rate and market swaption volatilities as opposed to swap rates and swaption volatilities.

The table above demonstrates that the scenarios can be used to reproduce market prices of swaptions at the average outstanding durations of significant guarantees.

(vii) It was demonstrated that the scenarios used are arbitrage free up to suitable simulation error. 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 (the “one=one” test). The observed error was small and the scenarios are considered to have passed the no-arbitrage test. There is no material drift in the corporate bond martingale test.

(viii) The assets and liabilities have been computed using 2000 (1000 antithetic pairs of) simulated scenarios.

Convergence tests were carried out to show the average cost of guarantees calculated by the model against the number of scenarios and it was found that the SERP With-Profits Fund guarantee costs converge well within 2000 scenarios, from which we can conclude that 2000 scenarios are sufficient.

(d) Not applicable.

(e) Not applicable.

(5) Management Actions

(a) No management action assumptions have been applied.

(b) Not applicable.

(6) Persistency Assumptions

The persistency assumptions used to determine the costs of guarantees, options and smoothing are outlined in the following table.

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Product	Average lapse / surrender / paid up rate for the policy years All durations
CWP Pension regular premium PUP	0.00%
CWP Pension regular premium Surrender	0.70%
CWP Pension single premium Surrender	0.70%

Investigations have indicated that a significant number of SERP policies are taking the guaranteed benefits at earlier ages than 65 and in particular a large number of policyholders are taking these benefits around age 60, when the guarantees first become available.

Some separate realistic and regulatory valuation sensitivity runs were performed which indicated that assuming earlier retirement is prudent. Hence, the stochastic model assumes for SERP business that all policyholders retire at age 70, unless they are already older, when they are assumed to retire at age 75. The early retirement rates assumed are:

Age	Realistic, Best estimate
60	50%
65	80%
70	100%

The annuitant mortality assumptions are 102% of RMV00 for male lives and 102% of RFV00 for female lives.

Future mortality improvements use the CMI Working Paper 63 Mortality Projection Model (published in February 2013). These are based upon blended historic improvement data with a long term annual improvement assumption of 2% up to age 75 reducing linearly to 0% at age 110.

(7) Policyholders' Actions

There is no allowance for any policyholder actions that would be taken by policyholders in the projection of the assets and the liabilities.

7. Financing Costs

Not applicable.

8. Other Long-Term Insurance Liabilities

Other Long-Term Insurance Liabilities at 31 December 2013 (£m)	
Liability	Value
Potential amount of future investment expenses charged to the estate	1.5
An additional liability in respect of repayment of support fund to shareholders.	91.8
Total	93.3
Form 19 Line 47	93.3

9. Realistic Current Liabilities

The regulatory current liabilities comprise of the other current liabilities as reported within Form 14 lines 17 to 41.

The realistic current liabilities, of £128.3m, shown at line 51 of Form 19 are the same as the regulatory current liabilities.

10. Risk Capital Margin

- (a) There is no risk capital margin held for the SERP With-Profits Fund at 31 December 2013. The shareholder value of £91.8m is now represented as a liability and is sufficient to cover the risk capital margin stresses. Under the risk capital margin stresses the shareholder value is impaired by £24.0m leaving £67.9m of shareholder value.

The most onerous scenario for the SERP With-Profits Fund is that which combines:

- (i) There was no exposure to equities or real estate for the purposes of INSPRU 1.3.68R.

There were no significant territories for the purposes of INSPRU 1.3.62R(1)(b).

- (ii) The nominal change in yields assumed for fixed interest securities for the purpose of the market risk scenario for UK assets was 0.60%. This represented a change of 17.5% in the level of the long-term gilt yield from a level of 3.45%. A rise in the level of yields was the more onerous change.

There were no significant territories for the purposes of INSPRU 1.3.62R(1)(b).

- (iii) The average increase in spread for bonds (weighted by value) that resulted from applying the credit risk scenario to the assets was 58 basis points.

- (a) The change in value of the bond assets was a 1.48% decrease in asset value.
- (b) Not applicable.
- (c) Not applicable.
- (d) Not applicable.
- (e) There was no change in value for other assets

- (iv) The persistency risk scenario resulted in a 0.14% increase in the realistic value of liabilities.

- (v) Not applicable.

- (b)

- (i) No management actions were assumed for the purposes of calculating the risk capital margin.

- (ii) Not applicable.

- (iii) Not applicable.

- (iv) Not applicable.

- (c)

- (i) Not applicable.

- (ii) Not applicable.

11. Tax

No tax is assumed on pensions business.

