

PEARL ASSURANCE LIMITED

(Formerly Pearl Assurance Public Limited Company)

Annual FSA Insurance Returns for the year ended

31 December 2010

IPRU(INS) Appendices 9.1, 9.2, 9.3, 9.4,9.4A, 9.5, 9.6

Contents

Balance Sheet and Profit and Loss Account

Form 1	Statement of solvency - general insurance business	3
Form 2	Statement of solvency - long-term insurance business	5
Form 3	Components of capital resources	6
Form 11	Calculation of general insurance capital requirement - premiums amount and brought forward amount - General Business	9
Form 12	Calculation of general insurance capital requirement - claims amount and result - General Business	11
Form 13	Analysis of admissible assets	13
Form 14	Long term insurance business liabilities and margins	31
Form 15	Liabilities (other than long term insurance business)	36
Form 16	Profit and loss account (non-technical account)	37
Form 17	Analysis of derivative contracts	38
Form 18	With-profits insurance capital component for the fund	44
Form 19	Realistic balance sheet	46

General Insurance Business: Revenue Account and Additional Information

Form 20A	Summary of business carried on	50
Form 20	Technical account (excluding equalisation provisions)	53
Form 22	Accident year accounting: Analysis of claims, expenses and technical provisions	61
Form 23	Accident year accounting: Analysis of net claims and premiums	66
Form 24	Underwriting year accounting: Analysis of premiums, claims and expenses	71
Form 25	Underwriting year accounting: Analysis of technical provisions	75
Form 30	Expected income and yield from admissible assets covering discounted provisions	79

Long Term Insurance Business: Revenue Account and Additional Information

Form 40	Revenue account	81
Form 41	Analysis of premiums	86
Form 42	Analysis of claims	91
Form 43	Analysis of expenses	96
Form 44	Linked funds balance sheet	101
Form 46	Summary of new business	102
Form 47	Analysis of new business	103
Form 48	Assets not held to match linked liabilities	106
Form 49	Fixed and variable interest assets	111
Form 50	Summary of mathematical reserves	115
Form 51	Valuation summary of non-linked contracts (other than accumulating with-profits contracts)	120
Form 52	Valuation summary of accumulating with-profits contracts	127
Form 53	Valuation summary of property linked contracts	129
Form 54	Valuation summary of index linked contracts	132
Form 57	Analysis of valuation interest rate	136
Form 58	Distribution of surplus	139
Form 59	With-profits payouts on maturity (normal retirement)	144
Form 60	Long-term insurance capital requirement	146

Supplementary notes to the return	147
Additional information on reinsurance business	167
Additional information on derivative contracts	172
Additional information on controllers	173
Abstract of the Valuation Report	176
Abstract of the Realistic Report	206
Statement of information on the with-profits actuary	246
Directors' Certificate	247
Auditor's Report	249

Statement of solvency - general insurance businessName of insurer **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2010**

Adjusted solo solvency calculation

	Company registration number	GL/ UK/ CM	day month year			Units
R1	1419	GL	31	12	2010	£000
			As at end of this financial year			As at end of the previous year
			1			2

Capital resources

Capital resources arising outside the long-term insurance fund	11	737988	838109
Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund	12	722988	823109
Capital resources available to cover general insurance business capital resources requirement (11-12)	13	15000	15000

Guarantee fund

Guarantee fund requirement	21	3040	3128
Excess (deficiency) of available capital resources to cover guarantee fund requirement	22	11960	11872

Minimum capital requirement (MCR)

General insurance capital requirement	31	3139	3139
Base capital resources requirement	33	3040	3128
Individual minimum capital requirement	34	3139	3139
Capital requirements of regulated related undertakings	35		
Minimum capital requirement (34+35)	36	3139	3139
Excess (deficiency) of available capital resources to cover 50% of MCR	37	13430	13430
Excess (deficiency) of available capital resources to cover 75% of MCR	38	12646	12646

Capital resources requirement (CRR)

Capital resources requirement	41	3139	3139
Excess (deficiency) of available capital resources to cover general insurance business CRR (13-41)	42	11861	11861

Contingent liabilities

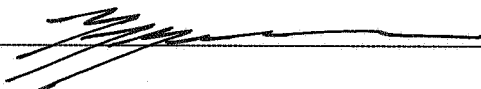
Quantifiable contingent liabilities in respect of other than long-term insurance business as shown in a supplementary note to Form 15	51		
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Covering Sheet to Form 1

Name of insurer **PEARL ASSURANCE LIMITED**


Global business

Financial year ended **31 December 2010**



M J Merrick

Chief Executive



A Moss

Director



J Yates

Director

Date: 22 March 2011

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

Global business

Financial year ended **31 December 2010**

Adjusted solo solvency calculation

Adjusted solo solvency calculation							
	Company registration number	GL/ UK/ CM	day month year			Units	
	R2	1419	GL	31	12	2010	£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	1272017	981662
Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund	12	722988	823109
Capital resources available to cover long-term insurance business capital resources requirement (11+12)	13	1995005	1804771

Guarantee fund

Guarantee fund requirement	21	286101	312485
Excess (deficiency) of available capital resources to cover guarantee fund requirement	22	1583544	1318279

Minimum capital requirement (MCR)

Long-term insurance capital requirement	31	380712	332962
Resilience capital requirement	32		
Base capital resources requirement	33	3040	3128
Individual minimum capital requirement	34	380712	332962
Capital requirements of regulated related undertakings	35	162272	204626
Minimum capital requirement (34+35)	36	542984	537588
Excess (deficiency) of available capital resources to cover 50% of MCR	37	1660472	1432466
Excess (deficiency) of available capital resources to cover 75% of MCR	38	1524726	1298069

Enhanced capital requirement

With-profits insurance capital component	39	704600	428749
Enhanced capital requirement	40	1247584	966337

Capital resources requirement (CRR)

Capital resources requirement (greater of 36 and 40)	41	1247584	966337
Excess (deficiency) of available capital resources to cover long-term insurance business CRR (13-41)	42	747421	838434

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

PEARL ASSURANCE LIMITED

Global business

Financial year ended

31 December 2010

	Company registration number	GL/ UK/ CM	day	month	year	Units
R3	1419	GL	31	12	2010	£000
		General insurance business 1	Long-term insurance business 2	Total as at the end of this financial year 3	Total as at the end of the previous year 4	

Core tier one capital

Permanent share capital	11		342109	342109	342109
Profit and loss account and other reserves	12	22168	698242	720410	728873
Share premium account	13		40716	40716	40716
Positive valuation differences	14		631256	631256	597764
Fund for future appropriations	15		293978	293978	208734
Core tier one capital in related undertakings	16		(32322)	(32322)	(67502)
Core tier one capital (sum of 11 to 16)	19	22168	1973980	1996148	1850694

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	22168	1973980	1996148	1850694
Investments in own shares	32				
Intangible assets	33				
Amounts deducted from technical provisions for discounting	34	7168		7168	8964
Other negative valuation differences	35				
Deductions in related undertakings	36		42016	42016	125470
Deductions from tier one (32 to 36)	37	7168	42016	49184	134434
Total tier one capital after deductions (31-37)	39	15000	1931964	1946964	1716260

Components of capital resources

Name of insurer

PEARL ASSURANCE LIMITED

Global business

Financial year ended

31 December 2010

	Company registration number	GL/ UK/ CM	day	month	year	Units
R3	1419	GL	31	12	2010	£000
		General insurance business 1	Long-term insurance business 2	Total as at the end of this financial year 3	Total as at the end of the previous year 4	

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				65000
Lower tier two capital (51+52+53)	59		250000	250000	315000

Total tier two capital before restrictions (49+59)	61		250000	250000	315000
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	315000

Components of capital resources

Name of insurer

PEARL ASSURANCE LIMITED

Global business

Financial year ended

31 December 2010

	Company registration number	GL/ UK/ CM	day month year			Units
R3	1419	GL	31	12	2010	£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	15000	2181964	2196964	2031260
Inadmissible assets other than intangibles and own shares	73		46207	46207	32365
Assets in excess of market risk and counterparty limits	74		140752	140752	179124
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	15000	1995005	2010005	1819771

Available capital resources for GENPRU/INSRU tests

Available capital resources for guarantee fund requirement	81	15000	1869644	1884644	1645764
Available capital resources for 50% MCR requirement	82	15000	1931964	1946964	1716260
Available capital resources for 75% MCR requirement	83	15000	1931964	1946964	1716260

Financial engineering adjustments

Implicit items	91				
Financial reinsurance - ceded	92				
Financial reinsurance - accepted	93		22	22	22
Outstanding contingent loans	94				
Any other charges on future profits	95				
Sum of financial engineering adjustments (91+92-93+94+95)	96		(22)	(22)	(22)

Form 11

Calculation of general insurance capital requirement - premiums amount and brought forward amount - General BusinessName of insurer **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2010**

General insurance business

		Company registration number	GL/ UK/ CM	day	month	year	Units	
		R11	1419	GL	31	12	2010	£000
				This financial year 1			Previous year 2	
Gross premiums written				11				
Premiums taxes and levies (included in line 11)				12				
Premiums written net of taxes and levies (11-12)				13				
Premiums for classes 11, 12 or 13 (included in line 13)				14				
Premiums for "actuarial health insurance" (included in line 13)				15				
Sub-total A (13 + 1/2 14 - 2/3 15)				16				
Gross premiums earned				21				
Premium taxes and levies (included in line 21)				22				
Premiums earned net of taxes and levies (21-22)				23				
Premiums for classes 11, 12 or 13 (included in line 23)				24				
Premiums for "actuarial health insurance" (included in line 23)				25				
Sub-total H (23 + 1/2 24 - 2/3 25)				26				
Sub-total I (higher of sub-total A and sub-total H)				30				
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				
	Excess (if any) over 57.5M EURO x 0.02			33				
Sub-total J (32-33)				34				
Claims paid in period of 3 financial years				41	7683			12180
Claims outstanding carried forward at the end of the 3 year period	For insurance business accounted for on an underwriting year basis			42	8433			7437
	For insurance business accounted for on an accident year basis			43	41412			44555
Claims outstanding brought forward at the beginning of the 3 year period	For insurance business accounted for on an underwriting year basis			44	7757			174476
	For insurance business accounted for on an accident year basis			45	46676			41706
Sub-total C (41+42+43-44-45)				46	3095			(152010)
Amounts recoverable from reinsurers in respect of claims included in Sub-total C				47	292			(163459)
Sub-total D (46-47)				48	2803			11449
Reinsurance Ratio (Sub-total D /sub-total C or, if more, 0.50 or, if less, 1.00)				49	0.91			0.50
Premiums amount (Sub-total J x reinsurance ratio)				50				
Provision for claims outstanding (before discounting and net of reinsurance)				51	40096			40073
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	3139			3139
Greater of lines 50 and 53				54	3139			3139

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

 Name of insurer **PEARL ASSURANCE LIMITED**

Global business

 Financial year ended **31 December 2010**

Long term insurance business

		Company registration number	GL/ UK/ CM	day month year			Units	
		R11	1419	GL	31	12	2010	£000
				This financial year 1			Previous year 2	
Gross premiums written				11	1193			1363
Premiums taxes and levies (included in line 11)				12				
Premiums written net of taxes and levies (11-12)				13	1193			1363
Premiums for classes 11, 12 or 13 (included in line 13)				14				
Premiums for "actuarial health insurance" (included in line 13)				15	1193			1325
Sub-total A (13 + 1/2 14 - 2/3 15)				16	398			480
Gross premiums earned				21	1196			1368
Premium taxes and levies (included in line 21)				22				
Premiums earned net of taxes and levies (21-22)				23	1196			1368
Premiums for classes 11, 12 or 13 (included in line 23)				24				
Premiums for "actuarial health insurance" (included in line 23)				25	1196			1330
Sub-total H (23 + 1/2 24 - 2/3 25)				26	399			481
Sub-total I (higher of sub-total A and sub-total H)				30	399			481
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	72			87
	Excess (if any) over 57.5M EURO x 0.02			33				
Sub-total J (32-33)				34	72			87
Claims paid in period of 3 financial years				41	1201			1381
Claims outstanding carried forward at the end of the 3 year period	For insurance business accounted for on an underwriting year basis			42				
	For insurance business accounted for on an accident year basis			43	2441			2484
Claims outstanding brought forward at the beginning of the 3 year period	For insurance business accounted for on an underwriting year basis			44				
	For insurance business accounted for on an accident year basis			45	2646			2799
Sub-total C (41+42+43-44-45)				46	996			1066
Amounts recoverable from reinsurers in respect of claims included in Sub-total C				47				918
Sub-total D (46-47)				48	996			148
Reinsurance Ratio (Sub-total D /sub-total C or, if more, 0.50 or, if less, 1.00)				49	1.00			0.50
Premiums amount (Sub-total J x reinsurance ratio)				50	72			43
Provision for claims outstanding (before discounting and net of reinsurance)				51	2441			2484
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	91			93
Greater of lines 50 and 53				54	91			93

Calculation of general insurance capital requirement - claims amount and result - General BusinessName of insurer **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2010**

General insurance business

		Company registration number	GL/ UK/ CM	day month year			Units	
		R12	1419	GL	31	12	2010	£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	7683			12180	
Claims outstanding carried forward at the end of the reference period	For insurance business accounted for on an underwriting year basis		22	8433			7437	
	For insurance business accounted for on an accident year basis		23	41412			44555	
Claims outstanding brought forward at the beginning of the reference period	For insurance business accounted for on an underwriting year basis		24	7757			174476	
	For insurance business accounted for on an accident year basis		25	46676			41706	
Claims incurred in reference period (21+22+23-24-25)			26	3095			(152010)	
Claims incurred for classes 11, 12 or 13 (included in 26)			27	8386			9412	
Claims incurred for "actuarial health insurance" (Included in 26)			28					
Sub-total E (26 +1/2 27 - 2/3 28)			29	7288			(147304)	
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	2429			(49101)	
Division of sub-total F (gross adjusted claims amount)	x 0.26		32	632			(12766)	
	Excess (if any) over 40.3M EURO x 0.03		33					
Sub-total G (32-33)			39	632			(12766)	
Claims amount Sub-total G x reinsurance ratio (11.49)			41	572			(6383)	
Higher of premiums amount and brought forward amount (11.54)			42	3139			3139	
General insurance capital requirement (higher of lines 41 and 42)			43	3139			3139	

Calculation of general insurance capital requirement - claims amount and result - Life BusinessName of insurer **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2010**

Long term insurance business

		Company registration number	GL/ UK/ CM	day month year			Units	
		R12	1419	GL	31	12	2010	£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	1201			1233	
Claims outstanding carried forward at the end of the reference period	For insurance business accounted for on an underwriting year basis		22					
	For insurance business accounted for on an accident year basis		23	2441			2484	
Claims outstanding brought forward at the beginning of the reference period	For insurance business accounted for on an underwriting year basis		24					
	For insurance business accounted for on an accident year basis		25	2646			2799	
Claims incurred in reference period (21+22+23-24-25)			26	996			918	
Claims incurred for classes 11, 12 or 13 (included in 26)			27					
Claims incurred for "actuarial health insurance" (included in 26)			28	996			918	
Sub-total E (26 +1/2 27 - 2/3 28)			29	332			306	
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	111			102	
Division of sub-total F (gross adjusted claims amount)	x 0.26		32	29			27	
	Excess (if any) over 40.3M EURO x 0.03		33					
Sub-total G (32-33)			39	29			27	
Claims amount Sub-total G x reinsurance ratio (11.49)			41	29			13	
Higher of premiums amount and brought forward amount (11.54)			42	91			93	
General insurance capital requirement (higher of lines 41 and 42)			43	91			93	

Analysis of admissible assetsName of insurer **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2010**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	2010	£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	41648	
	Debts and loans	22	115000	32110
Other insurance dependants	Shares	23		
	Debts and loans	24		
Non-insurance dependants	Shares	25		
	Debts and loans	26	138841	108910
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	225239	386740
Rights under derivative contracts		44	57210	12440
Fixed interest securities	Approved	45	49040	98291
	Other	46		11219
Variable interest securities	Approved	47	3144	13101
	Other	48	12546	16619
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	54	53
Assets held to match linked liabilities	Index linked	58		
	Property linked	59		

Analysis of admissible assetsName of insurer **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2010**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	2010	£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	9750	11918
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		7
	Ceded	75		
Dependants	due in 12 months or less	76		1
	due in more than 12 months	77		
Other	due in 12 months or less	78	1475	951
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	1538	18080
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	2630	3297
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86	2865	11

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	660979	713748
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Analysis of admissible assetsName of insurer **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2010**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	2010	£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	660979	713748
Admissible assets in excess of market and counterparty limits	92	80030	116830
Inadmissible assets directly held	93		
Capital resources requirement deduction of regulated related undertakings	94	187268	204626
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	95		
Inadmissible assets of regulated related undertakings	96	42149	125655
Book value of related ancillary services undertakings	97		
Other differences in the valuation of assets (other than for assets not valued above)	98	154639	7397
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		(6770)
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	1125065	1161486
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103	115760	32111

Analysis of admissible assetsName of insurer **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2010**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	2010	£000	10
					As at end of this financial year		As at end of the previous year
					1		2
Land and buildings				11	44528		44135

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	129386	110500
	Debts and loans	26	199500	199500
Other group undertakings	Shares	27	47019	55178
	Debts and loans	28		26157
Participating interests	Shares	29		
	Debts and loans	30		

Other financial investments

Equity shares		41	1274048	1741888
Other shares and other variable yield participations		42		
Holdings in collective investment schemes		43	4193520	2339043
Rights under derivative contracts		44	859182	544933
Fixed interest securities	Approved	45	3391404	2454506
	Other	46	2188832	1709274
Variable interest securities	Approved	47	761380	648014
	Other	48	2144616	2628745
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	9020	9633
Other loans		53	5875	5875
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	25172	30351
Assets held to match linked liabilities	Index linked	58	135	61316
	Property linked	59	116	129

Analysis of admissible assetsName of insurer **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2010**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	2010	£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	174	5
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74	13406	10363
	Ceded	75	838	734
Dependants	due in 12 months or less	76		9996
	due in more than 12 months	77		
Other	due in 12 months or less	78	152243	67123
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	136933	673611
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	108805	90526
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86	6452	9426

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	15692588	13470961
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Analysis of admissible assetsName of insurer **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2010**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	2010	£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	15692588	13470961
Admissible assets in excess of market and counterparty limits	92	60724	62294
Inadmissible assets directly held	93	46076	32180
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		9394
Deferred acquisition costs excluded from line 89	99		
Reinsurers' share of technical provisions excluded from line 89	100	2379030	2410159
Other asset adjustments (may be negative)	101	(147637)	(7900)
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	18030780	15977088
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103	236676	106675

Analysis of admissible assetsName of insurer **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2010**Category of assets **90:10**

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets
R13	1419	GL	31	12	2010	£000	13
						As at end of this financial year	As at end of the previous year
						1	2
Land and buildings			11			44528	44135

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	69934	55614
	Debts and loans	26		
Other group undertakings	Shares	27	47019	55178
	Debts and loans	28		
Participating interests	Shares	29		
	Debts and loans	30		

Other financial investments

Equity shares		41	1199949	1689862
Other shares and other variable yield participations		42		
Holdings in collective investment schemes		43	3045647	1345613
Rights under derivative contracts		44	433757	342459
Fixed interest securities	Approved	45	1963631	1773276
	Other	46	1161445	1084185
Variable interest securities	Approved	47	626164	616021
	Other	48	1535955	2147656
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	9020	9633
Other loans		53	5875	5875
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	25172	30351
Assets held to match linked liabilities	Index linked	58		
	Property linked	59	116	129

Analysis of admissible assetsName of insurer **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2010**Category of assets **90:10**

	Company registration number	GL/ UK/ CM	day month year			Units	Category of assets	
	R13	1419	GL	31	12	2010	£000	13
					As at end of this financial year		As at end of the previous year	
					1		2	

Reinsurers' share of technical provisions

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

Debtors and salvage

Direct insurance business	Policyholders	71	174	
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74	13406	10361
	Ceded	75		
Dependants	due in 12 months or less	76		9775
	due in more than 12 months	77		
Other	due in 12 months or less	78	110473	80894
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	129624	658818
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	51184	47034
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86	6420	9392

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	10479494	10016261
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Analysis of admissible assetsName of insurer **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2010**Category of assets **90:10**

	Company registration number	GL/ UK/ CM	day month year			Units	Category of assets
R13	1419	GL	31	12	2010	£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	10479494	10016261
Admissible assets in excess of market and counterparty limits	92	6506	33626
Inadmissible assets directly held	93	664	680
Capital resources requirement deduction of regulated related undertakings	94		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	95		
Inadmissible assets of regulated related undertakings	96		
Book value of related ancillary services undertakings	97		
Other differences in the valuation of assets (other than for assets not valued above)	98		
Deferred acquisition costs excluded from line 89	99		
Reinsurers' share of technical provisions excluded from line 89	100	7433	7656
Other asset adjustments (may be negative)	101	(8396)	(8121)
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	10485700	10050102

Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103	142741	9347
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Analysis of admissible assetsName of insurer **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2010**Category of assets **0:100 BLAGAB**