12. Derivatives

Broad type of derivative	Description	Details	Market value (000 '£)	Nominal value (000 '£)
Swap	UK Interest Rate Swap	Receiver	(37,136)	576,228
Swap	UK Interest Rate Swap	Payer	(71,630)	(658,388)
Swap	Inflation indexed swaps	Receiver of RPI	(112)	(4,132)
Swaption	UK Swaption	Call Option	75,885	306,200
Currency Forwards	Currency Forwards	Buy GBP	(2,185)	(2,215)
Currency Forwards	Currency Forwards	Sell GBP	2,215	2,215
Total Return Swap	Total Return Swap		(2,065)	(50,200)

13. Analysis of Working Capital

The following table sets out the significant movements in the working capital, shown in Form 19 line 68, from 31 December 2012 to 31 December 2013.

	£million
Working capital at 31 December 2012	0.0
Opening zeroisation impact	136.9
Expected investment return on fund	5.6
Non-economic assumption changes	4.0
Economic variances	(19.8)
Capital transfer	(29.8)
Other experience variance	0.0
Unexplained	(5.0)
Shareholder Liability	(91.8)
Working capital at 31 December 2013	0.0

14. Optional Disclosure

Not applicable.

APPENDIX 9.4A

London Life With-Profits Fund

2. Assets

(1) Economic Assumptions For Valuing Non-Profit Business

Not applicable.

(2) Amount Determined Under INSPRU 1.3.33(2)(R)

Not applicable.

(3) Valuation Of Contracts Written Outside The Fund

Not applicable.

(4) Different Sets Of Assumptions

Not applicable.

(5) De Minimis Limit

Not applicable.

3. With-Profits Benefit Reserve Liabilities

(1) Calculation Of With-Profits Benefits Reserve

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

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	79	10
Fund P	Prospective – bonus reserve valuation	46	(0)
Fund R	Retrospective – asset shares ¹	56	1
Fund T	Retrospective – asset shares ¹	4	0
<i>Pension With-Profits</i>			
AMP(UK) Pensions	Retrospective – asset shares ¹	41	29
Fund V (GAO)	Retrospective – asset shares ¹	97	57
Fund V (No GAO)	Retrospective – asset shares ¹	99	14
Fund W	Retrospective – asset shares ¹	65	5
	Prospective – bonus reserve valuation ²		
All Funds ³	N/A		58
Total	N/A	487	173

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) Correspondence With Form 19

Not applicable.

(3) With-Profits Benefits Reserves Below De Minimis Limit

Not applicable.

(4) Types Of Products

Not applicable.

4. With-Profits Benefits Reserve – Retrospective Method

(1) Retrospective Methods

- (a) 100% of the with-profits benefits reserve that has been calculated using a retrospective method has been valued on an individual basis.
- (b) Zero.
- (c) Not applicable.

(2) Significant Changes To Valuation Method

- (a) Not applicable.
- (b) Not applicable.

(3) Expense Allocation

The Scheme of Transfer (“the Scheme”), effected immediately before the demutualization 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 Phoenix Life Assurance Limited 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 Phoenix Life Assurance Limited London Life With-Profits Actuary.

- (a) The calculation of the administration expenses chargeable to the fund was last performed in December 2013.
- (b) The calculation of the expenses chargeable to the fund is performed annually.
- (c) (i) and (ii) See Table 4.1.

Expense Type	Amount
Initial expenses	0.0
Maintenance expenses ¹	2.3
Investment fees on excess assets (£m)	1.6
Total expenses	4.0

¹ Includes project expenses of £0.2m.

- (iii) The expenses charged to individual with-profits benefit reserves are for maintenance expenses expressed as per policy amounts, and for investment management expenses expressed as a percentage of funds under management. The former varies by product line reflecting the relative costs of administering the business.
- (iv) Investment expenses on assets needed to cover the excess of the realistic liabilities over and above the with-profits benefits reserve (i.e. not deducted from the with-profits benefits reserve) are valued at £1.6m.

(4) Significant Charges

No charges are deducted from the with-profits benefits reserve in respect of costs of guarantees or the use of capital. The only material charge made to the with-profits benefit reserves is in respect of life cover benefits on life endowments and whole of life contracts.

(5) Charges For Non-Insurance Risk

No non-insurance risk charges are made to conventional with-profits business. For unitised with-profits business, risk cover is charged through cancellation of units.

(6) Ratio Of Claims To Reserves

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

Table 4.2	
Average Claim Payout Ratio (%)	
Year	Payout Ratio
2013	102%
2012	112%
2011	109%
2010	114%
2009	110%

(7) Allocated Return

The investment return (before tax and expenses) allocated to the with-profits benefits reserve for conventional with-profits business during the year 2013 was approximately 0.6% and -1.6% 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 the year 2013 was 9.0%.

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) Key Assumptions

(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 2013 – Prospective Method

Assumption	Value	Note
Gilt return	3.0%	Annualised yield on UK 10 year gilt at 31 December 2013
Cash return	3.0%	Gilt return
Other fixed interest	3.0%	Gilt return
Equity return	6.0%	Gilt return plus 3.0% margin
Property return	5.0%	Gilt return plus 2.0% margin
Risk discount rate (“A”)	3.8%	Weighted average gross investment return – ‘active’ investment pool (gross)
Risk discount rate (“P”)	3.0%	Weighted average gross investment return – ‘passive’ investment pool (gross)
Expense inflation (LWP)	3.2%	
Expense inflation (PWP)	3.2%	

(b) The risk discount rates in Table 5.1 are based on the weighted average investment return at 31 December 2013 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 2013 – Prospective Method

Product Class	Annual Bonus Rate
Fund W – immediate annuities	7% simple
Fund W – cost of vesting deferred annuities	0% simple
Fund P – 68 th and earlier series (current rate) ¹	3%
Fund P – 69 th series and later (current rate) ¹	2%
Fund P – all series (ultimate) ²	2%
UWP Bond Life	2% rate on Basic Units, 4% rate on Bonus Units
UWP Pensions	2.5% rate on Basic Units, 5% rate on Bonus Units
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 £
Life With-Profits	
AMP (UK) Life	39.10
Conventional Life (Funds P, R, T)	38.30
Pensions With-Profits	
AMP (UK) Pensions	39.10
Endowments (Fund V ICL)	43.30
Deferred Annuities (V ICL)	43.30
Pension Protector (V ICL)	43.30
APEX WP (V ICL)	0.248%
VIPMIG, VIP PLUS	96.50
BIGVIP, POLMIG, GRPAVC	96.50
RPPMIG, PPS, MINPPS	96.50
PPP, SPPP, FSAVC	96.50
EPP	96.50
SPP	55.50
Fund W (Deferred Annuities)	43.30
Fund W (Immediate Annuities)	43.30

¹ The expenses are gross of tax relief at 20% (BLAGAB business). Future expenses are assumed to increase by RPI plus 0.50% 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 average	14

(f) See Table 5.5 (lapse assumptions). 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	2.00%
FUND V(ICL)	2.00%
AMP (UK) Pensions	1.75%
Fund V: "New" Fund V(IBM), i.e. MINNPSS, PPS, PPSTV, VIPPLUS, RPPMIG (without GAO), VIPMIG(NEW) ¹	3.00%
Fund R, AMP (UK) Endowments & Whole of Lives	3.00%
Funds P and T	1.00%
Funds W	0.00%

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

(2) Different Sets of Assumptions

Not applicable.

6. Costs of Guarantees, Options and Smoothing

(1) De Minimis Limit

Not applicable.

(2) Valuation Method for Guarantees, Options and Smoothing

(a) The cost of all guarantees, options and smoothing have been calculated using a full stochastic model 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 2013 was approximately 39,200 (comprising 19,000 pensions and 20,200 life). These contracts were grouped into 15,700 model points (comprising 12,600 pensions and 3,100 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) Significant Changes

Not applicable.

(4) Further Information On Stochastic Approach

(a) (i) The main guarantee types valued are:

- Lump sum basic benefit, e.g. the sums assured and attaching reversionary bonuses payable at maturity on an endowment or “funded to cash” deferred annuity. Some of these guarantees are in-the-money and others are out-of-the money.
- Annuity benefit, i.e. a basic annuity amount plus attaching reversionary bonuses vesting at a specified date. Some of these guarantees are in-the-money and others are out-of-the money.
- Guaranteed annuity option rate, i.e. a guaranteed annuity rate specified in a contract that can be applied at maturity to convert the cash benefits provided by the contract into annuity benefits. Generally these guaranteed annuity rates are 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.

(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 Thomson Reuters and Merrill Lynch.

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

Term	AAA	AA	A	BBB
1	4	38	55	124
2	8	47	68	148
3	14	55	80	162
5	26	71	97	173
7	38	82	107	173
10	53	93	115	168
15	70	103	120	159
20	81	108	122	152
25	88	110	121	145
30	92	111	120	140

Table 6.1 shows the credit spreads over gilts + 10bp at 31 December 2013 in basis points.

The volatilities assumed are shown in table 6.2.