	Company registration number	GL/ UK/ CM	day month year			Units	Category of assets	
	R13	1419	GL	31	12	2010	£000	11
						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	80000	80000
Other group undertakings	Shares	27		
	Debts and loans	28		26157
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	100815	67704
Rights under derivative contracts		44	271	354
Fixed interest securities	Approved	45	32966	37329
	Other	46	19601	21872
Variable interest securities	Approved	47	7778	2369
	Other	48	1215	3623
Participation in investment pools		49		
Loans secured by mortgages		50		
Loans to public or local authorities and nationalised industries or undertakings		51		
Loans secured by policies of insurance issued by the company		52		
Other loans		53		
Bank and approved credit & financial institution deposits	One month or less withdrawal	54		
	More than one month withdrawal	55		
Other financial investments		56		
Deposits with ceding undertakings		57		
Assets held to match linked liabilities	Index linked	58		
	Property linked	59		

Analysis of admissible assetsName of insurer **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2010**Category of assets **0:100 BLAGAB**

Company registration number		GL/UK/CM	day month year			Units	Category of assets
R13	1419	GL	31	12	2010	£000	11
					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	803	734
Dependants	due in 12 months or less	76		221
	due in more than 12 months	77		
Other	due in 12 months or less	78	22020	3835
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	2298	3275
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	1715	14737
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86	15	2

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	269495	262212
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Analysis of admissible assetsName of insurer **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2010**Category of assets **0:100 BLAGAB**

Company registration number		GL/UK/CM	day month year			Units	Category of assets
R13	1419	GL	31	12	2010	£000	11
					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	269495	262212
Admissible assets in excess of market and counterparty limits	92	54217	28184
Inadmissible assets directly held	93	45412	31500
Capital resources requirement deduction of regulated related undertakings	94		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	95		
Inadmissible assets of regulated related undertakings	96		
Book value of related ancillary services undertakings	97		
Other differences in the valuation of assets (other than for assets not valued above)	98		
Deferred acquisition costs excluded from line 89	99		
Reinsurers' share of technical provisions excluded from line 89	100	(3005)	(4974)
Other asset adjustments (may be negative)	101	(131)	(17022)
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	365988	299900

Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103	84204	97328
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Analysis of admissible assetsName of insurer **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2010**Category of assets **0:100 PENSIONS**

	Company registration number	GL/ UK/ CM	day month year			Units	Category of assets	
	R13	1419	GL	31	12	2010	£000	12
						As at end of this financial year	As at end of the previous year	
						1	2	
Land and buildings				11				

Investments in group undertakings and participating interests

UK insurance dependants	Shares	21		
	Debts and loans	22		
Other insurance dependants	Shares	23		
	Debts and loans	24		
Non-insurance dependants	Shares	25	59453	54886
	Debts and loans	26	119500	119500
Other group undertakings	Shares	27		
	Debts and loans	28		
Participating interests	Shares	29		
	Debts and loans	30		

Other financial investments

Equity shares		41	74099	52026
Other shares and other variable yield participations		42		
Holdings in collective investment schemes		43	942724	925726
Rights under derivative contracts		44	249889	202120
Fixed interest securities	Approved	45	648444	643901
	Other	46	714885	603217
Variable interest securities	Approved	47	127439	29624
	Other	48	528085	477466
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	135	61316
	Property linked	59		

Analysis of admissible assetsName of insurer **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2010**Category of assets **0:100 PENSIONS**

	Company registration number	GL/ UK/ CM	day month year			Units	Category of assets	
	R13	1419	GL	31	12	2010	£000	12
					As at end of this financial year		As at end of the previous year	
					1		2	

Reinsurers' share of technical provisions

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

Debtors and salvage

Direct insurance business	Policyholders	71		5
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74		2
	Ceded	75	36	
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	19574	5110
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	3855	11518
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	42085	28755
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86	2	32

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	3530203	3215204
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Analysis of admissible assetsName of insurer **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2010**Category of assets **0:100 PENSIONS**

Company registration number		GL/UK/CM	day month year			Units	Category of assets
R13	1419	GL	31	12	2010	£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	3530203	3215204
Admissible assets in excess of market and counterparty limits	92	1	484
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		9394
Deferred acquisition costs excluded from line 89	99		
Reinsurers' share of technical provisions excluded from line 89	100	2374602	2407477
Other asset adjustments (may be negative)	101	(8560)	(5473)
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	5896246	5627086

Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103	135	
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Analysis of admissible assetsName of insurer **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2010**Category of assets **100:0 SERP**

Company registration number		GL/UK/CM	day month year			Units	Category of assets
R13	1419	GL	31	12	2010	£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			104334	
Rights under derivative contracts			44			175266	
Fixed interest securities	Approved		45			746363	
	Other		46			292902	
Variable interest securities	Approved		47				
	Other		48			79362	
Participation in investment pools			49				
Loans secured by mortgages			50				
Loans to public or local authorities and nationalised industries or undertakings			51				
Loans secured by policies of insurance issued by the company			52				
Other loans			53				
Bank and approved credit & financial institution deposits	One month or less withdrawal		54				
	More than one month withdrawal		55				
Other financial investments			56				
Deposits with ceding undertakings			57				
Assets held to match linked liabilities	Index linked		58				
	Property linked		59				

Analysis of admissible assetsName of insurer **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2010**Category of assets **100:0 SERP**

Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets	
R13	1419	GL	31	12	2010	£000	14
					As at end of this financial year	As at end of the previous year	
					1	2	

Reinsurers' share of technical provisions

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

Debtors and salvage

Direct insurance business	Policyholders	71		
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74		
	Ceded	75		
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	176	
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	1156	
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	13821	
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86	15	

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	1413396	
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Analysis of admissible assetsName of insurer **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2010**Category of assets **100:0 SERP**

Company registration number		GL/UK/CM	day month year			Units	Category of assets
R13	1419	GL	31	12	2010	£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	1413396	
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93		
Capital resources requirement deduction of regulated related undertakings	94		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	95		
Inadmissible assets of regulated related undertakings	96		
Book value of related ancillary services undertakings	97		
Other differences in the valuation of assets (other than for assets not valued above)	98		
Deferred acquisition costs excluded from line 89	99		
Reinsurers' share of technical provisions excluded from line 89	100		
Other asset adjustments (may be negative)	101	(130550)	
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	1282846	

Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103	9596	
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Long term insurance business liabilities and marginsName of insurer **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2010**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	8452450	6962550
Cash bonuses which had not been paid to policyholders prior to end of the financial year		12		
Balance of surplus/(valuation deficit)		13	330954	309322
Long term insurance business fund carried forward (11 to 13)		14	8783404	7271872
Claims outstanding	Gross	15	58225	56698
	Reinsurers' share	16		
	Net (15-16)	17	58225	56698
Provisions	Taxation	21		7900
	Other risks and charges	22	15571	17019
Deposits received from reinsurers		23	2414051	2414656
Creditors	Direct insurance business	31	8410	14754
	Reinsurance accepted	32		1250
	Reinsurance ceded	33	119	165
Debenture loans	Secured	34		
	Unsecured	35	95	95
Amounts owed to credit institutions		36		
Creditors	Taxation	37	7179	
	Other	38	3454549	2998444
Accruals and deferred income		39	2021	898
Provision for "reasonably foreseeable adverse variations"		41	7900	14870
Total other insurance and non-insurance liabilities (17 to 41)		49	5968120	5526749
Excess of the value of net admissible assets		51	941063	672340
Total liabilities and margins		59	15692587	13470961

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61	144546	23214
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62	116	129

Total liabilities (11+12+49)	71	14420570	12489299
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73	2379030	2410159
Other adjustments to liabilities (may be negative)	74	606487	599258
Capital and reserves and fund for future appropriations	75	624693	478372
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	18030780	15977088

Long term insurance business liabilities and marginsName of insurer **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2010**Total business/Sub fund **90:10**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	6257725	6318264
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	6365146	6425685
Claims outstanding	Gross	15	56374	53343
	Reinsurers' share	16		
	Net (15-16)	17	56374	53343
Provisions	Taxation	21		7900
	Other risks and charges	22	15571	17019
Deposits received from reinsurers		23		
Creditors	Direct insurance business	31	8410	14771
	Reinsurance accepted	32		
	Reinsurance ceded	33		
Debenture loans	Secured	34		
	Unsecured	35	95	95
Amounts owed to credit institutions		36		
Creditors	Taxation	37	4452	
	Other	38	3078501	2809340
Accruals and deferred income		39	1980	898
Provision for "reasonably foreseeable adverse variations"		41	7900	14870
Total other insurance and non-insurance liabilities (17 to 41)		49	3173284	2918236
Excess of the value of net admissible assets		51	941063	672340
Total liabilities and margins		59	10479494	10016261

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61	84180	20340
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62	116	129

Total liabilities (11+12+49)	71	9431010	9236500
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73	7433	7656
Other adjustments to liabilities (may be negative)	74	753280	597213
Capital and reserves and fund for future appropriations	75	293978	208733
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	10485700	10050102

Long term insurance business liabilities and marginsName of insurer **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2010**Total business/Sub fund **100:0 SERP**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	1303260	
Cash bonuses which had not been paid to policyholders prior to end of the financial year		12		
Balance of surplus/(valuation deficit)		13	6221	
Long term insurance business fund carried forward (11 to 13)		14	1309482	
Claims outstanding	Gross	15	402	
	Reinsurers' share	16		
	Net (15-16)	17	402	
Provisions	Taxation	21		
	Other risks and charges	22		
Deposits received from reinsurers		23		
Creditors	Direct insurance business	31		
	Reinsurance accepted	32		
	Reinsurance ceded	33		
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions		36		
Creditors	Taxation	37	411	
	Other	38	103101	
Accruals and deferred income		39		
Provision for "reasonably foreseeable adverse variations"		41		
Total other insurance and non-insurance liabilities (17 to 41)		49	103914	
Excess of the value of net admissible assets		51		
Total liabilities and margins		59	1413396	

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61	49093	
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62		

Total liabilities (11+12+49)	71	1407174	
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73		
Other adjustments to liabilities (may be negative)	74	(124328)	
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	1282846	

Long term insurance business liabilities and marginsName of insurer **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2010**Total business/Sub fund **0:100 BLAGAB**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	57422	53800
Cash bonuses which had not been paid to policyholders prior to end of the financial year		12		
Balance of surplus/(valuation deficit)		13	206993	191691
Long term insurance business fund carried forward (11 to 13)		14	264415	245491
Claims outstanding	Gross	15	1053	2555
	Reinsurers' share	16		
	Net (15-16)	17	1053	2555
Provisions	Taxation	21		
	Other risks and charges	22		
Deposits received from reinsurers		23		
Creditors	Direct insurance business	31		
	Reinsurance accepted	32		
	Reinsurance ceded	33	119	165
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions		36		
Creditors	Taxation	37	(432)	13010
	Other	38	4329	991
Accruals and deferred income		39	11	
Provision for "reasonably foreseeable adverse variations"		41		
Total other insurance and non-insurance liabilities (17 to 41)		49	5080	16721
Excess of the value of net admissible assets		51		
Total liabilities and margins		59	269495	262212

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61		1
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62		

Total liabilities (11+12+49)	71	62502	70521
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73	(3005)	(4974)
Other adjustments to liabilities (may be negative)	74	(435)	(17039)
Capital and reserves and fund for future appropriations	75	306925	251392
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	365988	299900

Long term insurance business liabilities and marginsName of insurer **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2010**Total business/Sub fund **0:100 PENSIONS**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	834043	590486
Cash bonuses which had not been paid to policyholders prior to end of the financial year		12		
Balance of surplus/(valuation deficit)		13	10318	10210
Long term insurance business fund carried forward (11 to 13)		14	844361	600696
Claims outstanding	Gross	15	396	800
	Reinsurers' share	16		
	Net (15-16)	17	396	800
Provisions	Taxation	21		
	Other risks and charges	22		
Deposits received from reinsurers		23	2414051	2414656
Creditors	Direct insurance business	31		
	Reinsurance accepted	32		1250
	Reinsurance ceded	33		
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions		36		
Creditors	Taxation	37	2747	
	Other	38	268618	197802
Accruals and deferred income		39	30	
Provision for "reasonably foreseeable adverse variations"		41		
Total other insurance and non-insurance liabilities (17 to 41)		49	2685841	2614508
Excess of the value of net admissible assets		51		
Total liabilities and margins		59	3530203	3215204

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61	11273	12497
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62		

Total liabilities (11+12+49)	71	3519884	3204994
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73	2374602	2407477
Other adjustments to liabilities (may be negative)	74	(22030)	(3632)
Capital and reserves and fund for future appropriations	75	23790	18247
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	5896246	5627086

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

Global business

Financial year ended **31 December 2010**

	Company registration number	GL/ UK/ CM	day month year			Units	
	R15	1419	GL	31	12	2010	£000
				As at end of this financial year 1		As at end of the previous year 2	

Technical provisions (gross amount)

Provisions for unearned premiums		11			
Claims outstanding		12		49846	51991
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		49846	51991

Provisions and creditors

Provisions	Taxation	21			
	Other risks and charges	22		123	500
Deposits received from reinsurers		31			
Creditors	Direct insurance business	41			
	Reinsurance accepted	42		704	728
	Reinsurance ceded	43			
Debenture loans	Secured	44			
	Unsecured	45			
Amounts owed to credit institutions		46			
Creditors	Taxation	47		8067	2381
	Foreseeable dividend	48			
	Other	49		46255	24449
Accruals and deferred income		51		4716	5112
Total (19 to 51)		59		109710	85161
Provision for "reasonably foreseeable adverse variations"		61		550	
Cumulative preference share capital		62			
Subordinated loan capital		63		250000	250000
Total (59 to 63)		69		360260	335161

Amounts included in line 69 attributable to liabilities to related insurers, other than those under contracts of insurance or reinsurance	71		21159	18184
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Amounts deducted from technical provisions for discounting	82		7168	8964
Other adjustments (may be negative)	83		(550)	(6771)
Capital and reserves	84		772523	842060
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		1125065	1161486

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

Global business

Financial year ended **31 December 2010**

		Company registration number	GL/ UK/ CM	day	month	year	Units	
		R16	1419	GL	31	12	2010	£000
				This financial year			Previous year	
				1			2	
Transfer (to)/from the general insurance business technical account		From Form 20	11	(134)			(447)	
		Equalisation provisions	12					
Transfer from the long term insurance business revenue account			13	(137972)			52489	
Investment income	Income		14	101524			14165	
	Value re-adjustments on investments		15	72106			166299	
	Gains on the realisation of investments		16	806				
Investment charges	Investment management charges, including interest		17	10974			2056	
	Value re-adjustments on investments		18					
	Loss on the realisation of investments		19	29802			49082	
Allocated investment return transferred to the general insurance business technical account			20	2670			1457	
Other income and charges (particulars to be specified by way of supplementary note)			21	(34)			(15484)	
Profit or loss on ordinary activities before tax (11+12+13+14+15+16-17-18-19-20+21)			29	(7151)			164427	
Tax on profit or loss on ordinary activities			31	6722			(10948)	
Profit or loss on ordinary activities after tax (29-31)			39	(13873)			175375	
Extraordinary profit or loss (particulars to be specified by way of supplementary note)			41					
Tax on extraordinary profit or loss			42					
Other taxes not shown under the preceding items			43					
Profit or loss for the financial year (39+41-(42+43))			49	(13873)			175375	
Dividends (paid or foreseeable)			51	102593				
Profit or loss retained for the financial year (49-51)			59	(116466)			175375	

Analysis of derivative contractsName of insurer **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2010**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	2010	£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	43995	45553		2260000	2352330	
	Inflation	13	11983				321030	
	Credit index / basket	14						
	Credit single name	15	1150			641791		
	Equity index	16						
	Equity stock	17						
	Land	18						
	Currencies	19	82	176		6861	8802	
	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	57210	45729		2908653	2682162	
Adjustment for variation margin		52						
Total (51 + 52)		53	57210	45729				

THE NOTIONAL AMOUNTS IN COLUMNS 3 AND 4 ARE NOT A MEASURE OF EXPOSURE.

Please see instructions 11 and 12 to this Form for the meaning of these figures.

Analysis of derivative contractsName of insurer **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2010**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	2010	£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	(0)			348318	134721	
	Interest rates	12	686279	386044	7637090	7148160		
	Inflation	13	31996	127731	126640	8147		
	Credit index / basket	14	6	2	7883			
	Credit single name	15	840	10857	989377	22412		
	Equity index	16	(0)		38727	214328		
	Equity stock	17						
	Land	18						
	Currencies	19	25088	36061	1129720	2975883		
	Mortality	20						
	Other	21	2417	11748	584500	382500		
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	112556		1960376			
	Equity index calls	42						
	Equity stock calls	43						
	Equity index puts	44						
	Equity stock puts	45						
	Other	46						
Total (11 to 46)		51	859182	572443	12814749	10894034		
Adjustment for variation margin		52						
Total (51 + 52)		53	859182	572443				

THE NOTIONAL AMOUNTS IN COLUMNS 3 AND 4 ARE NOT A MEASURE OF EXPOSURE.

Please see instructions 11 and 12 to this Form for the meaning of these figures.

Analysis of derivative contractsName of insurer **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2010**Category of assets **0:100 BLAGAB**

			Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets	
			R17	1419	GL	31	12	2010	£000	11
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	93	3692	25000	84000				
	Inflation	13								
	Credit index / basket	14								
	Credit single name	15								
	Equity index	16								
	Equity stock	17								
	Land	18								
	Currencies	19	177	450	14588	32965				
	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	271	4142	39588	116965				
Adjustment for variation margin		52								
Total (51 + 52)		53	271	4142						

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

Analysis of derivative contractsName of insurer **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2010**Category of assets **0:100 PENSIONS**

		Company registration number	GL/ UK/ CM	day month year			Units	Category of assets
R17		1419	GL	31	12	2010	£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				342262	54761	
	Interest rates	12	242778	89166		2917153	1543620	
	Inflation	13						
	Credit index / basket	14						
	Credit single name	15	608	198		372092		
	Equity index	16						
	Equity stock	17						
	Land	18						
	Currencies	19	6503	13070		161626	1131377	
	Mortality	20						
	Other	21		786			60000	
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	249889	103221		3793135	2789758	
Adjustment for variation margin		52						
Total (51 + 52)		53	249889	103221				

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

Analysis of derivative contractsName of insurer **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2010**Category of assets **90:10**

		Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets
R17		1419	GL	31	12	2010	£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	(0)			6056	79960	
	Interest rates	12	327233	230183		3091365	4103068	
	Inflation	13	31932	127728		126640		
	Credit index / basket	14	6	2			7883	
	Credit single name	15	233	10659		617285	22412	
	Equity index	16	(0)			38727	214328	
	Equity stock	17						
	Land	18						
	Currencies	19	17863	22459		946859	1786490	
	Mortality	20						
	Other	21	2417	9993		522500	322500	
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	54073			1211476		
	Equity index calls	42						
	Equity stock calls	43						
	Equity index puts	44						
	Equity stock puts	45						
	Other	46						
Total (11 to 46)		51	433757	401025		6560908	6536642	
Adjustment for variation margin		52						
Total (51 + 52)		53	433757	401025				

THE NOTIONAL AMOUNTS IN COLUMNS 3 AND 4 ARE NOT A MEASURE OF EXPOSURE.

Please see instructions 11 and 12 to this Form for the meaning of these figures.