Rating	Maturity (years)			
	1	7	10	30
AAA	46	42	37	40
AA	73	67	69	70
A	116	101	95	88
BBB	142	123	112	102

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 geometric Brownian motions with stochastic drift, which is equated to the stochastic interest rate.

The Economic Scenario Generator (ESG) asset modelling remains in line with the latest Industry practice for UK equity, employing the Stochastic Volatility Jump Diffusion (SVJD) equity model.

The implied volatility surface used in the calibration is shown below in table 6.3:

Table 6.3	Strike							
	%	0.7	0.8	0.9	1	1.1	1.2	1.3
Maturity	1	23.9	20.5	17.1	14.3	13.2	13.0	13.0
	3	22.0	20.1	18.4	17.0	15.8	15.0	14.4
	5	22.5	21.2	20.0	18.9	17.8	16.9	16.2
	7	23.5	22.4	21.4	20.5	19.7	19.0	18.4
	9	24.5	23.4	22.4	21.6	20.9	20.2	19.7

Property follows a constant volatility model, parameter 15%.

The correlations between the log-normal processes are equated to the correlations between asset classes and between changes in risk-free bond yields. Table 6.4 shows the correlations.

Table 6.4 Correlation factors between asset classes			
	Long Dated	Equity Index	Property Index
Long Dated	100%		
Equity Index	-4%	100%	
Property Index	-10%	35%	100%

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

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(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												
K	0.75				1				1.5			
Duration (n)	5	15	25	35	5	15	25	35	5	15	25	35
<i>Annualised compound equivalent of the risk free rate assumed for the period (r)</i>	2.09%	3.79%	3.93%	3.86%	x	x	x	x	x	x	x	x
<i>Risk-Free Zero Coupon Bond</i>	£901,622	£572,271	£381,520	£265,887	x	x	x	x	x	x	x	x
<i>FTSE All Share Index (p=1)</i>	£70,777	£220,468	£329,239	£405,619	£174,466	£367,064	£502,161	£590,651	£529,029	£726,481	£888,688	£987,803
<i>FTSE All Share Index (p=0.8)</i>	£66,117	£180,199	£247,421	£286,487	£164,028	£303,118	£380,608	£420,190	£502,494	£605,942	£682,947	£710,327
<i>Property (p=1)</i>	£31,096	£107,743	£183,722	£238,308	£133,555	£242,649	£337,484	£403,230	£522,389	£615,074	£713,879	£790,839
<i>Property (p=0.8)</i>	£27,543	£76,796	£118,402	£140,832	£122,261	£181,159	£227,887	£250,723	£494,579	£488,569	£509,905	£517,424
<i>15yr Risk-Free ZCBs (p=1)</i>	£21,989	£16,910	£16,212	£20,785	£92,934	£75,868	£87,175	£118,548	£501,256	£499,678	£506,648	£524,189
<i>15yr Risk-Free ZCBs (p=0.8)</i>	£19,842	£10,495	£6,810	£4,569	£84,017	£40,988	£27,428	£24,743	£470,835	£344,494	£265,375	£226,210
<i>15yr Corporate Bonds (p=1)</i>	£25,592	£25,914	£39,619	£53,241	£100,780	£102,328	£128,715	£157,490	£499,603	£497,766	£516,263	£540,919
<i>15yr Corporate Bonds (p=0.8)</i>	£23,062	£15,531	£18,374	£18,974	£91,504	£60,560	£59,920	£59,043	£469,684	£348,026	£286,723	£258,157
<i>Portfolio 1 (p=1)</i>	£40,584	£150,397	£248,420	£316,078	£136,801	£283,673	£405,750	£485,287	£513,722	£646,346	£778,654	£867,119
<i>Portfolio 1 (p=0.8)</i>	£37,036	£116,942	£177,806	£212,731	£126,398	£223,205	£293,712	£328,926	£485,652	£521,836	£577,735	£598,997
<i>Portfolio 2 (p=1)</i>	£33,989	£125,017	£207,961	£272,142	£122,301	£250,465	£355,944	£430,988	£507,988	£608,869	£721,949	£802,680
<i>Portfolio 2 (p=0.8)</i>	£30,843	£95,069	£144,509	£178,559	£112,214	£193,054	£250,041	£284,156	£478,971	£484,800	£522,966	£541,063
<i>Portfolio 3 (p=1)</i>	£18,393	£72,167	£135,402	£187,731	£97,409	£179,573	£267,983	£332,571	£502,887	£551,961	£629,339	£693,572
<i>Portfolio 3 (p=0.8)</i>	£16,198	£50,041	£84,151	£109,023	£87,476	£127,799	£172,460	£198,264	£473,064	£419,592	£429,362	£435,410
<i>Sterling Receiver Swaptions</i>	10.33%	9.68%	8.07%	6.41%	12.81%	11.95%	9.84%	7.76%	15.02%	13.87%	11.29%	8.83%
	<i>Swap Duration = 15 years</i>				<i>Swap Duration = 20 years</i>				<i>Swap Duration = 25 years</i>			

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.