Analysis of derivative contractsName of insurer **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2010**Category of assets **100:0 SERP**

		Company registration number	GL/ UK/ CM	day month year			Units	Category of assets
R17		1419	GL	31	12	2010	£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	116174	63003		1603572	1417472	
	Inflation	13	64	3			8147	
	Credit index / basket	14						
	Credit single name	15						
	Equity index	16						
	Equity stock	17						
	Land	18						
	Currencies	19	545	81		6647	25050	
	Mortality	20						
	Other	21		968		62000		
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	58482			748900		
	Equity index calls	42						
	Equity stock calls	43						
	Equity index puts	44						
	Equity stock puts	45						
	Other	46						
Total (11 to 46)		51	175266	64055		2421119	1450669	
Adjustment for variation margin		52						
Total (51 + 52)		53	175266	64055				

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 **PEARL ASSURANCE LIMITED**With-profits fund **90:10**Financial year ended **31 December 2010**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	10479494	10016261
	Implicit items allocated to the fund	12		
	Mathematical reserves in respect of the fund's non-profit insurance contracts	13	178007	178179
	Long-term admissible assets of the fund covering the LTICR of the fund's non-profit insurance contracts	14	5744	8817
	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	10295742	9829265
Regulatory value of liabilities	Mathematical reserves (after distribution of surplus) in respect of the fund's with-profits insurance contracts	21	6079718	6140085
	Regulatory current liabilities of the fund	22	3173285	2918236
	Total (21+22)	29	9253003	9058321
Long-term insurance capital requirement in respect of the fund's with-profits insurance contracts		31	208780	208224
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	9461782	9266545
Regulatory excess capital (19-39)		49	833960	562720

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	833960	562720
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	154357	133971
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	679603	428749

With-profits insurance capital component for the fundName of insurer **PEARL ASSURANCE LIMITED**With-profits fund **100:0 SERP**Financial year ended **31 December 2010**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	1413396	
	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	1413396	
Regulatory value of liabilities	Mathematical reserves (after distribution of surplus) in respect of the fund's with-profits insurance contracts	21	1303260	
	Regulatory current liabilities of the fund	22	103914	
	Total (21+22)	29	1407174	
Long-term insurance capital requirement in respect of the fund's with-profits insurance contracts		31	44312	
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	1451487	
Regulatory excess capital (19-39)		49	(38091)	

Realistic excess capital

Realistic excess capital	51	97219	
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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	(135310)	
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		

Form 19
(Sheet 1)

Realistic balance sheet

Name of insurer **PEARL ASSURANCE LIMITED**With-profits fund **90:10**Financial year ended **31 December 2010**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	10295742	9829265
Implicit items allocated to the fund	12		
Value of shares in subsidiaries held in fund (regulatory)	13		
Excess admissible assets	21	6506	33626
Present value of future profits (or losses) on non-profit insurance contracts written in the fund	22	12724	6937
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	10314973	9869828
Support arrangement assets	27		
Assets available to the fund (26+27)	29	10314973	9869828

Realistic value of liabilities of fund

With-profits benefit reserve		31	5113743	5060676
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	1003065	892658
	Planned deductions for the costs of guarantees, options and smoothing from with-profits benefits reserve	35	44513	127978
	Planned deductions for other costs deemed chargeable to with-profits benefits reserve	36		
	Future costs of contractual guarantees (other than financial options)	41	213372	285206
	Future costs of non-contractual commitments	42	125284	117587
	Future costs of financial options	43	252184	242547
	Future costs of smoothing (possibly negative)	44	(68035)	(53601)
	Financing costs	45		
	Any other liabilities related to regulatory duty to treat customers fairly	46		
	Other long-term insurance liabilities	47	502161	497041
	Total (32+34+41+42+43+44+45+46+47-(33+35+36))	49	2035844	1905787
Realistic current liabilities of the fund		51	3165385	2903365
Realistic value of liabilities of fund (31+49+51)		59	10314973	9869828

Realistic balance sheetName of insurer **PEARL ASSURANCE LIMITED**With-profits fund **90:10**Financial year ended **31 December 2010**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	10314973	9869828
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	10314973	9869828
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	593171	700027
Additional amount potentially available for inclusion in line 63	82	41020	38502

Realistic balance sheetName of insurer **PEARL ASSURANCE LIMITED**With-profits fund **100:0 SERP**Financial year ended **31 December 2010**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	1413396	
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	1413396	
Support arrangement assets	27		
Assets available to the fund (26+27)	29	1413396	

Realistic value of liabilities of fund

With-profits benefit reserve	31	599809	
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	1728
	Planned deductions for other costs deemed chargeable to with-profits benefits reserve	36	(1195)
	Future costs of contractual guarantees (other than financial options)	41	586252
	Future costs of non-contractual commitments	42	
	Future costs of financial options	43	225
	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	1236
	Total (32+34+41+42+43+44+45+46+47-(33+35+36))	49	587181
Realistic current liabilities of the fund	51	103914	
Realistic value of liabilities of fund (31+49+51)	59	1290904	

Realistic balance sheetName of insurer **PEARL ASSURANCE LIMITED**With-profits fund **100:0 SERP**Financial year ended **31 December 2010**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	1316176	
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	1316176	
Risk capital margin for fund (62-59)	65	25273	
Realistic excess capital for fund (26-(59+65))	66	97219	
Realistic excess available capital for fund (29-(59+65))	67	97219	
Working capital for fund (29-59)	68	122492	
Working capital ratio for fund (68/29)	69	8.67	

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

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

General insurance business : Summary of business carried on

Name of insurer **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2010**

		Company registration number	GL/ UK/ CM	day month year			units	
		R20A	1419	GL	31	12	2010	£000
Category number	FSA return general insurance business reporting category		Gross Premium written in this financial year 1	Provision for undiscounted gross claims outstanding at the end of this financial year		Provision for gross unearned premium at the end of this financial year 4		
				Reported 2	Incurred but not reported 3			
1	Total business	1		5973	40979			
2	Total primary (direct) and facultative business	2		4208	37204			
3	Total treaty reinsurance accepted business	3		1765	3775			

110	Total primary (direct) and facultative accident and health (category numbers 111 to 114)	4					
120	Total primary (direct) and facultative personal lines motor business (category numbers 121 to 123)	5		526	38		
160	Primary (direct) and facultative household and domestic all risks	6		41	516		
180	Total primary (direct) and facultative personal lines financial loss (category numbers 181 to 187)	7					
220	Total primary (direct) and facultative commercial motor business (category numbers 221 to 223)	8		488	33		
260	Total primary (direct) and facultative commercial lines property (category numbers 261 to 263)	9		24			
270	Total primary (direct) and facultative commercial lines liability business (category numbers 271 to 274)	10		3129	36617		
280	Total primary (direct) and facultative commercial lines financial loss (category numbers 281 to 284)	11					
330	Total primary (direct) and facultative aviation (category numbers 331 to 333)	12					
340	Total primary (direct) and facultative marine (category numbers 341 to 347)	13					
350	Total primary (direct) and facultative goods in transit	14					
400	Miscellaneous primary (direct) and facultative business	15					
500	Total non-proportional treaty reinsurance business accepted (category numbers 510 to 590)	16		30	65		
600	Total proportional treaty reinsurance business accepted (category numbers 610 to 690)	17		1734	3710		
700	Miscellaneous treaty reinsurance accepted business	18					
	Total (lines 4 to 18)	20		5973	40979		

General insurance business : Summary of business carried on

Name of insurer **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2010**

		Company registration number	GL/UK/CM	day month year			units	
		R20A	1419	GL	31	12	2010	£000
Category number	FSA return general insurance business reporting category	Gross Premium written in this financial year	Provision for undiscounted gross claims outstanding at the end of this financial year			Provision for gross unearned premium at the end of this financial year		
			Reported	Incurred but not reported				
		1	2	3		4		

Primary (direct) and facultative personal lines business

111	Medical insurance	21					
112	HealthCare cash plans	22					
113	Travel	23					
114	Personal accident or sickness	24					
121	Private motor - comprehensive	25		171		12	
122	Private motor - non-comprehensive	26		355		26	
123	Motor cycle	27					
160	Household and domestic all risks (equals line 6)	28		41		516	
181	Assistance	29					
182	Creditor	30					
183	Extended warranty	31					
184	Legal expenses	32					
185	Mortgage indemnity	33					
186	Pet insurance	34					
187	Other personal financial loss	35					

Primary (direct) and facultative commercial lines business

221	Fleets	41					
222	Commercial vehicles (non-fleet)	42		488		33	
223	Motor other	43					
261	Commercial property	44		24			
262	Consequential loss	45					
263	Contractors or engineering all risks	46					
271	Employers liability	47		1732		33622	
272	Professional indemnity	48					
273	Public and products liability	49		1397		2995	
274	Mixed commercial package	50					
281	Fidelity and contract guarantee	51					
282	Credit	52					
283	Suretyship	53					
284	Commercial contingency	54					

Primary (direct) and facultative aviation

331	Aviation liability	61					
332	Aviation hull	62					
333	Space and satellite	63					

General insurance business : Summary of business carried on

Name of insurer **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2010**

		Company registration number	GL/UK/CM	day month year			units	
		R20A	1419	GL	31	12	2010	£000
Category number	FSA return general insurance business reporting category	Gross Premium written in this financial year	Provision for undiscounted gross claims outstanding at the end of this financial year			Provision for gross unearned premium at the end of this financial year		
			Reported	Incurred but not reported				
		1	2	3		4		

Primary (direct) and facultative marine and transport

341	Marine liability	64						
342	Marine hull	65						
343	Energy (on and off-shore)	66						
344	Protection and indemnity	67						
345	Freight demurrage and defence	68						
346	War risks	69						
347	Yacht	70						
350	Total primary (direct) and facultative goods in transit (equals line 14)	71						

Primary (direct) and facultative miscellaneous

400	Miscellaneous primary (direct) and facultative business (equals line 15)	72						
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Non-proportional treaty

510	Non-proportional accident and health	81						
520	Non-proportional motor	82		3		7		
530	Non-proportional aviation	83						
540	Non-proportional marine	84						
550	Non-proportional transport	85						
560	Non-proportional property	86		11		11		
570	Non-proportional liability (non-motor)	87		16		47		
580	Non-proportional financial lines	88						
590	Non-proportional aggregate cover	89						

Proportional treaty

610	Proportional accident and health	91						
620	Proportional motor	92						
630	Proportional aviation	93						
640	Proportional marine	94		1675		3579		
650	Proportional transport	95						
660	Proportional property	96		16		16		
670	Proportional liability (non-motor)	97		36		109		
680	Proportional financial lines	98		7		7		
690	Proportional aggregate cover	99						

Treaty Reinsurance Miscellaneous

700	Miscellaneous treaty reinsurance accepted business (equals line 18)	101						
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	Total (lines 21 to 101)	111		5973		40979		
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General insurance business : Technical account (excluding equalisation provisions)Name of insurer **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2010****Total business**

		Company registration number	GL/ UK/ CM	day	month	year	Units	Category number	
		R20	1419	GL	31	12	2010	£000	001
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					501	(754)	
	Claims management costs (22.14.4)	23					140	124	
	Adjustment for discounting (22.51.4)	24					(1797)	(1901)	
	Other technical income or charges (particulars to be specified by way of supplementary note)	25							
	Net operating expenses (22.41.4)	26					(67)	71	
	Balance (21-22-23+24+25-26)	29					(2370)	(1342)	
Balance from underwriting year accounting	Per Form 24 (24.69.99-99)	31					(434)	(562)	
	Other technical income or charges (particulars to be specified by way of supplementary note)	32							
	Total	39					(434)	(562)	
Balance of all years' underwriting (19+29+39)		49					(2804)	(1904)	
Allocated investment income		51					2670	1457	
Transfer to non-technical account (49+51)		59					(134)	(447)	

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

Global business

Financial year ended **31 December 2010****Total primary (direct) and facultative business**

		Company registration number	GL/ UK/ CM	day	month	year	Units	Category number	
		R20	1419	GL	31	12	2010	£000	002
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					501	(754)	
	Claims management costs (22.14.4)	23					140	124	
	Adjustment for discounting (22.51.4)	24					(1797)	(1901)	
	Other technical income or charges (particulars to be specified by way of supplementary note)	25							
	Net operating expenses (22.41.4)	26					(67)	71	
	Balance (21-22-23+24+25-26)	29					(2370)	(1342)	
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					(2370)	(1342)	
Allocated investment income		51					2594	1340	
Transfer to non-technical account (49+51)		59					223	(2)	

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

Global business

Financial year ended **31 December 2010****Total treaty reinsurance accepted business**

		Company registration number	GL/ UK/ CM	day	month	year	Units	Category number	
		R20	1419	GL	31	12	2010	£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				(434)	(562)	
	Other technical income or charges (particulars to be specified by way of supplementary note)		32						
	Total		39				(434)	(562)	
Balance of all years' underwriting (19+29+39)			49				(434)	(562)	
Allocated investment income			51				76	117	
Transfer to non-technical account (49+51)			59				(358)	(445)	

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

Global business

Financial year ended **31 December 2010****Total primary (direct) and facultative personal lines motor business**

		Company registration number	GL/ UK/ CM	day	month	year	Units	Category number	
		R20	1419	GL	31	12	2010	£000	120
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					(9)	
	Claims management costs	(22.14.4)	23					4	
	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					5	
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					5	
Allocated investment income			51						
Transfer to non-technical account (49+51)			59					5	

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

Global business

Financial year ended **31 December 2010****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	2010	£000	270
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					544	(435)
	Claims management costs	(22.14.4)	23					15	18
	Adjustment for discounting	(22.51.4)	24					(1797)	(1901)
	Other technical income or charges (particulars to be specified by way of supplementary note)		25						
	Net operating expenses	(22.41.4)	26					(60)	44
	Balance (21-22-23+24+25-26)		29					(2296)	(1528)
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					(2296)	(1528)
Allocated investment income			51					2590	1317
Transfer to non-technical account (49+51)			59					294	(211)

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

Global business

Financial year ended **31 December 2010****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	2010	£000	409
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					(43)	(310)
	Claims management costs	(22.14.4)	23					126	102
	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					(8)	27
	Balance (21-22-23+24+25-26)		29					(75)	181
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					(75)	181
Allocated investment income			51					4	23
Transfer to non-technical account (49+51)			59					(71)	204

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

Global business

Financial year ended **31 December 2010****Total non-proportional treaty reinsurance business accepted**

		Company registration number	GL/ UK/ CM	day	month	year	Units	Category number	
		R20	1419	GL	31	12	2010	£000	500
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					(419)	(495)	
	Other technical income or charges (particulars to be specified by way of supplementary note)	32							
	Total	39					(419)	(495)	
Balance of all years' underwriting (19+29+39)		49					(419)	(495)	
Allocated investment income		51					74	111	
Transfer to non-technical account (49+51)		59					(345)	(384)	

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

Global business

Financial year ended **31 December 2010****Total proportional treaty reinsurance business accepted**

		Company registration number	GL/ UK/ CM	day	month	year	Units	Category number	
		R20	1419	GL	31	12	2010	£000	600
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					(14)	(67)	
	Other technical income or charges (particulars to be specified by way of supplementary note)	32							
	Total	39					(14)	(67)	
Balance of all years' underwriting (19+29+39)		49					(14)	(67)	
Allocated investment income		51					2	6	
Transfer to non-technical account (49+51)		59					(13)	(61)	

General insurance business (accident year accounting) : Analysis of claims, expenses and technical provisionsName of company **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2010****Total business**

		Company registration number	GL/ UK/ CM	day month year			Units	Category number	
		R22	1419	GL	31	12	2010	£000	001
				Amount brought forward from previous financial year 1	Amount payable/receivable in this financial year 2		Amount carried forward to next financial year 3	Amount attributable to this financial year 4	
Claims incurred in respect of incidents occurring prior to this financial year	Gross amount	11		44555	2430		41412	(713)	
	Reinsurers' share	12		7714	2005		4496	(1213)	
	Net (11-12)	13		36841	425		36917	501	
	Claims management costs	14			140			140	
Claims incurred in respect of incidents occurring in this financial year	Gross amount	15							
	Reinsurers' share	16							
	Net (15-16)	17							
	Claims management costs	18							
Provision for unexpired risks		19							
Net operating expenses	Commissions	21							
	Other acquisition expenses	22							
	Administrative expenses	23			(67)			(67)	
	Reinsurance commissions and profit participations	24							
	Total (21+22+23-24)	29			(67)			(67)	
Adjustments for discounting in respect of the items shown at lines 11 to 18 above	Gross amount	31		8964			7167	(1797)	
	Reinsurers' share	32							
	Claims management costs	33							
	Total (31-32+33)	39		8964			7167	(1797)	
Split of line 29	Prior financial years	41			(67)			(67)	
	This financial year	42							
Split of line 39	Incidents occurring prior to this financial year	51		8964			7167	(1797)	
	Incidents occurring in this financial year	52							

General insurance business (accident year accounting) : Analysis of claims, expenses and technical provisionsName of company **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2010****Total primary (direct) and facultative business**

		Company registration number	GL/ UK/ CM	day month year			Units	Category number	
		R22	1419	GL	31	12	2010	£000	002
			Amount brought forward from previous financial year 1	Amount payable/receivable in this financial year 2		Amount carried forward to next financial year 3		Amount attributable to this financial year 4	
Claims incurred in respect of incidents occurring prior to this financial year	Gross amount	11	44555	2430		41412		(713)	
	Reinsurers' share	12	7714	2005		4496		(1213)	
	Net (11-12)	13	36841	425		36917		501	
	Claims management costs	14		140				140	
Claims incurred in respect of incidents occurring in this financial year	Gross amount	15							
	Reinsurers' share	16							
	Net (15-16)	17							
	Claims management costs	18							
Provision for unexpired risks		19							
Net operating expenses	Commissions	21							
	Other acquisition expenses	22							
	Administrative expenses	23		(67)				(67)	
	Reinsurance commissions and profit participations	24							
	Total (21+22+23-24)	29		(67)				(67)	
Adjustments for discounting in respect of the items shown at lines 11 to 18 above	Gross amount	31	8964			7167		(1797)	
	Reinsurers' share	32							
	Claims management costs	33							
	Total (31-32+33)	39	8964			7167		(1797)	
Split of line 29	Prior financial years	41		(67)				(67)	
	This financial year	42							
Split of line 39	Incidents occurring prior to this financial year	51	8964			7167		(1797)	
	Incidents occurring in this financial year	52							

General insurance business (accident year accounting) : Analysis of claims, expenses and technical provisionsName of company **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2010****Total primary (direct) and facultative personal lines motor business**

		Company registration number	GL/ UK/ CM	day month year			Units	Category number
		R22	1419	GL			£000	120
				Amount brought forward from previous financial year 1	Amount payable/receivable in this financial year 2		Amount carried forward to next financial year 3	Amount attributable to this financial year 4
Claims incurred in respect of incidents occurring prior to this financial year	Gross amount	11	2684	1876	564	(244)		
	Reinsurers' share	12	2684	1876	564	(244)		
	Net (11-12)	13						
	Claims management costs	14						
Claims incurred in respect of incidents occurring in this financial year	Gross amount	15						
	Reinsurers' share	16						
	Net (15-16)	17						
	Claims management costs	18						
Provision for unexpired risks		19						
Net operating expenses	Commissions	21						
	Other acquisition expenses	22						
	Administrative expenses	23						
	Reinsurance commissions and profit participations	24						
	Total (21+22+23-24)	29						
Adjustments for discounting in respect of the items shown at lines 11 to 18 above	Gross amount	31						
	Reinsurers' share	32						
	Claims management costs	33						
	Total (31-32+33)	39						
Split of line 29	Prior financial years	41						
	This financial year	42						
Split of line 39	Incidents occurring prior to this financial year	51						
	Incidents occurring in this financial year	52						

General insurance business (accident year accounting) : Analysis of claims, expenses and technical provisionsName of company **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2010****Total primary (direct) and facultative commercial lines liability business**

		Company registration number	GL/ UK/ CM	day month year			Units	Category number	
		R22	1419	GL	31	12	2010	£000	270
			Amount brought forward from previous financial year 1	Amount payable/receivable in this financial year 2		Amount carried forward to next financial year 3		Amount attributable to this financial year 4	
Claims incurred in respect of incidents occurring prior to this financial year	Gross amount	11	39977	505		39746		273	
	Reinsurers' share	12	3399	80		3048		(271)	
	Net (11-12)	13	36578	425		36697		544	
	Claims management costs	14		15				15	
Claims incurred in respect of incidents occurring in this financial year	Gross amount	15							
	Reinsurers' share	16							
	Net (15-16)	17							
	Claims management costs	18							
Provision for unexpired risks		19							
Net operating expenses	Commissions	21							
	Other acquisition expenses	22							
	Administrative expenses	23		(60)				(60)	
	Reinsurance commissions and profit participations	24							
	Total (21+22+23-24)	29		(60)				(60)	
Adjustments for discounting in respect of the items shown at lines 11 to 18 above	Gross amount	31	8964			7167		(1797)	
	Reinsurers' share	32							
	Claims management costs	33							
	Total (31-32+33)	39	8964			7167		(1797)	
Split of line 29	Prior financial years	41		(60)				(60)	
	This financial year	42							
Split of line 39	Incidents occurring prior to this financial year	51	8964			7167		(1797)	
	Incidents occurring in this financial year	52							

General insurance business (accident year accounting) : Analysis of claims, expenses and technical provisionsName of company **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2010****Balance of all primary (direct) and facultative business**

		Company registration number	GL/ UK/ CM	day month year			Units	Category number	
		R22	1419	GL	31	12	2010	£000	409
			Amount brought forward from previous financial year 1	Amount payable/receivable in this financial year 2		Amount carried forward to next financial year 3		Amount attributable to this financial year 4	
Claims incurred in respect of incidents occurring prior to this financial year	Gross amount	11	1894	49		1103		(742)	
	Reinsurers' share	12	1631	49		883		(699)	
	Net (11-12)	13	263	0		219		(43)	
	Claims management costs	14		126				126	
Claims incurred in respect of incidents occurring in this financial year	Gross amount	15							
	Reinsurers' share	16							
	Net (15-16)	17							
	Claims management costs	18							
Provision for unexpired risks		19							
Net operating expenses	Commissions	21							
	Other acquisition expenses	22							
	Administrative expenses	23		(8)				(8)	
	Reinsurance commissions and profit participations	24							
	Total (21+22+23-24)	29		(8)				(8)	
Adjustments for discounting in respect of the items shown at lines 11 to 18 above	Gross amount	31							
	Reinsurers' share	32							
	Claims management costs	33							
	Total (31-32+33)	39							
Split of line 29	Prior financial years	41		(8)				(8)	
	This financial year	42							
Split of line 39	Incidents occurring prior to this financial year	51							
	Incidents occurring in this financial year	52							

General insurance business (accident year accounting) : Analysis of net claims and premiums

Name of insurer **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2010****Total business**