- (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	
Asset Class	Income yield
Equity	3.55%
Property	3.55%

- (v) For the purposes of INSPRU 1.3.62 there are no significant overseas territories.
- (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	14
AMP (UK) Life	12
Pension Compound Bonus (GAO)	4
AMP (UK) Pension	5
Pension Compound Bonus (no GAO)	8
Pension Simple Bonus	3
Total WP Fund	8

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			
		5	10	20	30
Option maturity	5	96.19%	103.38%	103.38%	103.37%
	10	104.64%	104.40%	99.86%	96.58%
	15	97.93%	98.25%	96.14%	93.94%
	20	91.45%	92.62%	93.05%	92.69%

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.

- (vii) We carry out comprehensive tests on the output produced by the Barrie & Hibbert asset model as follows:

For UK and Overseas equities, UK property we have verified that the ratio of the average (over the simulated scenarios) of the discounted present values of projected asset values (with income reinvested) to the original asset value are acceptably close to unity– the martingale property.

The same test has been undertaken for 4 classes of zero-coupon gilts of term 4, 8, 11 and 13 years and for 4 classes of zero-coupon corporate bonds with terms of 4, 8, 11 and 13 years. Departures from unity in the average discounted present values have not had a significant impact on the valuation result.

We have verified that zero coupon bond yields calculated from the model cash output matches yields calculated from input Government spot rates and initial spot rates output from the model at time zero within an acceptable error margin.

For UK equity options we have verified, within acceptable limits, that the option prices calculated from the model output and converted into implied volatilities using the Black-Scholes formula reproduce the expected volatility surface.

We have also verified, within acceptable limits, that implied volatilities calculated from the simulation model output reproduces the market volatility term structure for 5, 10 and 20 year at the money swaptions

- (viii) The assets and liabilities have been computed using 1,000 (500 antithetic pairs of) simulated scenarios.

For a 10-year at the money (based on the forward price) UK equity put option at a strike of 1.0, the standard error of the estimated option price represents 2.73% of its calculated value.

Similarly, for a range of swaptions with maturities between 5 and 25 years on underlying 20 year swaps the standard errors in the calculated prices represent, typically, 3.19% of these prices.

- (b) Not applicable.
- (c) Not applicable.

(5) Management Actions

- (a) No management action assumptions have been applied.

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- (b) Table 6.9 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 6.9					
Projected Equity Backing Ratios and Annual Bonus Rates – Scenarios i, ii, iii					
	Equity Backing Ratio			Future Annual Bonus	
	UWP	CWP Life (AMP / R & T)	CWP Pension	UWP Bond Life	UWP Pensions
(i) Risk free interest rate curve - At 31 December 2013	50%	3.77% / 35.6%	0%	2% / 4%	2.5% / 5%
(i) Risk free interest rate curve - End 5 years	50%	3.77% / 35.6%	0%	2% / 4%	2.5% / 5%
(i) Risk free interest rate curve - End 10 years	50%	3.77% / 35.6%	0%	2% / 4%	2.5% / 5%
(ii) Risk free interest rate curve + 17.5% - At 31 December 2013	50%	3.77% / 35.6%	0%	2% / 4%	2.5% / 5%
(ii) Risk free interest rate curve + 17.5% - End 5 years	50%	3.77% / 35.6%	0%	2% / 4%	2.5% / 5%
(ii) Risk free interest rate curve + 17.5% - End 10 years	50%	3.77% / 35.6%	0%	2% / 4%	2.5% / 5%
(iii) Risk free interest rate curve – 17.5% - At 31 December 2013	50%	3.77% / 35.6%	0%	2% / 4%	2.5% / 5%
(iii) Risk free interest rate curve – 17.5% - End 5 years	50%	3.77% / 35.6%	0%	2% / 4%	2.5% / 5%
(iii) Risk free interest rate curve – 17.5% - End 10 years	50%	3.77% / 35.6%	0%	2% / 4%	2.5% / 5%