Accident year ended		R23													GL			£000			Claims ratio %
		Claims paid (net) during the accident year		Claims outstanding (net) as at the end of the accident year	Total claims paid (net) since the end of the accident year, but prior to this financial year	Claims paid (net) during this financial year	Claims outstanding carried forward		Claims outstanding brought forward		1419	GL	31	12	2010	Deterioration/ (surplus) of original claims reserve %					
Month	Year	1	2	3	4	5	6	7	8	Claims incurred (latest year) or developed during this financial year (4+5+6+7+8)	10	11	12	13							
12	2010	11																			
12	2009	12																			
12	2008	13																			
12	2007	14																			
12	2006	15																			
12	2005	16										13									
12	2004	17										305									
12	2003	18										250									
12	2002	19										13485									
12	2001	20	8379	193								(5809)	(100.0)	(144.2)							
Prior accident years		21			424	2131	34786	1743	35098	500	7167										
Reconciliation		22																			
Total (11 to 22)		29			424	2131	34786	1743	35098	500	7167										

Global business

Financial year ended 31 December 2010

Total primary (direct) and facultative business

R23																	002		
Accident year ended		Claims paid (net) during the accident year	Claims outstanding (net) as at end of the accident year	Total claims paid (net) since the end of the accident year, but prior to this financial year	Claims paid (net) during this financial year	Claims outstanding carried forward		Claims outstanding brought forward		Claims incurred (latest year) or developed (other years) during this financial year (4+5+6+7+8)	GL	31	12	2010	£000	Claims ratio %			
						Reported (net)	Incurred but not reported (net)	Reported (net)	Incurred but not reported (net)								Deduction for discounting from claims outstanding carried forward (net)	Earned premiums (net)	Deterioration/ (surplus) of original claims reserve %
Month	Year	1	2	3	4	5	6	7	8	9	10	11	12	13					
12	2010	11																	
12	2009	12																	
12	2008	13																	
12	2007	14																	
12	2006	15																	
12	2005	16											13						
12	2004	17											305						
12	2003	18											250						
12	2002	19											13485						
12	2001	20	8379	193									(5809)	(100.0)	(144.2)				
Prior accident years		21			424	2131	34786	1743	35098	500	7167								
Reconciliation		22																	
Total (11 to 22)		29			424	2131	34786	1743	35098	500	7167								

General insurance business (accident year accounting) : Analysis of net claims and premiumsName of insurer **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2010****Total primary (direct) and facultative personal lines motor business**

R23																
Accident year ended		1	2	3	4	Claims outstanding carried forward		Claims outstanding brought forward		1419	GL	31	12	2010	£000	Claims ratio %
						Reported (net)	Incurred but not reported (net)	Reported (net)	Incurred but not reported (net)							
Month	Year					5	6	7	8	9	10	11	12	13		
12	2010	11														
12	2009	12														
12	2008	13														
12	2007	14														
12	2006	15														
12	2005	16														
12	2004	17											102			
12	2003	18											201			
12	2002	19											4427			
12	2001	20	1417										(13367)			(10.6)
Prior accident years		21														
Reconciliation		22														
Total (11 to 22)		29														

General insurance business (accident year accounting) : Analysis of net claims and premiums

Name of insurer

PEARL ASSURANCE LIMITED

Global business

Financial year ended 31 December 2010

Total primary (direct) and facultative commercial lines liability business

Total primary (direct) and facultative commercial lines liability business																				
Accident year ended		Company registration number	GL/UK/CM	day month year			Units	Category number												
				31	12	2010														
Month	Year	R23		1419	GL	Deduction for discounting from claims outstanding carried forward (net)		Earned premiums (net)	Deterioration/ (surplus) of original claims reserve %	Claims ratio %										
		Claims outstanding brought forward	Claims outstanding carried forward	Claims incurred (latest year or developed (other years) during this financial year (4+5+6-7-8)																
		Reported (net)	Incurred but not reported (net)	Reported (net)	Incurred but not reported (net)	Reported (net)	Incurred but not reported (net)													
		1	2	3	4	5	6	7	8	9	10	11	12	13						
12	2010	11																		
12	2009	12																		
12	2008	13																		
12	2007	14																		
12	2006	15																		
12	2005	16										13								
12	2004	17										42								
12	2003	18																		
12	2002	19										506								
12	2001	20	(849)									(9890)		8.6						
Prior accident years		21			424	2131	34567	1743	34835	544	7167									
Reconciliation		22																		
Total ('11 to 22)		29			424	2131	34567	1743	34835	544	7167									

General insurance business (accident year accounting) : Analysis of net claims and premiums

Name of insurer PEARL ASSURANCE LIMITED

Global business

Financial year ended 31 December 2010

Balance of all primary (direct) and facultative business

Balance of all primary (direct) and facultative business																	
Accident year ended		Claims paid (net) during the accident year	Claims outstanding (net) as at the end of the accident year	Total claims paid (net) since the end of the accident year, but prior to this financial year	Claims paid (net) during this financial year	Claims outstanding carried forward		Claims outstanding brought forward		1419	GL	day month year			Units	Category number	
						Reported (net)	Incurred but not reported (net)	Reported (net)	Incurred but not reported (net)			31	12	2010			£000
Month	Year	1	2	3	4	5	6	7	8	9	10	11	12	13			
		12	2010	11													
		12	2009	12													
		12	2008	13													
		12	2007	14													
		12	2006	15													
		12	2005	16													
		12	2004	17										161			
		12	2003	18										49			
		12	2002	19										8552			
12	2001	20	7811	193								17448	(100.0)		44.8		
Prior accident years		21					219		263	(44)							
Reconciliation		22															
Total (11 to 22)		29					219		263	(44)							

General insurance business (underwriting year accounting) : Analysis of premiums, claims and expenses

Name of insurer PEARL ASSURANCE LIMITED

Global business

Financial year ended 31 December 2010

Total business

Financial year ended 31 December 2010		Total business		Company registration number		GL/UK/CM		day month year				Units		Category number									
Underwriting year ended		Prior underwriting years		MM		YY		MM		YY		MM		YY		GL		31 12 2010		£000		001	
				29 29		12 01		12 02		12 03		12 04		12 05		MM YY		MM YY		MM YY		Total all previous columns	
				11																			
Premiums written		Gross amount		11																			
		Reinsurers' share		12																			
		Net (11-12)		19																			
		Gross amount		21		12																12	
Claims paid		Reinsurers' share		22																			
		Net (21-22)		29		12																12	
Claims management costs				39		357																357	
Net operating expenses		Commissions		41																			
		Other acquisition expenses		42																			
		Administrative expenses		43		119																119	
		Reinsurers' commissions and profit participations		44																			
		Payable net (41+42+43-44)		49		119																119	
Technical provisions		Undiscounted		51		3233																3233	
		Adjustment for discounting		52																			
		Undiscounted		53		3179																3179	
		Adjustment for discounting		54																			
		Increase (decrease) in the financial year (53-54-51+52)		59		(54)																(54)	
		Balance on each underwriting year (19-29-39-49-59)		69		(434)																(434)	

General insurance business (underwriting year accounting) : Analysis of premiums, claims and expenses

Name of insurer PEARL ASSURANCE LIMITED

Global business

Financial year ended 31 December 2010

Total treaty reinsurance accepted business

Total treaty reinsurance accepted business														Category number	
		Company registration number	GL/UK/CM		day month year				Units						
					2010				£000						
					31	12	MM	YY	MM	YY					
Underwriting year ended		Prior underwriting years	R24		1419		GL		2010		£000		Total all previous columns		
			MM	YY	MM	YY	MM	YY	MM	YY	MM	YY			
		29 29	12	01	12	02	12	03	12	04	12	05	99 99		
Premiums written	Gross amount	11													
	Reinsurers' share	12													
	Net (11-12)	19													
Claims paid	Gross amount	21											12		
	Reinsurers' share	22													
	Net (21-22)	29											12		
Claims management costs		39											357		
Net operating expenses	Commissions	41													
	Other acquisition expenses	42													
	Administrative expenses	43											119		
	Reinsurers' commissions and profit participations	44													
	Payable net (41+42+43-44)	49											119		
Technical provisions	Brought forward	51											3233		
	Adjustment for discounting	52													
	Undiscounted	53											3179		
	Carried forward	54													
	Increase (decrease) in the financial year (53-54-51+52)	59											(54)		
Balance on each underwriting year (19-29-39-49-59)		69											(434)		

General insurance business (underwriting year accounting) : Analysis of premiums, claims and expenses

Name of insurer PEARL ASSURANCE LIMITED

Global business

Financial year ended 31 December 2010

Total non-proportional treaty reinsurance business accepted

		Company registration number												GL/UK/CM			day month year			Units			Category number	
		R24				1419				GL				31 12 2010			£000							
		MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY							
Underwriting year ended		Prior underwriting years		29 29	12 01	12 02	12 03	12 04	12 05	MM	YY	MM	YY	MM	YY	MM	YY	Total all previous columns						
Premiums written	Gross amount	11																						
	Reinsurers' share	12																						
	Net (11-12)	19																						
Claims paid	Gross amount	21		12																				12
	Reinsurers' share	22																						
	Net (21-22)	29		12																				12
Claims management costs		39		357																				357
Net operating expenses	Commissions	41																						
	Other acquisition expenses	42																						
	Administrative expenses	43		119																				119
	Reinsurers' commissions and profit participations	44																						
	Payable net (41+42+43-44)	49		119																				119
Technical provisions	Undiscounted	51		3057																				3057
	Adjustment for discounting	52																						
	Undiscounted	53		2988																				2988
	Adjustment for discounting	54																						
	Increase (decrease) in the financial year (53-54-51+52)	59		(69)																				(69)
Balance on each underwriting year (19-29-39-49-59)		69		(419)																				(419)

General insurance business (underwriting year accounting) : Analysis of premiums, claims and expenses

Name of insurer PEARL ASSURANCE LIMITED

Global business

Financial year ended 31 December 2010

Total proportional treaty reinsurance business accepted

		Company registration number												GL/UK/CM			day month year			Units			Category number
		R24				1419				GL				31 12 2010			£000			Total all previous columns			
		MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY				
Underwriting year ended		Prior underwriting years		MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY		
Premiums written	Gross amount	11																					
	Reinsurers' share	12																					
	Net (11-12)	19																					
Claims paid	Gross amount	21																					
	Reinsurers' share	22																					
	Net (21-22)	29																					
Claims management costs		39																					
Net operating expenses	Commissions	41																					
	Other acquisition expenses	42																					
	Administrative expenses	43																					
	Reinsurers' commissions and profit participations	44																					
	Payable net (41+42+43+44)	49																					
Technical provisions	Brought forward	51	176																		176		
	Adjustment for discounting	52																					
	Carried forward	53	190																		190		
	Adjustment for discounting	54																					
Increase (decrease) in the financial year (53-54-51+52)		59	14																		14		
Balance on each underwriting year (19-29-39-49-59)		69	(14)																		(14)		

General insurance business (underwriting year accounting) : Analysis of technical provisions

Name of insurer PEARL ASSURANCE LIMITED

Global business

Financial year ended 31 December 2010

Total business

Total business		financial year ended		31 December 2010		Company registration number												GL/UK/CM		day month year				Units		Category number			
						R25				1419				GL						31		12		2010				£000	
						MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY				
Underwriting year ended		Prior underwriting years		29		29		29		29		29		29		29		29		29		29		Total all previous columns					
		MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	99	99				
Reported claims outstanding	Gross amount	11																							1765				
	Reinsurers' share	12																							1675				
Claims incurred but not reported	Gross amount	13																							3775				
	Reinsurers' share	14																							3579				
Claims management costs		15																							2893				
Adjustment for discounting	Gross amount	16																											
	Reinsurers' share	17																											
	Claims management costs	18																											
Allocation to/(from) another risk category of anticipated surplus		19																											
Balance of the fund		20																											
Claims outstanding (11-12+13-14+15-16+17-18+19+20)		21																							3179				
Provision for unearned premiums		22																											
Provision for unexpired risks		23																											
Deferred acquisition costs		24																											
Other technical provisions (particulars to be specified by way of supplementary note)		25																											
Total (21+22+23-24+25)		29																							3179				

General insurance business (underwriting year accounting) : Analysis of technical provisions

Name of insurer **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2010**

Total treaty reinsurance accepted business

Financial year ended 31 December 2010		Total treaty reinsurance accepted business																				GL/ UK/ CM		day month year				Units		Category number	
		Underwriting year ended		Prior underwriting years		R25		1419		GL		31		12		2010		£000		003											
						MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	Total all previous columns									
				29	29	1765	11	Gross amount														Total all previous columns									
						1675	12	Reinsurers' share														1765									
						3775	13	Gross amount														3775									
						3579	14	Reinsurers' share														3579									
						2893	15	Claims management costs														2893									
							16	Gross amount																							
							17	Reinsurers' share																							
							18	Claims management costs																							
							19	Allocation to/(from) another risk category of anticipated surplus																							
							20	Balance of the fund																							
						3179	21	Claims outstanding (11-12+13-14+15-16+17-18+19+20)														3179									
							22	Provision for unearned premiums																							
							23	Provision for unexpired risks																							
							24	Deferred acquisition costs																							
							25	Other technical provisions (particulars to be specified by way of supplementary note)																							
						3179	29	Total (21+22+23-24+25)														3179									

General insurance business (underwriting year accounting) : Analysis of technical provisions

Name of insurer PEARL ASSURANCE LIMITED

Global business

Financial year ended 31 December 2010

Total non-proportional treaty reinsurance business accepted

Total non-proportional treaty reinsurance business accepted																												
		Underwriting year ended		Prior underwriting years		Company registration number												GL/UK/CMI		day month year				Units		Category number		
						R25				1419				GL				31		12		2010		£000				
						MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY					
Reported claims outstanding	Gross amount			29	29	12	01	12	02	12	03	12	04	12	05	12	06	12	07	12	08	12	09	12	10	MM	YY	Total all previous columns
	Reinsurers' share																											
Claims incurred but not reported	Gross amount																											65
	Reinsurers' share																											
Claims management costs																												2893
Adjustment for discounting	Gross amount																											
	Reinsurers' share																											
	Claims management costs																											
Allocation to/(from) another risk category of anticipated surplus																												2988
Balance of the fund																												
Claims outstanding (11-12+13-14+15-16+17-18+19+20)																												2988
Provision for unearned premiums																												
Provision for unexpired risks																												
Deferred acquisition costs																												
Other technical provisions (particulars to be specified by way of supplementary note)																												
Total (21+22+23-24+25)																												

General insurance business (underwriting year accounting) : Analysis of technical provisions

Name of insurer PEARL ASSURANCE LIMITED

Global business

Financial year ended 31 December 2010

Total proportional treaty reinsurance business accepted

Financial year ended		31 December 2010		Total proportional treaty reinsurance business accepted																				Category number																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																						
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Underwriting year ended		Prior underwriting years		MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM</

General insurance business : Expected income and yield from admissible assets covering discounted provisions

Name of insurer
PEARL ASSURANCE LIMITED

Global business

Financial year ended
31 December 2010

Company registration number	GL/UK/CM
00000000	GL/UK/CM
00000001	GL/UK/CM
00000002	GL/UK/CM
00000003	GL/UK/CM
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00000099	GL/UK/CM
00000100	GL/UK/CM

day month year Units

R30																	
Major currencies	Reporting territory code		Total admissible assets as shown on Form 13	Admissible assets hypothecated to cover the provision for outstanding claims being discounted	Expected income from assets included *in column 2	Yield %	Technical provisions	Provision for outstanding claims being discounted		1419	GL	31	12	2010	Rates of interest at which the provision is being discounted		
								Before deduction for discounting	Deduction for discounting						Highest	Lowest	Average rate
			1	2	3	4	5	6	7	8	9	10	11				
Sterling	AA	11	651229	27452	522	1.9	32840	34620	7167	514	1.9	1.9	1.9	1.9			
		12															
		13															
		14															
		15															
		16															
		17															
		18															
		19															
		20															
Other currencies		21					88										
Total		29	651229	27452			32928	34620	7167	514							

General insurance business : Expected income and yield from admissible assets covering discounted provisions

Name of insurer

PEARL ASSURANCE LIMITED

Global business

Financial year ended

31 December 2010

Company
registration
number

1419

GL/
UK/
CM

GL

day month year

31 12 2010

Units

£000

Type of asset	R30	Value of admissible assets as shown on Form 13 1	Admissible assets hypothecated to cover the provision for outstanding claims being discounted 2	Expected income from assets included in column 2 3	Yield %
Land and buildings	31				4
Fixed interest securities	Approved securities	49040	27452	522	1.9
	Other				
Variable interest and variable yield securities (excluding items shown at line 36)	Approved securities	3144			
	Other	12546			
Equity shares and holdings in collective investment schemes	36	225239			
Loans secured by mortgages	37				
All other assets	Producing income	201536			
	Not producing income	159724			
Total	49	651229	27452	522	1.9

Long-term insurance business : Revenue account

Name of insurer **PEARL ASSURANCE LIMITED**
 Total business / subfund **Summary**
 Financial year ended **31 December 2010**
 Units **£000**

Financial year	Previous year
1	2

Income

Earned premiums	11	124020	136838
Investment income receivable before deduction of tax	12	432136	404471
Increase (decrease) in the value of non-linked assets brought into account	13	574415	116710
Increase (decrease) in the value of linked assets	14	(13)	(7)
Other income	15	4721	4718
Total income	19	1135279	662730

Expenditure

Claims incurred	21	599611	543852
Expenses payable	22	82846	94722
Interest payable before the deduction of tax	23	13281	34529
Taxation	24	(12962)	43797
Other expenditure	25	287283	109658
Transfer to (from) non technical account	26	(137972)	52489
Total expenditure	29	832086	879047

Business transfers - in	31	1415766	26657
Business transfers - out	32	207426	
Increase (decrease) in fund in financial year (19-29+31-32)	39	1511532	(189660)
Fund brought forward	49	7271872	7461532
Fund carried forward (39+49)	59	8783404	7271872

Long-term insurance business : Revenue account

Name of insurer **PEARL ASSURANCE LIMITED**
 Total business / subfund **90:10**
 Financial year ended **31 December 2010**
 Units **£000**

Financial year	Previous year
1	2

Income

Earned premiums	11	88971	103958
Investment income receivable before deduction of tax	12	270005	296612
Increase (decrease) in the value of non-linked assets brought into account	13	299178	(3049)
Increase (decrease) in the value of linked assets	14	(13)	(7)
Other income	15	531	798
Total income	19	658672	398312

Expenditure

Claims incurred	21	437628	503144
Expenses payable	22	63988	81395
Interest payable before the deduction of tax	23	12262	33822
Taxation	24	24481	10797
Other expenditure	25		418
Transfer to (from) non technical account	26	8678	7489
Total expenditure	29	547038	637065

Business transfers - in	31		
Business transfers - out	32	172173	165770
Increase (decrease) in fund in financial year (19-29+31-32)	39	(60539)	(404523)
Fund brought forward	49	6425685	6830208
Fund carried forward (39+49)	59	6365146	6425685

Long-term insurance business : Revenue account

Name of insurer **PEARL ASSURANCE LIMITED**
 Total business / subfund **100:0 SERP**
 Financial year ended **31 December 2010**
 Units **£000**

Financial year	Previous year
1	2

Income

Earned premiums	11	7956	
Investment income receivable before deduction of tax	12	50189	
Increase (decrease) in the value of non-linked assets brought into account	13	57198	
Increase (decrease) in the value of linked assets	14		
Other income	15		
Total income	19	115343	

Expenditure

Claims incurred	21	112456	
Expenses payable	22	3990	
Interest payable before the deduction of tax	23	523	
Taxation	24		
Other expenditure	25		
Transfer to (from) non technical account	26	(164650)	
Total expenditure	29	(47681)	

Business transfers - in	31	1181710	
Business transfers - out	32	35253	
Increase (decrease) in fund in financial year (19-29+31-32)	39	1309481	
Fund brought forward	49		
Fund carried forward (39+49)	59	1309481	

Long-term insurance business : Revenue account

Name of insurer **PEARL ASSURANCE LIMITED**
 Total business / subfund **0:100 BLAGAB**
 Financial year ended **31 December 2010**
 Units **£000**

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

Income

Earned premiums	11	15108	17701
Investment income receivable before deduction of tax	12	7807	12338
Increase (decrease) in the value of non-linked assets brought into account	13	(27767)	64591
Increase (decrease) in the value of linked assets	14		
Other income	15	149	135
Total income	19	(4703)	94765

Expenditure

Claims incurred	21	10314	15096
Expenses payable	22	4406	4804
Interest payable before the deduction of tax	23	9	409
Taxation	24	(37443)	14400
Other expenditure	25		
Transfer to (from) non technical account	26		3000
Total expenditure	29	(22715)	37709

Business transfers - in	31	912	1200
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	18924	58256
Fund brought forward	49	245491	187235
Fund carried forward (39+49)	59	264415	245491

Long-term insurance business : Revenue account

Name of insurer **PEARL ASSURANCE LIMITED**
 Total business / subfund **0:100 PENSIONS**
 Financial year ended **31 December 2010**
 Units **£000**

Financial year	Previous year
1	2

Income

Earned premiums	11	11986	15179
Investment income receivable before deduction of tax	12	104134	95521
Increase (decrease) in the value of non-linked assets brought into account	13	245805	55168
Increase (decrease) in the value of linked assets	14		
Other income	15	4041	3785
Total income	19	365966	169653