(6) Persistency Assumptions

The persistency assumptions used to determine the costs of guarantees, options and smoothing are outlined in Table 6.10 (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 6.10					
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	1.00%	1.00%	1.00%	1.00%
Conventional With-profits Life business regular premium – Fund P and T	PP	1.00%	1.00%	1.00%	1.00%
Conventional With-profits Life business single premium – Fund P and T	PP	1.00%	1.00%	1.00%	1.00%
Conventional With-profits Pensions business regular premium – Fund V (GAO) ¹	PUP	2.00%	2.00%	2.00%	2.00%
Conventional With-profits Pensions business regular premium – Fund V (GAO) ¹	PP	2.00%	2.00%	2.00%	2.00%
Conventional With-profits Pensions business single premium – Fund V (GAO) ¹	PP	2.00%	2.00%	2.00%	2.00%
Conventional With-profits Pensions business regular premium – Fund V (no GAO)	PUP	3.00%	3.00%	3.00%	3.00%
Conventional With-profits Pensions business regular premium – Fund V (no GAO)	PP	3.00%	3.00%	3.00%	3.00%
Conventional With-profits Pensions business single premium – Fund V (no GAO)	PP	3.00%	3.00%	3.00%	3.00%
Conventional With-profits Pensions business regular premium – Fund AMP (UK) Pensions	PUP	1.75%	1.75%	1.75%	1.75%
Conventional With-profits Pensions business regular premium – Fund AMP (UK) Pensions	PP	1.75%	1.75%	1.75%	1.75%
Conventional With-profits Pensions business single premium – Fund AMP (UK) Pensions	PP	1.75%	1.75%	1.75%	1.75%
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 2.0%.

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 6.11.

Table 6.11					
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 6.12 and 6.13 respectively.

Table 6.12		
Annuitant Mortality Assumptions		
	Males	Females
Annuitant mortality	92.5% PCMA00 CMI_2012_M at C=2032 [2% to age 75, reducing linearly to 0% from age 110]	90% PCFA00 CMI_2012_F at C=2036 [2% to age 75, reducing linearly to 0% from age 110]

Table 6.13			
GAO Take Up Rate Assumptions			
	Normal Retirement	Early Retirement	Terminal Bonus¹
Fund V (excluding POLMIG, GRPAVC)	80%	80%	80%
POLMIG, GRPAVC	10% if yields>4%, else 75%	10% if yields>4%, else 75%	10% if yields>4%, else 75%
AMP (UK)	82%	82%	82%
Fund R	0%	0%	0%
Fund T	0%	0%	0%

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

(7) Policyholders' Actions

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 Court Scheme covering the Part VII transfer of London Life Limited With Profits business into Phoenix Life Assurance Limited specifies that capital support is to be provided.

Capital support is initially advanced from Phoenix Life Assurance Limited Non Profit Fund, and once that Funds capacity to provide capital has been exhausted, from Phoenix Life Assurance Limited Shareholder Fund. The level of capital support advanced aims to give a £5m excess (assets minus liabilities, excluding capital requirements) on the lower of the regulatory or realistic peak. No interest is payable on the capital support advanced.

Regular investigations (at least twice a year) are carried out and the level of capital support is either increased or reduced to maintain the £5m excess on the 'biting' peak." Any excess (assets minus liabilities, excluding capital requirements) on the realistic peak is shown as financing costs in Form 19.

8. Other Long-Term Insurance Liabilities

A breakdown of the other long-term insurance liabilities before the allocation of working capital as shown in Line 47 of Form 19, is set out in Table 8.1.

Table 8.1	
Other Long-Term Insurance Liabilities at 31	
Liability	LLWP (£m)
Investment Management Expenses ¹	1.622
Additional Basic Rate Tax ²	1.975
Value of future shareholder transfers	0.000
Mortgage Endowment Mis-selling	0.015
Additional Reserves ³	2.529
Total	6.141

¹ The value of future investment expenses on assets over and above asset share (i.e. 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 expense inflation and investment management expenses. no provisions have been included in respect of 'Any other liabilities related to regulatory & to treat customers fairly'.

9. Realistic Current Liabilities

The realistic current liabilities at 31 December 2013 stood at £212.9m, which is the same as the regulatory current liabilities at the same date, since there is no additional provision for adverse deviations in the regulatory liabilities for the valuation at 31 December 2013.

Total Current Liabilities	(£m)
Realistic	212.9
Regulatory	212.9
Difference	0.0
The realistic current liabilities are made up of: (£m)	
for outstanding claims	3.9
in respect of other risks and charges;	0.0
in respect of tax	2.8
in respect of other creditors and accruals & deferred income	206.2
in respect of deposits received from reinsurers for direct business	0.0
in respect of deposits received from reinsurers on unsecured debentures	0.0
Amounts owed to credit institutions	0.0

10. Risk Capital Margin

- (a) The risk capital margin for London Life at 31 December 2013 is zero.