Expenditure

Claims incurred	21	39212	25612
Expenses payable	22	10462	8523
Interest payable before the deduction of tax	23	487	298
Taxation	24		18600
Other expenditure	25	287283	109240
Transfer to (from) non technical account	26	18000	42000
Total expenditure	29	355444	204273

Business transfers - in	31	233144	191227
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	243666	156607
Fund brought forward	49	600696	444089
Fund carried forward (39+49)	59	844361	600696

Long-term insurance business : Analysis of premiums

Name of insurer **PEARL ASSURANCE LIMITED**
 Total business / subfund **Summary**
 Financial year ended **31 December 2010**
 Units **£000**

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

Gross

Regular premiums	11	65238	50735		115973	126688
Single premiums	12	607	10397		11004	7969

Reinsurance - external

Regular premiums	13	2757			2757	3508
Single premiums	14					

Reinsurance - intra-group

Regular premiums	15	195	4		199	241
Single premiums	16					(5930)

Net of reinsurance

Regular premiums	17	62286	50730		113017	122939
Single premiums	18	607	10397		11004	13899

Total

Gross	19	65845	61131		126976	134657
Reinsurance	20	2952	4		2956	(2181)
Net	21	62893	61127		124020	136838

Long-term insurance business : Analysis of premiums

Name of insurer **PEARL ASSURANCE LIMITED**
 Total business / subfund **90:10**
 Financial year ended **31 December 2010**
 Units **£000**

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

Gross

Regular premiums	11	48081	41640		89721	104279
Single premiums	12		(450)		(450)	78

Reinsurance - external

Regular premiums	13	101			101	158
Single premiums	14					

Reinsurance - intra-group

Regular premiums	15	195	4		199	241
Single premiums	16					

Net of reinsurance

Regular premiums	17	47785	41636		89421	103880
Single premiums	18		(450)		(450)	78

Total

Gross	19	48081	41190		89271	104357
Reinsurance	20	296	4		301	399
Net	21	47785	41186		88971	103958

Long-term insurance business : Analysis of premiums

Name of insurer **PEARL ASSURANCE LIMITED**
 Total business / subfund **100:0 SERP**
 Financial year ended **31 December 2010**
 Units **£000**

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

Gross

Regular premiums	11		7956		7956	
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		7956		7956	
Single premiums	18					

Total

Gross	19		7956		7956	
Reinsurance	20					
Net	21		7956		7956	

Long-term insurance business : Analysis of premiums

Name of insurer **PEARL ASSURANCE LIMITED**
 Total business / subfund **0:100 BLAGAB**
 Financial year ended **31 December 2010**
 Units **£000**

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

Gross

Regular premiums	11	17156			17156	21051
Single premiums	12	607			607	

Reinsurance - external

Regular premiums	13	2655			2655	3350
Single premiums	14					

Reinsurance - intra-group

Regular premiums	15					
Single premiums	16					

Net of reinsurance

Regular premiums	17	14501			14501	17701
Single premiums	18	607			607	

Total

Gross	19	17764			17764	21051
Reinsurance	20	2655			2655	3350
Net	21	15108			15108	17701

Long-term insurance business : Analysis of premiums

Name of insurer **PEARL ASSURANCE LIMITED**
 Total business / subfund **0:100 PENSIONS**
 Financial year ended **31 December 2010**
 Units **£000**

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

Gross

Regular premiums	11		1139		1139	1358
Single premiums	12		10847		10847	7891

Reinsurance - external

Regular premiums	13					
Single premiums	14					

Reinsurance - intra-group

Regular premiums	15					
Single premiums	16					(5930)

Net of reinsurance

Regular premiums	17		1139		1139	1358
Single premiums	18		10847		10847	13821

Total

Gross	19		11986		11986	9249
Reinsurance	20					(5930)
Net	21		11986		11986	15179

Long-term insurance business : Analysis of claims

Name of insurer **PEARL ASSURANCE LIMITED**
 Total business / subfund **Summary**
 Financial year ended **31 December 2010**
 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	65800	19571		85370	78385
Disability periodic payments	12	25	0		25	43
Surrender or partial surrender	13	87347	182725		270071	211213
Annuity payments	14	2402	250857		253260	245453
Lump sums on maturity	15	131253	69610		200864	225173
Total	16	286827	522763		809590	760267

Reinsurance - external

Death or disability lump sums	21	1687			1687	1896
Disability periodic payments	22	5			5	14
Surrender or partial surrender	23					143
Annuity payments	24					
Lump sums on maturity	25					
Total	26	1692			1692	2053

Reinsurance - intra-group

Death or disability lump sums	31	196			196	
Disability periodic payments	32					5
Surrender or partial surrender	33	310			310	1211
Annuity payments	34		207398		207398	213070
Lump sums on maturity	35	382			382	76
Total	36	889	207398		208287	214362

Net of reinsurance

Death or disability lump sums	41	63916	19571		83487	76489
Disability periodic payments	42	19	0		20	24
Surrender or partial surrender	43	87036	182725		269761	209859
Annuity payments	44	2402	43459		45861	32383
Lump sums on maturity	45	130871	69610		200482	225097
Total	46	284246	315365		599611	543852

Long-term insurance business : Analysis of claims

Name of insurer **PEARL ASSURANCE LIMITED**
 Total business / subfund **90:10**
 Financial year ended **31 December 2010**
 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	57629	15030		72659	66263
Disability periodic payments	12		0		0	29
Surrender or partial surrender	13	86991	123721		210712	209953
Annuity payments	14		5284		5284	4450
Lump sums on maturity	15	130201	19661		149862	223884
Total	16	274821	163696		438517	504579

Reinsurance - external

Death or disability lump sums	21					
Disability periodic payments	22					
Surrender or partial surrender	23					143
Annuity payments	24					
Lump sums on maturity	25					
Total	26					143

Reinsurance - intra-group

Death or disability lump sums	31	196			196	
Disability periodic payments	32					5
Surrender or partial surrender	33	310			310	1211
Annuity payments	34					
Lump sums on maturity	35	382			382	76
Total	36	889			889	1292

Net of reinsurance

Death or disability lump sums	41	57433	15030		72463	66263
Disability periodic payments	42		0		0	24
Surrender or partial surrender	43	86681	123721		210402	208599
Annuity payments	44		5284		5284	4450
Lump sums on maturity	45	129819	19661		149480	223808
Total	46	273932	163696		437628	503144

Long-term insurance business : Analysis of claims

Name of insurer **PEARL ASSURANCE LIMITED**
 Total business / subfund **100:0 SERP**
 Financial year ended **31 December 2010**
 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		3755		3755	
Disability periodic payments	12					
Surrender or partial surrender	13		58991		58991	
Annuity payments	14					
Lump sums on maturity	15		49710		49710	
Total	16		112456		112456	

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		3755		3755	
Disability periodic payments	42					
Surrender or partial surrender	43		58991		58991	
Annuity payments	44					
Lump sums on maturity	45		49710		49710	
Total	46		112456		112456	

Long-term insurance business : Analysis of claims

Name of insurer **PEARL ASSURANCE LIMITED**
 Total business / subfund **0:100 BLAGAB**
 Financial year ended **31 December 2010**
 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	8171			8171	12007
Disability periodic payments	12	25			25	14
Surrender or partial surrender	13	355			355	932
Annuity payments	14	2402			2402	2844
Lump sums on maturity	15	1053			1053	1209
Total	16	12006			12006	17006

Reinsurance - external

Death or disability lump sums	21	1687			1687	1896
Disability periodic payments	22	5			5	14
Surrender or partial surrender	23					
Annuity payments	24					
Lump sums on maturity	25					
Total	26	1692			1692	1910

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	6484			6484	10111
Disability periodic payments	42	19			19	
Surrender or partial surrender	43	355			355	932
Annuity payments	44	2402			2402	2844
Lump sums on maturity	45	1053			1053	1209
Total	46	10314			10314	15096

Long-term insurance business : Analysis of claims

Name of insurer **PEARL ASSURANCE LIMITED**
 Total business / subfund **0:100 PENSIONS**
 Financial year ended **31 December 2010**
 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		785		785	115
Disability periodic payments	12					
Surrender or partial surrender	13		12		12	328
Annuity payments	14		245573		245573	238159
Lump sums on maturity	15		239		239	80
Total	16		246611		246611	238682

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		207398		207398	213070
Lump sums on maturity	35					
Total	36		207398		207398	213070

Net of reinsurance

Death or disability lump sums	41		785		785	115
Disability periodic payments	42					
Surrender or partial surrender	43		12		12	328
Annuity payments	44		38175		38175	25089
Lump sums on maturity	45		239		239	80
Total	46		39212		39212	25612

Long-term insurance business : Analysis of expenses

Name of insurer **PEARL ASSURANCE LIMITED**
 Total business / subfund **Summary**
 Financial year ended **31 December 2010**
 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		616		616	
Management - acquisition	13					
Management - maintenance	14	31683	50115		81798	94722
Management - other	15		432		432	
Total	16	31683	51162		82846	94722

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		616		616	
Management - acquisition	43					
Management - maintenance	44	31683	50115		81798	94722
Management - other	45		432		432	
Total	46	31683	51162		82846	94722

Long-term insurance business : Analysis of expenses

Name of insurer **PEARL ASSURANCE LIMITED**
 Total business / subfund **90:10**
 Financial year ended **31 December 2010**
 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	27278	36279	63557	81395	
Management - other	15		432	432		
Total	16	27278	36710	63988	81395	

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	27278	36279	63557	81395	
Management - other	45		432	432		
Total	46	27278	36710	63988	81395	

Long-term insurance business : Analysis of expenses

Name of insurer **PEARL ASSURANCE LIMITED**
 Total business / subfund **100:0 SERP**
 Financial year ended **31 December 2010**
 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		76		76	
Management - acquisition	13					
Management - maintenance	14		3914		3914	
Management - other	15					
Total	16		3990		3990	

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		76		76	
Management - acquisition	43					
Management - maintenance	44		3914		3914	
Management - other	45					
Total	46		3990		3990	

Long-term insurance business : Analysis of expenses

Name of insurer **PEARL ASSURANCE LIMITED**
 Total business / subfund **0:100 BLAGAB**
 Financial year ended **31 December 2010**
 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	4406		4406	4804	
Management - other	15					
Total	16	4406		4406	4804	

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	4406		4406	4804	
Management - other	45					
Total	46	4406		4406	4804	

Long-term insurance business : Analysis of expenses

Name of insurer **PEARL ASSURANCE LIMITED**
 Total business / subfund **0:100 PENSIONS**
 Financial year ended **31 December 2010**
 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		539		539	
Management - acquisition	13					
Management - maintenance	14		9922		9922	8523
Management - other	15					
Total	16		10462		10462	8523

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		539		539	
Management - acquisition	43					
Management - maintenance	44		9922		9922	8523
Management - other	45					
Total	46		10462		10462	8523

Long-term insurance business : Linked funds balance sheetName of insurer **PEARL ASSURANCE LIMITED**

Total business

Financial year ended **31 December 2010**Units **£000**

Financial year	Previous year
1	2

Internal linked funds (excluding cross investment)

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

Directly held linked assets

Value of directly held linked assets	21	116	129
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Total

Value of directly held linked assets and units held (18+21)	31	116	129
Surplus units	32		
Deficit units	33		
Net unit liability (31-32+33)	34	116	129

Long-term insurance business : Summary of new businessName of insurer **PEARL ASSURANCE LIMITED**

Total business

Financial year ended **31 December 2010**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	49			49	16
External reinsurance	22					
Intra-group reinsurance	23					
Total	24	49			49	16

**Amount of new single
premiums**

Direct insurance business	25		16		16	33
External reinsurance	26					
Intra-group reinsurance	27		18686		18686	7399
Total	28		18702		18702	7432

PEARL ASSURANCE LIMITED

UK Life / Direct Insurance Business

0003

103

PEARL ASSURANCE LIMITED

Total business

Total business

Financial year ended

31 December 2010

Units

0003

UK Pension / Direct Insurance Business

[illegible]

PEARL ASSURANCE LIMITED

Total business

31 December 2010

£000

UK Pension / Reinsurance accepted intra-group

[illegible]

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

Name of insurer **PEARL ASSURANCE LIMITED**
 Category of assets **10 Total long term insurance business assets**
 Financial year ended **31 December 2010**
 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	200	2061	55	2.66	
Approved fixed interest securities	12	792452	785454	35585	4.26	
Other fixed interest securities	13	753508	753439	43187	5.18	
Variable interest securities	14	683094	682600	11240	4.90	
UK listed equity shares	15	39023	45199	705	3.56	
Non-UK listed equity shares	16	6491	10152	446	7.05	
Unlisted equity shares	17	130419	130419			
Other assets	18	1568440	1564304	11520	0.74	
Total	19	3973628	3973628	102739	3.02	

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

Land and buildings	21	44329	510578	13733	2.69	16.49
Approved fixed interest securities	22	2636722	2655393	113294	3.83	8.07
Other fixed interest securities	23	1483394	1542772	92565	4.85	9.98
Variable interest securities	24	2245191	2046806	50761	5.09	11.36
UK listed equity shares	25	563651	713438	11956	3.15	12.82
Non-UK listed equity shares	26	20698	35565	1563	3.93	12.82
Unlisted equity shares	27	690170	537362	5666	1.12	3.55
Other assets	28	4034554	3676794	23816	1.45	9.09
Total	29	11718709	11718709	313353	3.22	9.68

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 **PEARL ASSURANCE LIMITED**
 Category of assets **11 0:100 BLAGAB**
 Financial year ended **31 December 2010**
 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	33744	33744	1569	3.54	
Other fixed interest securities	13	20081	20081	1256	5.02	
Variable interest securities	14	9087	9087	217	4.79	
UK listed equity shares	15					
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18	206584	206584	3657	1.77	
Total	19	269495	269495	6699	2.34	

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 **PEARL ASSURANCE LIMITED**
 Category of assets **12 0:100 PENSIONS**
 Financial year ended **31 December 2010**
 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	658555	658555	30036	4.27	
Other fixed interest securities	13	732378	732378	41872	5.19	
Variable interest securities	14	669919	669919	10934	4.86	
UK listed equity shares	15	3132	3132			
Non-UK listed equity shares	16					
Unlisted equity shares	17	130419	130419			
Other assets	18	1335665	1335665	7816	0.59	
Total	19	3530068	3530068	90658	3.02	

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 **PEARL ASSURANCE LIMITED**
 Category of assets **13 90:10**
 Financial year ended **31 December 2010**
 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	200	2061	55	2.66	
Approved fixed interest securities	12	100153	93155	3980	4.46	
Other fixed interest securities	13	1049	980	60	4.30	
Variable interest securities	14	4089	3595	89	13.55	
UK listed equity shares	15	35891	42067	705	3.83	
Non-UK listed equity shares	16	6491	10152	446	7.05	
Unlisted equity shares	17					
Other assets	18	26191	22055	47	0.76	
Total	19	174064	174064	5382	4.16	

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

Land and buildings	21	44329	492319	13074	2.66	16.03
Approved fixed interest securities	22	1882859	1889858	80745	3.65	8.84
Other fixed interest securities	23	1184773	1190042	72528	4.67	11.36
Variable interest securities	24	2165227	2046806	50761	5.09	11.36
UK listed equity shares	25	563651	713438	11956	3.15	12.82
Non-UK listed equity shares	26	20698	35565	1563	3.93	12.82
Unlisted equity shares	27	690170	537362	5666	1.12	3.55
Other assets	28	3753606	3399922	7221	1.43	9.98
Total	29	10305314	10305314	243515	3.11	10.37

Overall return on with-profits assets

Post investment costs but pre-tax	31					11.04
Return allocated to non taxable 'asset shares'	32					11.11
Return allocated to taxable 'asset shares'	33					9.28

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

Name of insurer **PEARL ASSURANCE LIMITED**
 Category of assets **14 100:0 SERP**
 Financial year ended **31 December 2010**
 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		18259	659	3.61	29.03
Approved fixed interest securities	22	753863	765535	32549	4.29	6.15
Other fixed interest securities	23	298620	352730	20037	5.43	5.33
Variable interest securities	24	79964				
UK listed equity shares	25					
Non-UK listed equity shares	26					
Unlisted equity shares	27					
Other assets	28	280949	276872	16595	1.63	(1.79)
Total	29	1413396	1413396	69839	4.05	4.69

Overall return on with-profits assets

Post investment costs but pre-tax	31					3.12
Return allocated to non taxable 'asset shares'	32					2.83
Return allocated to taxable 'asset shares'	33					

Long-term insurance business : Fixed and variable interest assets

Name of insurer **PEARL ASSURANCE LIMITED**
 Category of assets **10 Total long term insurance business assets**
 Financial year ended **31 December 2010**
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	11	2603768	10.61	3.84	3.84

Other approved fixed interest securities	21	803334	11.20	4.24	4.21
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Other fixed interest securities

AAA/Aaa	31	227138	10.64	4.84	4.65
AA/Aa	32	405862	7.22	4.43	3.95
A/A	33	929038	7.48	4.89	4.23
BBB/Baa	34	497318	6.55	5.24	4.19
BB/Ba	35	65525	4.34	6.22	3.46
B/B	36	60396	3.45	7.53	2.01
CCC/Caa	37	2914	2.85	7.98	
Other (including unrated)	38	87938	6.00	3.96	1.98
Total other fixed interest securities	39	2276130	7.29	4.96	4.04

Approved variable interest securities	41	659006	10.19	3.88	3.88
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Other variable interest securities	51	2061314	6.75	5.42	4.04
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Total (11+21+39+41+51)	61	8403552	8.79	4.57	3.98
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Long-term insurance business : Fixed and variable interest assets

Name of insurer **PEARL ASSURANCE LIMITED**
 Category of assets **12 0:100 PENSIONS**
 Financial year ended **31 December 2010**
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	11	193954	17.68	4.21	4.21

Other approved fixed interest securities	21	464601	11.49	4.29	4.27
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Other fixed interest securities

AAA/Aaa	31	54340	8.23	5.80	5.47
AA/Aa	32	93368	8.26	4.80	4.40
A/A	33	346979	8.57	5.02	4.37
BBB/Baa	34	209548	7.51	5.29	4.26
BB/Ba	35	9582	7.89	9.33	7.67
B/B	36	9711	4.47	8.83	4.41
CCC/Caa	37				
Other (including unrated)	38	8850	1.52	1.30	1.02
Total other fixed interest securities	39	732378	8.05	5.19	4.43

Approved variable interest securities	41	128344	10.38	3.67	3.67
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Other variable interest securities	51	541574	1.47	5.14	4.56
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Total (11+21+39+41+51)	61	2060851	8.15	4.79	4.36
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Long-term insurance business : Fixed and variable interest assets

Name of insurer **PEARL ASSURANCE LIMITED**
 Category of assets **13 90:10**
 Financial year ended **31 December 2010**
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	11	1874288	8.80	3.69	3.69

Other approved fixed interest securities	21	108725	6.30	3.50	3.46
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Other fixed interest securities

AAA/Aaa	31	58107	8.09	4.15	3.96
AA/Aa	32	256651	5.91	4.14	3.62
A/A	33	436008	5.44	4.51	3.84
BBB/Baa	34	251624	5.24	4.98	3.94
BB/Ba	35	55943	3.74	5.69	2.73
B/B	36	50685	3.26	7.28	1.56
CCC/Caa	37	2914	2.85	7.98	
Other (including unrated)	38	79089	6.50	4.26	2.09
Total other fixed interest securities	39	1191022	5.52	4.67	3.54

Approved variable interest securities	41	530662	10.14	3.93	3.93
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Other variable interest securities	51	1519739	8.63	5.52	3.86
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Total (11+21+39+41+51)	61	5224436	8.09	4.47	3.73
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Long-term insurance business : Fixed and variable interest assets

Name of insurer **PEARL ASSURANCE LIMITED**
 Category of assets **14 100:0 SERP**
 Financial year ended **31 December 2010**
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	11	535527	14.38	4.20	4.20

Other approved fixed interest securities	21	230008	12.94	4.50	4.45
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Other fixed interest securities

AAA/Aaa	31	114691	13.08	4.73	4.62
AA/Aa	32	55843	11.53	5.19	4.71
A/A	33	146050	10.97	5.73	5.07
BBB/Baa	34	36146	10.12	6.77	5.50
BB/Ba	35				
B/B	36				
CCC/Caa	37				
Other (including unrated)	38				
Total other fixed interest securities	39	352730	11.66	5.43	4.91

Approved variable interest securities	41				
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Other variable interest securities	51				
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Total (11+21+39+41+51)	61	1118265	13.23	4.65	4.48
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Long-term insurance business : Summary of mathematical reservesName of insurer **PEARL ASSURANCE LIMITED**Total business / subfund **Summary**Financial year ended **31 December 2010**Units **£000**

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

Gross

Form 51 - with-profits	11	1003748	2749635		3753383	2400063
Form 51 - non-profit	12	80503	3244337		3324840	3126971
Form 52	13	644463	2985626		3630089	3729148
Form 53 - linked	14	6912			6912	7516
Form 53 - non-linked	15	252	29571		29823	27856
Form 54 - linked	16	2191	59358		61549	63132
Form 54 - non-linked	17		409		409	361
Total	18	1738069	9068936		10807005	9355047

Reinsurance - external

Form 51 - with-profits	21					
Form 51 - non-profit	22	(5196)			(5196)	(6635)
Form 52	23					
Form 53 - linked	24					
Form 53 - non-linked	25					
Form 54 - linked	26	2191			2191	1661
Form 54 - non-linked	27					
Total	28	(3005)			(3005)	(4974)

Reinsurance - intra-group

Form 51 - with-profits	31					
Form 51 - non-profit	32		2300378		2300378	2339373
Form 52	33					
Form 53 - linked	34	6796			6796	7387
Form 53 - non-linked	35	246			246	269
Form 54 - linked	36		59224		59224	61316
Form 54 - non-linked	37					
Total	38	7042	2359602		2366644	2408345

Net of reinsurance

Form 51 - with-profits	41	1003748	2749635		3753383	2400063
Form 51 - non-profit	42	85699	943959		1029658	794233
Form 52	43	644463	2985626		3630089	3729148
Form 53 - linked	44	116			116	129
Form 53 - non-linked	45	6	29571		29577	27587
Form 54 - linked	46		135		135	155
Form 54 - non-linked	47		409		409	361
Total	48	1734032	6709335		8443367	6951676

Long-term insurance business : Summary of mathematical reserves

Name of insurer **PEARL ASSURANCE LIMITED**
 Total business / subfund **90:10**
 Financial year ended **31 December 2010**
 Units **£000**

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

Gross

Form 51 - with-profits	11	1003748	1446375		2450123	2400063
Form 51 - non-profit	12	28277	110459		138736	150463
Form 52	13	644463	2985626		3630089	3729148
Form 53 - linked	14	6912			6912	7516
Form 53 - non-linked	15	252	29571		29823	27856
Form 54 - linked	16					
Form 54 - non-linked	17					
Total	18	1683652	4572031		6255683	6315046

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	6796			6796	7387
Form 53 - non-linked	35	246			246	269
Form 54 - linked	36					
Form 54 - non-linked	37					
Total	38	7042			7042	7656

Net of reinsurance

Form 51 - with-profits	41	1003748	1446375		2450123	2400063
Form 51 - non-profit	42	28277	110459		138736	150463
Form 52	43	644463	2985626		3630089	3729148
Form 53 - linked	44	116			116	129
Form 53 - non-linked	45	6	29571		29577	27587
Form 54 - linked	46					
Form 54 - non-linked	47					
Total	48	1676610	4572031		6248641	6307390

Long-term insurance business : Summary of mathematical reserves

Name of insurer **PEARL ASSURANCE LIMITED**
 Total business / subfund **100:0 SERP**
 Financial year ended **31 December 2010**
 Units **£000**

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

Gross

Form 51 - with-profits	11		1303260		1303260	
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		1303260		1303260	

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		1303260		1303260	
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		1303260		1303260	

Long-term insurance business : Summary of mathematical reserves

Name of insurer **PEARL ASSURANCE LIMITED**
 Total business / subfund **0:100 BLAGAB**
 Financial year ended **31 December 2010**
 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	52226			52226	47165
Form 52	13					
Form 53 - linked	14					
Form 53 - non-linked	15					
Form 54 - linked	16	2191			2191	1661
Form 54 - non-linked	17					
Total	18	54417			54417	48826

Reinsurance - external

Form 51 - with-profits	21					
Form 51 - non-profit	22	(5196)			(5196)	(6635)
Form 52	23					
Form 53 - linked	24					
Form 53 - non-linked	25					
Form 54 - linked	26	2191			2191	1661
Form 54 - non-linked	27					
Total	28	(3005)			(3005)	(4974)

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					
Form 51 - non-profit	42	57422			57422	53800
Form 52	43					
Form 53 - linked	44					
Form 53 - non-linked	45					
Form 54 - linked	46					
Form 54 - non-linked	47					
Total	48	57422			57422	53800

Long-term insurance business : Summary of mathematical reserves

Name of insurer **PEARL ASSURANCE LIMITED**
 Total business / subfund **0:100 PENSIONS**
 Financial year ended **31 December 2010**
 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		3133878		3133878	2929343
Form 52	13					
Form 53 - linked	14					
Form 53 - non-linked	15					
Form 54 - linked	16		59358		59358	61471
Form 54 - non-linked	17		409		409	361
Total	18		3193645		3193645	2991175

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		2300378		2300378	2339373
Form 52	33					
Form 53 - linked	34					
Form 53 - non-linked	35					
Form 54 - linked	36		59224		59224	61316
Form 54 - non-linked	37					
Total	38		2359602		2359602	2400689

Net of reinsurance

Form 51 - with-profits	41					
Form 51 - non-profit	42		833500		833500	589970
Form 52	43					
Form 53 - linked	44					
Form 53 - non-linked	45					
Form 54 - linked	46		135		135	155
Form 54 - non-linked	47		409		409	361
Total	48		834043		834043	590486

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

Name of insurer

PEARL ASSURANCE LIMITED

Total business / subfund

90:10

Financial year ended

31 December 2010

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	24260	107525	4437				50873
105	Conventional whole life with-profits IB	468361	191113	1797				156850
120	Conventional endowment with-profits OB savings	28834	181961	6167				147653
125	Conventional endowment with-profits OB target cash	35513	487135	15216				558956
130	Conventional endowment with-profits IB	10753	22462	1108				22450
155	Conventional pensions endowment with-profits	1557	37721	342				21788
165	Conventional deferred annuity with-profits	1	3					32
205	Miscellaneous conventional with-profits	171	6530	114				3908
210	Additional reserves with-profits OB							36238
215	Additional reserves with-profits IB							5000
300	Regular premium non-profit WL/EA OB	4215	11374					9202
310	Non-profit IB	615138	17474					18740
390	Deferred annuity non-profit	3	2					25
435	Miscellaneous non-profit	125	2540	17				310

PEARL ASSURANCE LIMITED

UK Pension / Gross

[illegible]

PEARL ASSURANCE LIMITED

100:0 SERP

31 December 2010

0003

UK Pension / Gross

[illegible]

PEARL ASSURANCE LIMITED

0:100 BLAGAB

31 December 2010

£0003

UK Life / Gross

[illegible]

PEARL ASSURANCE LIMITED

UK Life / Reinsurance ceded external

[illegible]

PEARL ASSURANCE LIMITED

0:100 PENSIONS

31 December 2010

0003

UK Pension / Gross

[illegible]

Name of insurer	PEARL ASSURANCE LIMITED
Total business / subfund	0:100 PENSIONS
Financial year ended	31 December 2010
Units	£000
UK Pension / Reinsurance ceded intra-group	

[illegible]

PEARL ASSURANCE LIMITED

UK Life / Gross

[illegible]

PEARL ASSURANCE LIMITED

UK Pension / Gross

[illegible]

PEARL ASSURANCE LIMITED

UK Life / Gross

129

PEARL ASSURANCE LIMITED

UK Life / Reinsurance ceded intra-group

[illegible]

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

PEARL ASSURANCE LIMITED

Name of insurer

Total business / subfund

90:10

Financial year ended 31 December 2010

31 December 2010

Units
£000

0003

UK Pension / Gross

[illegible]

PEARL ASSURANCE LIMITED

UK Life / Gross

132

PEARL ASSURANCE LIMITED

Units
UK Life / Reinsurance ceded external

£000

133

PEARL ASSURANCE LIMITED

UK Pension / Gross

[illegible]

PEARL ASSURANCE LIMITED

0:100 PENSIONS

31 December 2010

0003

UK Pension / Reinsurance ceded intra-group

[illegible]

Long-term insurance business: Analysis of valuation interest rateName of insurer **PEARL ASSURANCE LIMITED**Subfund **90:10**Financial year ended **31 December 2010**Units **£000**

Product group	Net mathematical reserves	Net valuation interest rate	Gross valuation interest rate	Risk adjusted yield on matching assets
1	2	3	4	5
UKL WP code 100/120/125/300/435	648299	2.50	2.91	4.13
UKL WP code 105/130/215/310	203039	3.00	3.00	4.05
UKL WP code 125/515	172721	1.80	2.17	3.18
UKL WP code 155/300/390	14447	5.40	5.40	6.19
UKL WP code 155/300	7603	3.95	3.99	4.74
UKL WP code 500	133193	1.50	1.50	2.43
UKL WP code 506	139612	2.70	2.70	3.62
UKL WP code 500/505/515/575	360650	1.10	1.13	2.38
UKP WP code 155	452191	3.95	3.95	4.55
UKP WP code 155/165/210	929762	3.90	3.90	4.65
UKP WP code 200	67132	3.20	3.20	3.96
UKP WP code 525	333418	2.70	2.70	3.65
UKP WP code 535	68022	2.00	2.00	2.73
UKP WP code 525	2056189	2.50	2.50	3.45
UKP WP code 525	521489	3.65	3.65	3.93
UKP WP code 525	9806	0.00	0.00	0.26
UKP NP code 300/390	30650	3.95	3.95	4.54
UKP NP code 300/390	79809	3.90	3.90	4.65
Misc	29577	n/a	n/a	n/a
Total	6257609			

Long-term insurance business: Analysis of valuation interest rateName of insurer **PEARL ASSURANCE LIMITED**Subfund **100:0 SERP**Financial year ended **31 December 2010**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	1289186	4.20	4.20	4.24
Misc	14074	n/a	n/a	
Total	1303260			

Long-term insurance business: Analysis of valuation interest rateName of insurer **PEARL ASSURANCE LIMITED**Subfund **0:100 PENSIONS**Financial year ended **31 December 2010**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 400	818488	4.15	4.15	4.26
UKP NP code 400	627	4.23	4.23	4.34
UKP NP code 325/390/435	9307	3.77	3.77	3.87
UKP NP code 435	5080	4.10	4.10	4.21
UKP NP code 905	406	3.95	3.95	4.05
Total	833909			

Long-term insurance business : Distribution of surplus

Name of insurer **PEARL ASSURANCE LIMITED**
 Total business / subfund **Summary**
 Financial year ended **31 December 2010**
 Units **£000**

Financial year	Previous year
1	2

Valuation result

Fund carried forward	11	8783404	7271872
Bonus payments in anticipation of a surplus	12	74822	62152
Transfer to non-technical account	13	26678	52489
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	8884904	7386513
Mathematical reserves	21	8443365	6951676
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	441539	434837

Composition of surplus

Balance brought forward	31	309322	144859
Transfer from non-technical account	32	164650	
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	(32433)	289978
Total	39	441539	434837

Distribution of surplus

Bonus paid in anticipation of a surplus	41	74822	62152
Cash bonuses	42		
Reversionary bonuses	43	9085	10874
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	83907	73026
Net transfer out of fund / part of fund	47	26678	52489
Total distributed surplus (46+47)	48	110585	125515
Surplus carried forward	49	330954	309322
Total (48+49)	59	441539	434837

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 **PEARL ASSURANCE LIMITED**
 Total business / subfund **90:10**
 Financial year ended **31 December 2010**
 Units **£000**

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

Valuation result

Fund carried forward	11	6365146	6425685
Bonus payments in anticipation of a surplus	12	74741	62152
Transfer to non-technical account	13	8678	7489
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	6448565	6495326
Mathematical reserves	21	6248640	6307390
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	199925	187936

Composition of surplus

Balance brought forward	31	107421	7421
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	92504	180515
Total	39	199925	187936

Distribution of surplus

Bonus paid in anticipation of a surplus	41	74741	62152
Cash bonuses	42		
Reversionary bonuses	43	9085	10874
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	83826	73026
Net transfer out of fund / part of fund	47	8678	7489
Total distributed surplus (46+47)	48	92504	80515
Surplus carried forward	49	107421	107421
Total (48+49)	59	199925	187936

Percentage of distributed surplus allocated to policyholders

Current year	61	90.62	90.70
Current year - 1	62	90.70	90.61
Current year - 2	63	90.61	90.46
Current year - 3	64	90.46	75.11

Long-term insurance business : Distribution of surplus

Name of insurer **PEARL ASSURANCE LIMITED**
 Total business / subfund **100:0 SERP**
 Financial year ended **31 December 2010**
 Units **£000**

Financial year	Previous year
1	2

Valuation result

Fund carried forward	11	1309482	
Bonus payments in anticipation of a surplus	12	81	
Transfer to non-technical account	13		
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	1309563	
Mathematical reserves	21	1303260	
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	6303	

Composition of surplus

Balance brought forward	31		
Transfer from non-technical account	32	164650	
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	(158347)	
Total	39	6303	

Distribution of surplus

Bonus paid in anticipation of a surplus	41	81	
Cash bonuses	42		
Reversionary bonuses	43		
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	81	
Net transfer out of fund / part of fund	47		
Total distributed surplus (46+47)	48	81	
Surplus carried forward	49	6222	
Total (48+49)	59	6303	

Percentage of distributed surplus allocated to policyholders

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

Long-term insurance business : Distribution of surplus

Name of insurer **PEARL ASSURANCE LIMITED**
 Total business / subfund **0:100 BLAGAB**
 Financial year ended **31 December 2010**
 Units **£000**

Financial year	Previous year
1	2

Valuation result

Fund carried forward	11	264415	245491
Bonus payments in anticipation of a surplus	12		
Transfer to non-technical account	13		3000
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	264415	248491
Mathematical reserves	21	57422	53800
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	206993	194691

Composition of surplus

Balance brought forward	31	191691	132562
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	15302	62129
Total	39	206993	194691

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		3000
Total distributed surplus (46+47)	48		3000
Surplus carried forward	49	206993	191691
Total (48+49)	59	206993	194691

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 **PEARL ASSURANCE LIMITED**
 Total business / subfund **0:100 PENSIONS**
 Financial year ended **31 December 2010**
 Units **£000**

Financial year	Previous year
1	2

Valuation result

Fund carried forward	11	844361	600696
Bonus payments in anticipation of a surplus	12		
Transfer to non-technical account	13	18000	42000
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	862361	642696
Mathematical reserves	21	834043	590486
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	28318	52210

Composition of surplus

Balance brought forward	31	10210	4876
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	18108	47334
Total	39	28318	52210

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	18000	42000
Total distributed surplus (46+47)	48	18000	42000
Surplus carried forward	49	10318	10210
Total (48+49)	59	28318	52210

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 **PEARL ASSURANCE LIMITED**
 Original insurer **PEARL ASSURANCE PUBLIC LIMITED COMPANY**
 Date of maturity value / open market option **01 March 2011**

Category of with-profits policy 1	Original term (years) 2	Maturity value / open market option 3	Terminal bonus 4	MVA 5	CWP / UWP 6	MVA permitted? 7	Death benefit 8
Endowment assurance	10	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	15	10109	911		CWP	N	10109
Endowment assurance	20	17042	1730		CWP	N	17042
Endowment assurance	25	29497	4350		CWP	N	29497
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	41674	3896		CWP	N	41674
Regular premium pension	20	71072	13570		CWP	N	71072
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	17940	4369		CWP	N	17940
Single premium pension	20	36133	15923		CWP	N	36133

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

Name of insurer PEARL ASSURANCE LIMITED
 Original insurer PEARL ASSURANCE PUBLIC LIMITED COMPANY
 Date of surrender value 01 March 2011

1 Category of with-profits policy	2 Duration at surrender (years)	3 Surrender value	4 Terminal bonus	5 MVA	6 CWP / UWP	7 MVA permitted?	8 Death benefit
Endowment assurance	5	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	10	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	15	9564			CWP	n/a	17286
Endowment assurance	20	17480	550		CWP	n/a	21756
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	11732	493		UWP	n/a	12156
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 **PEARL ASSURANCE LIMITED**

Global business

Financial year ended **31 December 2010**Units **£000**

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

Insurance death risk capital component

Life protection reinsurance	11	0.0%					
Classes I (other), II and IX	12	0.1%					
Classes I (other), II and IX	13	0.15%			1.00		
Classes I (other), II and IX	14	0.3%	4353886	4353886		13062	14186
Classes III, VII and VIII	15	0.3%	2380		0.50	4	9
Total	16		4356266	4353886		13065	14195

Insurance health risk and life protection reinsurance capital component

Class IV supplementary classes 1 and 2 and life protection reinsurance	21					91	93
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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%	10746793	8451357	0.85	91348	79117
Classes III, VII and VIII (investment risk)	33	1%	60201	977	0.85	512	529
Classes III, VII and VIII (expenses fixed 5 yrs +)	34	1%	122	122	1.00	1	1
Classes III, VII and VIII (other)	35	25%				51	63
Class IV (other)	36	1%	1932	(6)	0.85	16	7
Class V	37	1%					
Class VI	38	1%					
Total	39					91928	79717

Insurance market risk capital component

Life protection and permanent health reinsurance	41	0%					
Classes I (other), II and IX	42	3%	10746793	8451357	0.85	274043	237348
Classes III, VII and VIII (investment risk)	43	3%	60201	977	0.85	1535	1587
Classes III, VII and VIII (expenses fixed 5 yrs +)	44	0%	122	122			
Classes III, VII and VIII (other)	45	0%	7042				
Class IV (other)	46	3%	1932	(6)	0.85	49	22
Class V	47	0%					
Class VI	48	3%					
Total	49		10816090	8452450		275628	238957

Long term insurance capital requirement	51					380712	332962
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Returns under the Accounts and Statements Rules

Supplementary Notes

PEARL ASSURANCE LIMITED

Global Business

Financial year ended 31 December 2010

Appendix 9.3

0101 Modification to the Return in respect of general insurance business

The Financial Services Authority, on the application of the firm, made a direction in January 2008 under section 148 of the Act. The effect of the direction is to exclude Forms 26 to 29, 31, 32 and 34 from the firm's returns.

0103 Company change of name

On 25 June 2010, the Company changed its name to Pearl Assurance Limited from Pearl Assurance Public Limited Company.

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

- (a) The Financial Services Authority, on the application of the firm, made a direction under section 148 of the Financial Services and Markets Act 2000 in November 2007. The effect of the direction is to modify the provisions of INSPRU 3.1.35R and IPRU(INS) Appendix 9.3 so that a more appropriate rate of interest is used for assets taken in combination.
- (b) The Financial Services Authority, on the application of the firm, made a direction in December 2003, which it varied in May and November 2004. The effect of the direction (as varied) is to enable the firm to apply a business amount of 5% to investments in collateralised debt obligations, in aggregate. £nil (2009: £nil) in line 43 of Form 13 relates to the firm's investments in those assets.
- (c) 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 April 2009. The effect of the direction is to modify the provisions of INSPRU 2.1.22R so that a group of persons is not closely related by reason of the relationship described in INSPRU 2.1.40R(1) if control is exercised by, or on behalf of, HM Treasury.

0204 Part VII transfer

With effect from 4 January 2010, the Self Employed Retirement Plan ("SERP") business of National Provident Life Limited ("NPLL") a fellow group company was transferred to the Company for a £nil consideration in accordance with the terms of a scheme under Part VII of the Financial Services Market Act 2000 approved by the High Court on 9 February 2010.

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

	2010 £'000	2009 £'000
Form 13 line 89 (total other than long term insurance business assets)	660,979	713,748
Form 13 line 89 (total long term insurance business assets)	15,692,588	13,470,961
Less Form 14 line 71	14,420,570	12,489,299
Less Form 15 line 69	360,260	335,161
Net admissible assets	1,572,737	1,360,249
Subordinated debt	250,000	250,000
Capital resources requirement of regulated related undertakings	187,268	204,626
Capital restriction within National Provident Life Limited	-	4,896
Form 3 line 79 – Total capital resources	2,010,005	1,819,771

Returns under the Accounts and Statements Rules

Supplementary Notes

PEARL ASSURANCE LIMITED

Global Business

Financial year ended 31 December 2010

Appendix 9.3 (continued)

***0307* Financial reinsurance accepted**

The insurer has entered into a Surplus Relief Reassurance Arrangement with London Life Limited. Under this arrangement the insurer agreed to accept risk in respect of all long-term business other than business of the "Life With-Profit Fund" of London Life Limited.

The entry on Form 3 line 93 represents a contingent premium due from London Life Limited which equals the liability of £22,000 (2009: £22,000) included in Form 51.

***0310* Valuation differences**

Valuation differences within Form 3 line 14 in respect of liabilities where valuation in GENPRU and/or INSPRU is lower/(higher) than the valuation that the insurer uses for external financial reporting purposes.