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

- (i) 20.0% fall in equity values; 12.5% fall in property values.
- (ii) 17.5% change in the yield curve (UK assets), equivalent to a 0.60% nominal change in the long term gilt yield.
- (iii) (a) The average change in spreads for bonds was 0.85% weighted by value (which translates to 0.84% when weighted by value and duration), resulting in a 10.23% 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) Derivatives exposed to swap spread risk rather than credit spread risk are no longer re-valued as part of a credit stress.
- (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 1.9% per annum to 1.3% per annum. This change in persistency resulted in a 0.42% increase in the realistic value of liabilities (excluding financing costs).

- (v) Not applicable.
- (b) No particular management actions were assumed for the purposes of calculating the risk capital margin.
- (c) (i) No additional assets are required to cover the risk capital margin.
- (ii) As described in Section 7, the Scheme provides for an inter-fund support mechanism whereby assets are transferred, via a loan, from the non-profit and Shareholder Funds.

11. Tax

The following tax treatment has been assumed:

- (i) For assets backing the with-profits benefits reserve, policyholder taxes are calculated on the “I-E” tax basis applicable to BLAGAB business and deducted from the with-profits benefit reserve. The tax rates assumed are 20% on savings income and indexed capital gains and nil on franked income received net of the non-recoverable tax credit. Tax relief on expenses are assumed to be 20%.
- (ii) Allowance is made for the “I-E” tax due on assets needed to back the excess of realistic liabilities over and above the with-profits benefits reserve and is included in the Other Long Term Insurance Liabilities.
- (iii) The allowance made for tax on the assets backing realistic current liabilities is similar to that outlined in (ii) above.

12. Derivatives

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

Broad type of derivative	Description	Details	Market value (£)	Nominal value (£)
Swap	Interest Rate Swap	long	(50,188,885)	691,542,400
Swap	Interest Rate Swap	Short	17,389,396	461,620,000
Swap	Inflation Rate Swap	Short	515,580	10,893,000
Future	Equity index Futures	Long	90,825	2,344,125
Future	Equity index Futures	Short	(31,140)	803,700
Currency Forwards	Currency Forwards	Long	164,210	82,538,766
Currency Forwards	Currency Forwards	Short	(818,196)	70,614,471
Total Return Swap	Total Return Swap	Short	(64,359)	28,500,000
Swaption	Interest Rate Swaption	Payer	459,920	444,610,000

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	£m
Working Capital as at 31 December 2012	0
Undo zeroisation to Opening working capital	79
Opening Adjustment	2
Expected Return	0
Investment Management	10
Insurance Management	-3
Capital Movements	-43
Other	4
Other Long-Term Insurance Liabilities/Financing Costs	-50
Working Capital at 31 December 2013	0

¹ 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

PHOENIX LIFE ASSURANCE LIMITED

Global Business

Financial year ended 31 December 2013

Throughout the year, the actuary who was appointed to perform the with-profits actuary function was K J Arnott.

1.
 - a) During the year, K J Arnott held up to 574 shares in Phoenix Group Holdings ("PGH"), the ultimate holding company, under the Company's Share Incentive Plan. He also held options to subscribe for 59,471 shares in PGH granted under the Company's Long Term Incentive Plan.
 - b) Mr Arnott held an insurance policy issued by the insurer in the normal course of business, the transactions being of a minor nature.
 - c) The aggregate of the remuneration and value of other benefits receivable by K J Arnott from the insurer in respect of 2013 was £317,117.
 - d) K J Arnott was a member of the PGL Pension Scheme throughout the year, and was entitled to the standard benefits under the rules of the scheme.
2. The insurer has made a request to K J Arnott to furnish it the particulars specified in rule 9.36(1) of the Accounts and Statements 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), reference to the insurer includes reference to any body corporate which is the insurer's subsidiary undertaking or parent undertaking and to any other subsidiary undertakings of its parent undertaking.