	2010 £'000	2009 £'000
Positive valuation differences in respect of liabilities		
Actuarial valuation differences		
- 90:10 – IFRS to Peak 1	769,576	620,203
	<u>769,576</u>	<u>620,203</u>
Negative valuation differences in respect of liabilities		
Provision for "reasonably foreseeable adverse variations"	(8,450)	(14,870)
Actuarial valuation differences		
- 0:100 Life – Actuarial systems transformation and credit default provision	(304)	(16)
- 0:100 Pensions – Actuarial systems transformation and credit default provision	(3,360)	(764)
- 0:100 Pensions – Opal counterparty risk and mortality adjustment	(15,000)	(6,789)
- 0:100 Pensions – Deferred tax	4,889	-
- 100:0 SERP – Actuarial valuation differences	(116,095)	-
	<u>(138,320)</u>	<u>(22,439)</u>
Net valuation difference	<u>631,256</u>	<u>597,764</u>

Returns under the Accounts and Statements Rules

Supplementary Notes

PEARL ASSURANCE LIMITED

Global Business

Financial year ended 31 December 2010

Appendix 9.3 (continued)

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

	2010 £'000	2009 £'000
Profit and loss account and other reserves - Form 3 line 12 at 1 January	728,873	547,797
Restatement of opening balance due to change in reporting from UKGAAP to IFRS	2,598	-
Profit/(loss) retained for the financial year - Form 16 line 59	(116,466)	175,375
Surplus arising in the year within the long term funds	42,821	58,190
Provision for "reasonably foreseeable adverse variations"	550	-
Change in FSA value of NPLH in year	(59,538)	-
Change in IFRS value of NPLH in year	(16,400)	-
Transfer (from)/to the long term funds	137,972	(52,489)
Profit and loss account and other reserves - Form 3 line 12 at 31 December	<u>720,410</u>	<u>728,873</u>

***1301* Unlisted and listed investments**

	2010 £'000	2009 £'000
Listed Investments valued in accordance with the rules in GENPRU 1.3 and which are not readily realisable	9,345	14,805
Total	<u>9,345</u>	<u>14,805</u>

The above amounts in respect of listed investments that are not readily realisable fall within any of lines 41, 42, 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.

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

Returns under the Accounts and Statements Rules

Supplementary Notes

PEARL ASSURANCE LIMITED

Global Business

Financial year ended 31 December 2010

Appendix 9.3 (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 a counterparty other than an approved counterparty during the year was 5% of the business amount, calculated in accordance with Chapter 2.1 of the Prudential Sourcebook for Insurers. The exceptions to this are in respect of:
- Strategic investment opportunities, where, in order to achieve target 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 2010, there were no breaches (2009: £30 million).

***1306* & *1312* Counterparty exposure at the end of the financial year**

There were no cases where the exposure of the insurer to any one counterparty at the end of the financial year exceeded 5% of the sum of the base capital resource requirement and the long term insurance liabilities, excluding property linked benefits and net of reinsurance ceded.

***1307* & *1313* Fully secured rights**

- (a) The aggregate value of rights over collateral in respect of approved stock lending transactions is £nil (2009: £nil).
- (b) The aggregate value of rights over collateral in respect of approved derivative transactions is £nil (2009: £nil).
- (c) 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.

Returns under the Accounts and Statements Rules

Supplementary Notes

PEARL ASSURANCE LIMITED

Global Business

Financial year ended 31 December 2010

Appendix 9.3 (continued)

***1308* Unlisted and listed investments**

	2010 £'000	2009 £'000
Unlisted Investments valued in accordance with the rules in GENPRU 1.3	1,019,377	1,287,714
Listed Investments valued in accordance with the rules in GENPRU 1.3 and which are not readily realisable	201,503	145,760
Units or other beneficial interests in collective investment schemes as specified in instruction 5 to Form 13	830,304	123,145
Total	2,051,184	1,556,619

The above amounts in respect of unlisted investments and listed investments that are not readily realisable fall within any of lines 41, 42, 46, or 48 of Form 13 Total long term 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 £762,504,086.

***1318* Other asset adjustments**

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

<u>2010</u>	Total other than long term £'000	Total long term £'000	0:100 BLAGAB £'000	0:100 Pensions £'000	SERP £'000	90:10 £'000
Reclassification of other creditors	-	(25,319)	(131)	(8,560)	(8,232)	(8,396)
Value of SERP support fund	-	(122,318)	-	-	(122,318)	-
Total	-	(147,637)	(131)	(8,560)	(130,550)	(8,396)
<u>2009</u>	Total other than long term £'000	Total long term £'000	0:100 BLAGAB £'000	0:100 Pensions £'000	SERP £'000	90:10 £'000
Reclassification of other creditors	(6,770)	-	(17,022)	(5,473)	-	(221)
Deferred taxation	-	(7,900)	-	-	-	(7,900)
Total	(6,770)	(7,900)	(17,022)	(5,473)	-	(8,121)

Returns under the Accounts and Statements Rules

Supplementary Notes

PEARL ASSURANCE LIMITED

Global Business

Financial year ended 31 December 2010

Appendix 9.3 (continued)

1321 Other asset adjustment

At the valuation date, an internal inflation swap arrangement between the BLAGAB, Pensions and 90:10 Funds and the Shareholder Fund was deemed to have been closed out and a transfer of assets totalling £16 million (2009: £14 million) has been reflected on Line 44 with an equal and opposite entry in line 43.

<u>2010</u>	Total other than long term £'000	Total long term £'000	0:100 BLAGAB £'000	0:100 Pensions £'000	90:10 £'000
Settlement of internal swap	16,218	(16,218)	(1,013)	(5,529)	(9,676)
<u>2009</u>	Total other than long term £'000	Total long term £'000	0:100 BLAGAB £'000	0:100 Pensions £'000	90:10 £'000
Settlement of internal swap	14,093	(14,093)	(826)	(5,300)	(7,967)

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 (with a lock up period of greater than one year) or is valued using an internal model. These assets are subject to the rules set out in 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. A provision is established for less liquid positions.
- Opal assets are collateralised and the assets and liabilities are matched. Opal assets are regularly assessed to ensure that there is sufficient liquidity within the funds to meet its obligations therefore no further adjustments are considered necessary for Opal assets.

A provision of £8.4m has been established which includes:

- £3.4m in respect of illiquid assets notably hedge funds where a lock up period of greater than one year has been identified. The provision on these assets is calculated as the cost of borrowing 25% of their value at the Groups cost of borrowing rate.
- £5.0m in relation to the insurers Stock Lending activities where there is an identified difference in the maturity profile of the collateral liabilities and the reinvested collateral assets. The provision on this activity is based on the probability of not being able to renegotiate 10% of the collateral liabilities when they become due and is calculated as the cost of borrowing to cover the 10% shortfall at the Groups cost of borrowing rate.

Returns under the Accounts and Statements Rules

Supplementary Notes

PEARL ASSURANCE LIMITED

Global Business

Financial year ended 31 December 2010

Appendix 9.3 (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 reinsured 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 £2,414 million (2009: £2,415 million) (see table below).

Assets which are subject to the charge	2010 £000	2009 £000
<u>Form 13</u>		
Line 25 – Shares in non-insurance dependants	59,453	54,886
Line 26 – Loans to non-insurance dependants	119,500	119,500
Line 41 – Equity shares	74,099	52,026
Line 43 – Holdings in collective investment schemes	847,950	907,836
Line 44 – Rights under derivative contracts	239,581	195,497
Line 45 – Approved fixed interest securities	352,700	376,909
Line 46 – Other fixed interest securities	347,643	333,234
Line 47 – Approved variable interest securities	76,526	9,722
Line 48 – Other variable interest securities	492,451	452,723
Line 58 – Assets held to match index linked liabilities	135	61,316
Line 78 – Other due in 12 months or less	7,662	11
Line 81 – Deposits not subject to time restriction on withdrawal with approved institutions	3,787	3,831
Line 84 – Accrued interest and rent	25,123	15,101
<u>Less Form 14</u>		
Line 38 – Creditors – Other	232,559	167,936
Total	<u>2,414,051</u>	<u>2,414,656</u>

- (b) The total potential liability to taxation on capital gains, which might arise if the insurer were to dispose of its long term insurance business assets, is £nil (2009: £nil).

Returns under the Accounts and Statements Rules

Supplementary Notes

PEARL ASSURANCE LIMITED

Global Business

Financial year ended 31 December 2010

Appendix 9.3 (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 included in the Peak 1 mathematical reserves for Phase 1 cases is £519 million (2009: £494 million). The provision included in the Peak 1 mathematical reserves for Phase 2 cases is £7 million (2009: £5 million).

Included in the Peak 1 mathematical reserves are also provisions for additional associated costs of £5 million (2009: £5 million).

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.

Returns under the Accounts and Statements Rules

Supplementary Notes

PEARL ASSURANCE LIMITED

Global Business

Financial year ended 31 December 2010

Appendix 9.3 (continued)

1405 Other liabilities adjustments

Included within line 74 of Form 14 for each subfund are:

<u>2010</u>	Total long term £'000	0:100 BLAGAB £'000	0:100 Pensions £'000	SERP £'000	90:10 £'000
Reclassification of other creditors	(25,319)	(131)	(8,560)	(8,232)	(8,396)
Provision for "reasonably foreseeable adverse variations"	(7,900)	-	-	-	(7,900)
- 0:100 Pensions – Deferred tax	4,889	-	4,889	-	-
- 0:100 Life – Actuarial Systems provision & Credit default provision	(304)	(304)	-	-	-
- 0:100 Pensions – Actuarial Systems provision & Credit default provision	(3,359)	-	(3,359)	-	-
- 0:100 Pensions – Mortality adjustment	(15,000)	-	(15,000)	-	-
- 90:10 – IFRS to Peak 1	769,576	-	-	-	769,576
- SERP – IFRS to Peak 1	(116,096)	-	-	(116,096)	-
	<u>606,487</u>	<u>(435)</u>	<u>(22,030)</u>	<u>(124,328)</u>	<u>753,280</u>

<u>2009</u>	Total long term £'000	0:100 BLAGAB £'000	0:100 Pensions £'000	SERP £'000	90:10 £'000
Reclassification of other creditors	-	(17,022)	(5,473)	-	(221)
Deferred taxation	(7,900)	-	-	-	(7,900)
Provision for "reasonably foreseeable adverse variations"	(14,870)	-	-	-	(14,870)
Valuation difference on Deposits received from reinsurers	9,394	-	9,394	-	-
- 0:100 Life – Solvency II provision	(764)	-	(764)	-	-
- 0:100 Pensions – Opal counterparty risk and mortality adjustment	(6,789)	-	(6,789)	-	-
- 0:100 Pensions – Counterparty risk and mortality adjustment	(16)	(16)	-	-	-
- 90:10 – UKGAAP to Peak 1	620,203	-	-	-	620,203
Rounding difference	-	(1)	-	-	1
	<u>599,258</u>	<u>(17,039)</u>	<u>(3,632)</u>	<u>-</u>	<u>597,213</u>

Returns under the Accounts and Statements Rules

Supplementary Notes

PEARL ASSURANCE LIMITED

Global Business

Financial year ended 31 December 2010

Appendix 9.3 (continued)

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 (2009: £nil).
- (c) There are no contingent liabilities
- (d) The insurer has no forward commitments in respect of group undertakings (2009: £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.
- (e) In the opinion of the directors, there are no other fundamental uncertainties affecting the financial position of the insurer.

1507 Other liabilities adjustments

	2010 £'000	2009 £'000
Provision for reasonably foreseeable adverse variations	(550)	-
Reclassification of other creditors	-	(6,770)
Rounding difference	-	(1)
Form 15 line 83	<u>(550)</u>	<u>(6,771)</u>

1601 Basis of conversion of foreign currency

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

1602 Brought forward amounts

Some of the brought forward amounts shown in Forms 11G, 12G, 22, 23 and 24 have been restated from the corresponding carried forward amounts included in the previous year's return due to the reconversion of foreign currency amounts at a different rate of exchange.

1603 Other income and charges

The total of other income and charges for 2010 is a charge of £34,000 (2009: £15,484,000), comprising:

	2010 £'000	2009 £'000
Professional fees	(202)	(58)
Commission received	168	371
Interest received	-	389
Release of indemnity from Henderson Group plc	-	(16,000)
Other (charges)/income	-	(186)
Total other (charges)/income	<u>(34)</u>	<u>(15,484)</u>

Returns under the Accounts and Statements Rules

Supplementary Notes

PEARL ASSURANCE LIMITED

Global Business

Financial year ended 31 December 2010

Appendix 9.3 (continued)

1701 Variation margin

Our practice is to seek collateral for derivative asset positions from our counterparties as part of managing our overall credit risk. In line with IFRS accounting standards the cash held as collateral is reported on Form 13 line 43 and an equal liability in Form 14 line 38 rather than reducing the value shown on Form 13 line 44. This balance of £351,963k has in consequence not been reflected as 'Variation margin' in Form 17 Line 52. The split of this balance by fund is as follows:

	2010 £'000	2009 £'000
0:100 Pensions	142,097	101,504
SERP	30,442	-
90:10	179,424	129,186
	<u>351,963</u>	<u>230,690</u>

20Ae Faculative reinsurance business

The amount reported on Form 20A category 002 which is attributable to facultative reinsurance business is zero.

2007 Material connected-party transactions

On 2 September 2009, the shareholders of Pearl Group Limited ("PGL") (subsequently renamed Pearl Group Holdings (No. 2) Limited ("PGH2L")), which, at the time, was the insurer's ultimate and immediate parent undertaking, exchanged their interests in the Group for the issue of shares in Liberty Acquisitions Holdings (International) Company. Following this, Liberty Acquisitions Holdings (International) Company became the insurer's ultimate parent undertaking and subsequently changed its name to Pearl Group. PGH2L (formerly PGL) continued to be the insurers's immediate parent undertaking.

On 15 March 2010, Pearl Group, the insurer's ultimate parent undertaking, changed its name to Phoenix Group Holdings.

The Group restructure and refinancing, as referred to above, established a £250 million subordinated debt loan facility from Phoenix Life Holdings Limited ("PLHL"), another Phoenix Group (formerly Pearl Group) company to the insurer. The facility has been fully utilised and bears interest equal to the actual investment income earned on the £250 million assets transferred. The interest is accrued and paid back to PLHL on an annual basis. In December 2009, the insurer provided £50 million of capital, being in the form of subordinated debt, to National Provident Life Limited ("NPLL"). This facility has also been fully utilised and bears interest equal to the actual investment income earned on the £50m assets transferred. In December 2009, the insurer provided £50m. This interest is accrued and paid back to the insurer on an annual basis. In December 2010, the insurer provided £65 million of capital, being in the form of subordinated debt, to National Provident Life Limited ("NPLL"). This facility has also been fully utilised and bears interest equal to the actual investment income earned on the £65m assets transferred. In December 2009, the insurer provided £65m. This interest is accrued and paid back to the insurer on an annual basis.

2100 Accident year premiums

All business that would be reported in Form 21 is in run off with no premiums to report, and this form has not been included in the return.

Returns under the Accounts and Statements Rules

Supplementary Notes

PEARL ASSURANCE LIMITED

Global Business

Financial year ended 31 December 2010

Appendix 9.3 (continued)

***2202* Claims management expenses**

Claims management expenses paid are calculated by reference to the direct costs of handling claims incurred during the year suitably loaded for estimated overheads and management costs. Carried forward claims management costs are based on the estimated direct costs of settling outstanding claims also loaded for estimated overheads and management costs. These are all reported on Treaty Non-Proportional Form 25.

***2204* Acquisition costs**

All business reported on these Forms is in run off, therefore no deferred acquisition costs are applicable.

***2402* Underwriting year accounting**

Underwriting year accounting is felt to be a more appropriate than the accident year method for Non-proportional and Proportional Treaty business. (These classes are in run off and prior to 1996 have been reported under the 1983 Regulations on Forms 24 to 29.)

***2404* Claims management expenses**

Claims management expenses paid are calculated by reference to the direct costs of handling claims incurred during the year suitably loaded for estimated overheads and management costs. Carried forward claims management costs are based on the estimated direct costs of settling outstanding claims also loaded for estimated overheads and management costs. These are all reported on Form 25.

***2406* Acquisition costs**

All business reported on these Forms is in run off and therefore no acquisition costs are applicable.

***2501* Unearned premiums**

All business reported on Form 25 is in run off. Therefore no unearned premium reserves are applicable.

***3001* Yield**

In calculating the yield, consideration has been given to the expected income that will be earned from the hypothecated admissible assets adjusted for projected realisations to meet future claims.

Returns under the Accounts and Statements Rules

Supplementary Notes

PEARL ASSURANCE LIMITED

Global Business

Financial year ended 31 December 2010

Appendix 9.3 (continued)

3003 Discounting methods

The risk category where an adjustment has taken place is:-

Combined Category	Risk Category	Rate of Interest	Expected interval to settlement date
Primary (direct) and facultative commercial lines business			
Employers Liability	271	1.90%	14.5 years
Public and Products Liability	273	1.90%	14.0 years

Methodology used:

In calculating the technical provisions in respect of long term UK Industrial disease business the future investment income on the assets held to cover the related provisions has been taken into account by discounting future cash flows. The average period before the undiscounted liability will be settled has been estimated at 14.5 years (2009: 14.4 years) and the provision has been discounted at an interest rate of 1.9% (2009: 2.5%).

The technical provisions for future claims payments have primarily been assessed consistent with actuarial methods projecting numbers and amounts of claims separately. Where there is a notable exposure to long term asbestos, pollution and health hazard liabilities, external independent actuaries provide best estimate benchmarks. An appropriate prudential margin is applied to certain lines of business, as it is recognised that the estimation of certain future claims payments is an inherently uncertain exercise and future experience could be more adverse.

3700 & *3800* & *3900* Equalisation provisions

Forms 37, 38 and 39 have been omitted from the return. The insurer is exempt from the requirement of INSPRU 1.4.17R to maintain a non-credit equalisation provision as there is no such provision brought forward from the previous financial year and the relevant net written premiums are less than the threshold amount.

Returns under the Accounts and Statements Rules

Supplementary Notes

PEARL ASSURANCE LIMITED

Global Business

Financial year ended 31 December 2010

Appendix 9.3 (continued)

***4002* Other income and expenditure**

2010

The total of other income of £4,748,000 is made up of:

	Total	0:100 BLAGAB	0:100 Pensions	90:10
Commission received	668	149	-	519
Management charge	3,574	-	3,574	-
Transfer of management charge	467	-	467	-
Sundry Income	12	-	-	12
	<u>4,721</u>	<u>149</u>	<u>4,041</u>	<u>531</u>

The total of other expenditure of £287,283,000 is made up of:

	Total	0:100 BLAGAB	0:100 Pensions	90:10
Change in Deposits received from reinsurers ⁽¹⁾	287,283	-	287,283	-
	<u>287,283</u>	<u>-</u>	<u>287,283</u>	<u>-</u>

⁽¹⁾ Other expenditure in line 25 of £287m represents the change in Deposits received from reinsurers under a reinsurance agreement with Opal Reassurance Limited ("Opal").

Returns under the Accounts and Statements Rules

Supplementary Notes

PEARL ASSURANCE LIMITED

Global Business

Financial year ended 31 December 2010

Appendix 9.3 (continued)

***4002* Other income and expenditure (continued)**

2009

The total of other income of £4,718,000 is made up of:

	Total	0:100 BLAGAB	0:100 Pensions	90:10
Commission received	858	135	-	723
Management charge	3,367	-	3,367	-
Transfer of management charge	418	-	418	-
Sundry Income	75	-	-	75
	<u>4,718</u>	<u>135</u>	<u>3,785</u>	<u>798</u>

The total of other expenditure of £109,658,000 is made up of:

	Total	0:100 BLAGAB	0:100 Pensions	90:10
Change in Deposits received from reinsurers ⁽¹⁾	109,240	-	109,240	-
Transfer of management charge	418	-	-	418
	<u>109,658</u>	<u>-</u>	<u>109,240</u>	<u>418</u>

⁽¹⁾ Other expenditure in line 25 of £109m represents the change in Deposits received from reinsurers under a reinsurance agreement with Opal Reassurance Limited ("Opal").

Returns under the Accounts and Statements Rules

Supplementary Notes

PEARL ASSURANCE LIMITED

Global Business

Financial year ended 31 December 2010

Appendix 9.3 (continued)

4004 Transfers of contracts

Business transfer in are split by fund as follows:

	2010 £'000	2009 £'000
100:0 SERP	1,181,710	-
0:100 BLAGAB	912	1,200
0:100 Pensions	233,144	191,227
Total	<u>1,415,766</u>	<u>192,427</u>

Business transfers-out are split by fund as follows:

90:10	(172,173)	(165,770)
100:0 SERP	(35,253)	-
Total	<u>(207,426)</u>	<u>(165,770)</u>

With effect from 4 January 2010, the Self Employed Retirement Plan ("SERP") business of National Provident Life Limited ("NPLL") a fellow group company was transferred to the Company for a £nil consideration in accordance with the terms of a scheme under Part VII of the Financial Services Market Act 2000 approved by the High Court on 9 February 2010. There was no impact on the Company's financial statements as both the assets and liabilities transferred were valued at £1.182bn.

The business transfers between the funds consist of the transfer into Pearl of SERP from NPLL (£1,181,710,000) and vesting annuities. Of the balance transferred in to 0:100 Pensions, £26,630,000 is in relation to vestings from London Life Limited. 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.

4006 Apportionments between long term insurance business funds/sub funds

(a) Investment Income

Gross investment income for 0:100 sub-funds has been apportioned in accordance with the notional allocation of assets.

The remaining gross investment income is apportioned to the 90:10 fund by reference to adjusted mean funds. These are the mean of the opening and closing funds, before transfer to profit and loss account and excluding investment income, increase in value of assets brought into account and tax, adjusted in respect of items that are applicable to specific account or in respect of uneven incidence over the year.

(b) Increase in value of assets brought into account

The realised and unrealised gains and losses on the 0:100 and 90:10 sub-funds have been determined on the notional allocation of assets and have all been brought into account less an adjustment for taxation.