Returns under the Accounts and Statements Rules

Certificate required by rule 9.34(1)

PHOENIX LIFE ASSURANCE LIMITED

Global Business

Financial year ended 31 December 2013

We certify that: -

1. (a) the return has been properly prepared in accordance with the requirements in IPRU(INS), GENPRU and INSPRU as modified by the waiver in supplementary note 0201; and
(b) we are satisfied that:
 - (i) throughout the financial year in question, the insurer has complied in all material respects with the requirements in SYSC and PRIN as well as the provisions of IPRU(INS), GENPRU and INSPRU; and
 - (ii) it is reasonable to believe that the insurer has continued so to comply subsequently, and will continue so to comply in future.
2. (a) in our opinion, premiums for contracts of long-term business entered into during the financial year and the resulting income earned are sufficient, under reasonable actuarial methods and assumptions, and taking into account the other financial resources of the insurer that are available for the purpose, to enable the insurer to meet its obligations in respect of those contracts and, in particular, to establish adequate mathematical reserves;
(b) the sum of the mathematical reserves and the deposits received from reinsurers as shown in Form 14, constitute proper provision at the end of the financial year for the long-term insurance business liabilities (including all liabilities arising from deposit back arrangements, but excluding other liabilities which had fallen due before the end of the financial year) including any increase in those liabilities arising from a distribution of surplus as a result of an actuarial investigation as at that date into the financial condition of the long-term insurance business;
(c) the with profits fund has been managed in accordance with the Principles and Practices of Financial Management, as established, maintained and recorded under COBS 20.3; 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



A Moss
Director



S C True
Director

Date: 18 March 2014

Returns under the Accounts and Statements Rules

Independent auditor's report to the directors pursuant to rule 9.35 of the Interim Prudential Sourcebook for Insurers

PHOENIX LIFE ASSURANCE LIMITED

Global business

Financial year ended 31 December 2013

We have audited the following documents prepared by the insurer pursuant to the Accounts and Statements Rules set out in Part I and Part IV of Chapter 9 to IPRU(INS) the Interim Prudential Sourcebook for Insurers; GENPRU the General Prudential Sourcebook and INSPRU the Prudential Sourcebook for Insurers ("the Rules") made by the Prudential Regulation Authority under section 137G of the Financial Services and Markets Act 2000:

- Forms 2, 3, 11 to 20, 40 to 45, 48, 49, 58 and 60 (including the supplementary notes) ("the Forms");
- the statement required by IPRU(INS) rule 9.29 ("the statement"); and
- the valuation reports required by IPRU(INS) rule 9.31 ("the valuation reports").

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

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

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

Respective responsibilities of the insurer and its auditor

The insurer is responsible for the preparation of an annual return (including the Forms, the statement and the valuation reports) under the provisions of the Rules. The requirements of the Rules have been modified by the direction on 6 December 2012 made by the Prudential Regulation Authority under section 138A of the Financial Services and Markets Act 2000 and referred to in supplementary note 0201. Under IPRU(INS) rule 9.11 the Forms, the statement and the valuation reports are required to be prepared in the manner specified by the Rules and to state fairly the information provided on the basis required by the Rules. The methods and assumptions determined by the insurer and used to perform the actuarial investigation as set out in the valuation reports are required to reflect appropriately the requirements of INSPRU 1.2 and 1.3.

It is our responsibility to form an independent opinion as to whether the Forms, the statement and the valuation reports meet these requirements, and to report our opinion to you. We also report to you if, in our opinion:

Returns under the Accounts and Statements Rules

Independent auditor's report to the directors pursuant to rule 9.35 of the Interim Prudential Sourcebook for Insurers

PHOENIX LIFE ASSURANCE LIMITED

Global business

Financial year ended 31 December 2013

(continued)

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the Forms, the statement and the valuation reports are not in agreement with the accounting records and returns; or
- we have not received all the information we require for our audit.

Basis of opinion

We conducted our work in accordance with Practice Note 20 'The audit of insurers in the United Kingdom (revised)' issued by the Auditing Practices Board. Our work included examination, on a test basis, of evidence relevant to the amounts and disclosures in the Forms, the statement and the valuation reports. The evidence included that previously obtained by us relating to the audit of the financial statements of the insurer for the financial year on which we reported on ²⁰ March 2014. It also included an assessment of the significant estimates and judgments made by the insurer in the preparation of the Forms, the statement and the valuation reports.

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

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

Opinion

In our opinion:

- (a) the Forms, the statement and the valuation reports fairly state the information provided on the basis required by the Rules as modified and have been properly prepared in accordance with the provisions of those Rules; and

Returns under the Accounts and Statements Rules

Independent auditor's report to the directors pursuant to rule 9.35 of the Interim Prudential Sourcebook for Insurers

PHOENIX LIFE ASSURANCE LIMITED

Global business

Financial year ended 31 December 2013

(continued)

- (b) the methods and assumptions determined by the insurer and used to perform the actuarial investigation as set out in the valuation reports appropriately reflect the requirements of INSPRU 1.2 and 1.3.



Ernst & Young LLP

Statutory Auditor

London

20 March 2014