Returns under the Accounts and Statements Rules

Supplementary Notes

PEARL ASSURANCE LIMITED

Global Business

Financial year ended 31 December 2010

Appendix 9.3 (continued)

***4006* Apportionments between long term insurance business funds/sub funds (continued)**

(c) Expenses

Expenses not directly attributable to a class of business have been apportioned between the long term insurance business funds on bases considered to be appropriate and equitable having regard to the nature of each such expense and the purpose for which it was incurred.

(d) Taxation

The taxation charged to the long term insurance business revenue accounts is computed in total and allocated to each sub-fund, taking account of any apportionments referred to in (a) - (c) above and of any reliefs to which each fund may be entitled.

***4008* Provision of management services**

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

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

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

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.

***4500* Internal linked funds**

The insurer has no internal linked funds and all amounts required to be shown would be zero and these Forms have not been included within the return.

Returns under the Accounts and Statements Rules

Supplementary Notes

PEARL ASSURANCE LIMITED

Global Business

Financial year ended 31 December 2010

Appendix 9.3 (continued)

4801 Asset mix for assets share portfolio

Within the 90:10 sub-fund, 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 philosophy for this portfolio at 31 December 2010 assumes an asset mix of:

Land and buildings	12.7%
Approved fixed interest securities	19.1%
Other fixed interest securities	15.3%
Variable interest securities	3.9%
UK listed equity shares	26.6%
Non-UK listed equity shares	0.8%
Unlisted equity shares	9.5%
Other assets	12.0%

4803 Assumptions regarding redemption dates

90:10, 0:100 BLAGAB and 0:100 Pensions Funds

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 £140m for the with-profit funds and £60m for the non profit funds.

100:0 SERP Fund

For assets that may be redeemed in full at the option of the guarantor or the issuer on specified dates, the assumed maturity date has been at the first call date. The value of callable corporate bonds at the valuation date was £11 million. 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 £65 million at the valuation date.

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

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

4807 Allocation of assets to column 2 of Form 48

100:0 SERP Fund

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

The following additional reallocation does not have an explicit instruction but has been made to reflect the underlying assets: £14.3 million from 14.1/24.1 is allocated to 11.2/21.2 in respect of variable interest securities that are part of a property collateralisation. The unit trust part of the property vehicle holding is reallocated between 18.1/28.1 to 11.2/21.2 in accordance with instruction 2.

Returns under the Accounts and Statements Rules

Supplementary Notes

PEARL ASSURANCE LIMITED

Global Business

Financial year ended 31 December 2010

Appendix 9.3 (continued)

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

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

***4901* Credit rating agency**

90:10, 0:100 BLAGAB and 0:100 Pensions Funds

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 Fund

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

***5500* Internal linked funds**

The insurer has no internal linked funds and this Form has not been included within the return.

***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.

***5700* Long-term insurance business: Fixed and variable interest assets**

0:100 BLAGAB and 0:100 Pensions Funds

Form 57 Life Non Profit business has not been included in the return as the Company satisfies the de-minimis limit as the fixed and variable interest securities do not exceed £100m.

Returns under the Accounts and Statements Rules

Supplementary Notes

PEARL ASSURANCE LIMITED

Global Business

Financial year ended 31 December 2010

Appendix 9.3 (continued)

5702

Risk adjusted yield

0:100 Pensions Fund

- (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 November 2007. The effect of the direction is to modify the provisions of INSPRU 3.1.35R and IPRU(INS) Appendix 9.3 so that a more appropriate rate of interest is used for assets taken in combination.

(b)

Product group	Risk adjusted yield on matching assets	Adj	Risk adjusted yield on matching assets using FSA waiver
UKP NP code 400	4.08	0.18	4.26
UKP NP code 400	4.14	0.20	4.34
UKP NP code 325/390/435	3.82	0.05	3.87
UKP NP code 905	3.99	0.06	4.05

Returns under the Accounts and Statements Rules

Statement of major treaty reinsurers required by rule 9.25

PEARL ASSURANCE LIMITED

Global Business

Financial year ended 31 December 2010

Full name of major reinsurer	Address	Details of connection (if any)	Proportional Treaty premiums paid in the financial year £000	Non Proportional Treaty premiums paid in the financial year £000	Debtor included at Line 75 of Form 13 £000	Deposits received included at Line 31 of Form 15 £000	Anticipated recoveries included at Line 61 of Form 13 £000
Churchill Insurance Company Limited	Churchill Court Westmoreland Road Bromley Kent BR2 1DP	None					4,496
Swiss Re Frankona	Swiss Re Frankona Rueckversicherungs- Aktiengesellschaft Toerringstrasse 2-6 81675 Muenchen Germany	None					5,254
National Indemnity Company	3024 Hamey Street Omaha Nebraska 68131	None					-
European International Reinsurance Company	Chancery House High Street Bridgetown Barbados West Indies	None					-

Returns under the Accounts and Statements Rules

Statement of major facultative reinsurers required by rule 9.26

PEARL ASSURANCE LIMITED

Global Business

Financial year ended 31 December 2010

The insurer has no major facultative reinsurers

Returns under the Accounts and Statements Rules

Statement of major cedants required by rule 9.27

PEARL ASSURANCE LIMITED

Global Business

Financial year ended 31 December 2010

The insurer has no major cedants

Returns under the Accounts and Statements Rules

Statement required under rule 9.32

PEARL ASSURANCE LIMITED

Global Business

Financial year ended 31 December 2010

Reinsurance contracts entered into in the year

No outward contracts of non-facultative reinsurance were entered into or modified during the financial year.

Reinsurance premiums ceded in the year

No reinsurance premiums were ceded in the year

There was no exposure to incidents during the year as all policy terms have expired.

Returns under the Accounts and Statements Rules

Additional information on financial reinsurance and financing arrangements: general insurers required by rule 9.32A

PEARL ASSURANCE LIMITED

Global Business

Financial year ended 31 December 2010

The insurer has no contracts of insurance under which general insurance business has been ceded which meet the conditions in rule 9.32A (2).

The determination of whether a contract of insurance meets one or both of the conditions in 9.32A (2) is arrived at after taking appropriate internal and external advice regarding the value placed on future payments in respect of each contract relative to the economic value provided by that contract. Information gathered from ongoing monitoring of the reinsurers' financial position for each contract of insurance is also brought into consideration.

Returns under the Accounts and Statements Rules

Statement of additional information on derivative contracts required by rule 9.29

PEARL ASSURANCE LIMITED

Global Business

Financial year ended 31 December 2010

- (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 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 £161m. All traded equity index options were in the money throughout 2010.

- (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.

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

PEARL ASSURANCE LIMITED

Global Business

Financial year ended 31 December 2010

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

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

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

1. Pearl Group Holdings (No. 2) Limited

As at 31 December 2010, Pearl Group Holdings (No. 2) Limited owned 100% of the shares of Pearl Assurance Limited and was able to exercise 100% of the voting power at any general meeting.

2. Phoenix Life Holdings Limited

As at 31 December 2010, Phoenix Life Holdings Limited owned 100% of the ordinary shares of Pearl Group Holdings (No. 2) Limited, a company of which Pearl Assurance Limited is a subsidiary undertaking, and was able to exercise 100% of the voting power at any general meeting.

3. PGH (LCA) Limited

As at 31 December 2010, PGH (LCA) Limited owned 50% of the ordinary shares of Phoenix Life Holdings Limited, a company of which Pearl Assurance Limited is a subsidiary undertaking, and was able to exercise 50% of the voting power at any general meeting.

4. PGH (LCB) Limited

As at 31 December 2010, PGH (LCB) Limited owned 50% of the ordinary shares of Phoenix Life Holdings Limited, a company of which Pearl Assurance Limited is a subsidiary undertaking, and was able to exercise 50% of the voting power at any general meeting.

Returns under the Accounts and Statements Rules

Statement of additional information on controllers required by rule 9.30

PEARL ASSURANCE LIMITED

Global Business

Financial year ended 31 December 2010

(continued)

5. Phoenix Group Holdings (formerly Pearl Group)

As at 31 December 2010, Phoenix Group Holdings owned 100% of the ordinary shares of PGH (LCA) Limited and 100% of the ordinary shares of PGH (LCB) Limited, which between themselves own 100% of the ordinary shares of Phoenix Life Holdings Limited, a company of which Pearl Assurance Limited is a subsidiary undertaking, and was able to exercise 100% of the voting power of PGH (LCA) Limited and 100% of the voting power of PGH (LCB) Limited at any general meeting.

6. Xercise Limited

As at 31 December 2010, Xercise Limited owned legal title to 13.2% of the share capital of Phoenix Group Holdings, a company of which Pearl Assurance Limited is a subsidiary undertaking, and was able to exercise 13.2% of the voting power at any general meeting.

The beneficial interest in the Phoenix Group Holdings shares was transferred to Xercise2 Limited and its wholly owned subsidiaries on 4 October 2010.

7. Xercise2 Limited

On 4 October 2010, Xercise2 Limited, and its wholly owned subsidiaries acquired the beneficial interest in the Phoenix Group Holdings shares previously held by Xercise Limited.

As at the date of the submission of this return, it is understood that approval from the FSA for the application by Xercise2 Limited and its wholly owned subsidiaries to become a controller of Pearl Assurance Limited is pending.

8. Jambright Limited

As at 31 December 2010, 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, owned 2.6% of the share capital of Phoenix Group Holdings, a company of which Pearl Assurance Limited is a subsidiary undertaking, and was able to exercise 2.6% of the voting power at any general meeting.

9. TDR Capital Nominees Limited

As at 31 December 2010, TDR Capital Nominees Limited owned 14.1% of the share capital of Phoenix Group Holdings, a company of which Pearl Assurance Limited is a subsidiary undertaking, and was able to exercise 14.1% of the voting power at any general meeting.

Returns under the Accounts and Statements Rules

Statement of additional information on controllers required by rule 9.30

PEARL ASSURANCE LIMITED

Global Business

Financial year ended 31 December 2010

(continued)

10. TDR Capital LLP

As at 31 December 2010, TDR Capital Nominees Limited and Jambright Limited, which are associates of TDR Capital LLP within the meaning of the Financial Services and Markets Act 2000 by virtue of being subsidiary undertakings of TDR Capital LLP, together owned 16.7% of the share capital of Phoenix Group Holdings, a company of which Pearl Assurance Limited is a subsidiary undertaking, and were able to exercise 16.7% of the voting power at any general meeting.

PEARL ASSURANCE LIMITED

APPENDIX 9.4

ABSTRACT OF VALUATION REPORT

Introduction

1. (1) The date to which the actuarial investigation relates is 31 December 2010.
- (2) The date to which the previous actuarial investigation under IPRU(INS) rule 9.4 related was 31 December 2009. The policies in the Pearl SERP fund were previously included in the National Provident Life Limited annual FSA returns.
- (3) Since the previous valuation date, there have been no interim valuations (for the purposes of IPRU(INS) rule 9.4).

Product range

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

The answers to questions in paragraphs 3 to 10 will be provided in two separate parts, one for Pearl Assurance Limited's 90:10 with-profits, 0:100 BLAGAB and 0:100 Pensions funds; and a second for Pearl Assurance Limited's SERP fund.

90:10 with-profits, 0:100 BLAGAB and 0:100 Pensions funds

Discretionary charges and benefits

3. (1) 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 Jun 2002	Jan 2010 to Feb 2010 Sep 2010 to Dec 2010
	Jul 1999 to Sep 2002	Mar 2010 to Aug 2010
Reinsurance Accepted Portfolio Bond 1b	Jan 2000 to Jun 2002	Jan 2010 to Dec 2010
Reinsurance Accepted Portfolio Bond 2	Jan 2000 to Jun 2002	Jan 2010 to Dec 2010
Reinsurance Accepted Investment Bond	Oct 2000 to Jun 2002	Jan 2010 to May 2010 Sep 2010 to Dec 2010
	Oct 2000 to Sep 2002	Jun 2010 to Aug 2010
Reinsurance Accepted Socially Responsible With Profits Bond	Oct 2000 to Sep 2001	Jan 2010 to Nov 2010
	Oct 2000 to Jun 2001	Dec 2010 to Dec 2010
Reinsurance Accepted Individual Pensions	Jan 2000 to Jun 2002	Jan 2010 to Dec 2010
Reinsurance Accepted Group Pensions	Jan 2000 to Jun 2002	Jan 2010 to Dec 2010
Reinsurance Accepted Socially Responsible With Profits Pensions	Jan 2001 to Sep 2001	Jan 2010 to Dec 2010

Note:

1. The MVAs for Homebuyer version 1 are calculated individually per policy dependent on the actual date premiums were paid.
- (2) There have been no changes to premium rates for Pension and Life reviewable protection policies during the financial year.
- (3) No policies have been sold in this category.
- (4) Policy fees for Homebuyer version 1 were increased in 2010 in line with the National Average Earnings Index, an increase of 1.5%.
- (5) During the financial year, benefit charges remained unchanged on linked products.
- (6) The following levels of unit management charges were introduced for Individual Pensions UWP - PP on 1 January 2010:

Regular Premiums and Paid Up Policies	1.44% pa
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Single Premiums	1.05% pa
DSS Recurrent Single Premiums	1.12% 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 £947m for regular premium and paid up policies, £262m for single premium policies and £847m for DSS recurrent single premium policies.

- (7) (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 un-rounded bid price values. This ensures that unit prices are unaffected by the creation or cancellation of units and that the interests of unit holders not taking part in a unit transaction are unaffected by that transaction.
 - (ii) Base prices are derived from the internal fund valuations, which are adjusted for fund specific charges. Increasing the base price by the bid-offer spread and rounding to the higher tenth of a penny gives the "offer price". The "bid price" is the base price rounded to the lower tenth of a penny.
 - (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 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 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 used 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 (Collective Investment Scheme Holdings)	20.0%	19.0%	20.0%	19.0%
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Equity (Collective Investment Scheme Holdings) accruals for realised gains and losses are cleared at the end of each month. Accruals for unrealised gains and losses are cleared at the end of each financial year under the "deemed disposal" regime. The tax rate used for this purpose at the end of 2010 was 19%.

(9) See (8) above.

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

Valuation basis (other than for special reserves)

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

NON LINKED BUSINESS

Mathematical reserves have been determined using a gross premium method, or a method at least as strong as a gross premium method. 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.

INDEX LINKED BUSINESS

Mathematical reserves have been determined using a gross premium method.

LINKED BUSINESS

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

The non-unit reserve is calculated using 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 prudent allowance for surrenders/lapses and for conversion to paid up. The net present value is calculated over the number of years from the valuation date that gives the maximum value.

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

Sub Fund	Product Group	2010	2009	Product Code
90:10	Conventional Life Business	2.5%	3.50%	100, 120, 125, 205, 300, 435
90:10	Industrial Branch	3.00%	3.00%	105, 130, 310
90:10	Conventional General Annuity endowments	5.40%	5.40%	155, 300
90:10	Conventional Pensions deferred annuities	3.90%/3.40% ⁽¹⁾	5.40%/4.45% ⁽¹⁾	165, 390
90:10	Conventional Pensions endowments	3.90%	5.40%	155, 300
90:10	Reinsurance Accepted Immediate Annuities	3.20%	4.10%	200
90:10	Individual Pensions UWP - PP	2.5%	3.50%	525
90:10	Individual Pensions UWP	2.70%	3.70%	525
90:10	Unitised Accumulating With Profits – Life Business	1.10%	1.10%	500, 505, 515, 575
90:10	Reinsurance Accepted Bonds	1.50%	2.40%	500
90:10	Unitised Accumulating With Profits – ISA Business	2.70%	3.70%	506
90:10	Reinsurance Accepted Pensions Business	2.00%	2.90%	535
0:100 BLAGAB	Conventional General Annuity pre 1992	3.98%	4.53%	390, 395, 400
0:100 BLAGAB	Conventional Life Assurances	3.57%	3.06%	300, 325, 435
0:100 BLAGAB	Yearly Renewable Term Assurances	5.18%	4.38%	325, 435
0:100 Pensions	Conventional Pensions Immediate Annuities (Direct and Reinsurance Accepted from other than NP Life)	4.15%	4.55%	400
0:100 Pensions	Reinsurance Accepted from NP Life Immediate Annuities	4.23%	4.55%	400
0:100 Pensions	Conventional Pensions Immediate Annuities – index linked	3.95%	4.55%	905

0:100 Pensions	Reinsurance Accepted from NP Life Immediate Annuities – index linked	4.23%	4.55%	905
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Note:

1. Where two interest rates are shown they represent the interest rate in deferment and interest rate in payment.
- (3) For corporate bonds, 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 margin was calculated as a long-term average default rate plus an additional allowance for short-term factors and expected deviations from the historic average. The individual stock risk margin was calculated by our investment managers in conjunction with the Asset Liability Management team.

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

Rating	5yr Bps	10yr Bps	20yr Bps
AAASSR	0.0	0.0	0.0
AAA	4.3	12.3	15.2
AA	19.0	32.1	48.2
A	33.2	47.7	65.3
BBB	82.8	104.1	122.4
BB	261.3	277.3	287.2
B	591.7	524.7	442.5

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

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

At the previous valuation there was a 25% margin added to the Peak 1 default assumption. However, a new provision was created at the current valuation equal to the impact of a 10% margin in the Peak 1 default assumption.

Properties were categorised into directly owned and indirectly owned. The yield is determined for each individual property and then restricted to a maximum of 6.0%.

Equities were divided into UK quoted, overseas quoted and unquoted. They were further subdivided into the following yield bands:

Quoted UK and overseas equities:

Greater than 5%
Greater than 4.5% but less than 5%
Greater than 4.0% but less than 4.5%
Greater than 3.5% but less than 4.0%
Greater than 3.0% but less than 3.5%
Greater than 2.5% but less than 3.0%
Greater than 2.0% but less than 2.5%
Greater than 1.5% but less than 2.0%

Greater than 1.0% but less than 1.5%
Greater than 0.0% but less than 1.0%
Equal to 0.0%

Unquoted equities:

Greater than 0.0%
Equal to 0.0%

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

Sub Fund	Product Group	2010		2009		Product Code
		Male	Female	Male	Female	
90:10	Conventional Life Business	116% AMC00	116% AFC00	116% AMC00	116% AFC00	100, 120, 125, 205, 300, 435
90:10	Industrial Branch	70% ELT14 (Male)	70% ELT14 (Male)	70% ELT14 (Male)	70% ELT14 (Male)	105, 130, 310
90:10	Conventional General Annuity endowments	79% AMC00	79% AFC00	79% AMC00	79% AFC00	155, 300
90:10	Conventional Pensions deferred annuities (pre vesting basis)	79% AMC00	79% AFC00	79% AMC00	79% AFC00	165, 390
90:10	Conventional Pensions deferred annuities (post vesting basis)	104% RMV00 Improvements CMI_2009 C2028 ⁽¹⁾	118% RFV00 Improvements CMI_2009 C2026 ⁽¹⁾	104% RMV00 Improvements CMI_2009 C2028 ⁽¹⁾	118% RFV00 Improvements CMI_2009 C2025 ⁽¹⁾	165, 390
90:10	Conventional Pensions endowments with a variable retirement age	79% AMC00	79% AFC00	79% AMC00	79% AFC00	155, 300
90:10	Conventional Pensions endowments – Other – Compound Bonus	79% AMC00	79% AFC00	79% AMC00	79% AFC00	155
90:10	Conventional Pensions endowments – Other – Simple Bonus	97% AMC00	97% AFC00	97% AMC00	97% AFC00	155, 300
90:10	Reinsurance Accepted Immediate Annuities	90% PMA00 Improvements CMI_2009 ⁽¹⁾	85% PFA00 Improvements CMI_2009 ⁽¹⁾	90% PMA00 Improvements CMI_2009 ⁽¹⁾	85% PFA00 Improvements CMI_2009 ⁽¹⁾	200
90:10	Individual Pensions UWP – PP	79% AMC00	79% AFC00	79% AMC00	79% AFC00	525
90:10	Unitised Accumulating With Profits – Homebuyer	89% AM80	89% AF80	89% AM80	89% AF80	515
90:10	Unitised Accumulating With Profits – Other	79% AMC00	79% AFC00	79% AMC00	79% AFC00	500, 505, 506, 525, 575
90:10	Reinsurance Accepted Portfolio Bonds 1a, 1b and Investment Bond	85% AM92	85% AF92	85% AM92	85% AF92	500
90:10	Reinsurance Accepted Portfolio Bond 2	105% AM92	105% AF92	105% AM92	105% AF92	500
90:10	Reinsurance Accepted Pensions Business	95% AM92	95% AF92	95% AM92	95% AF92	535

Sub Fund	Product Group	2010		2009		Product Code
		Male	Female	Male	Female	
0:100 BLAGAB	Conventional Life Assurances	116% AMC00	116% AFC00	116% AMC00	116% AFC00	300, 435
0:100 BLAGAB	Conventional General Annuity Immediate Annuities	106% RMV00 Improvements CMI_2009 ⁽¹⁾	118% RFV00 Improvements CMI_2009 ⁽¹⁾	104% RMV00 Improvements CMI_2009 ⁽¹⁾	118% RFV00 Improvements CMI_2009 ⁽¹⁾	395, 400
0:100 BLAGAB	Conventional Non Profit in deferment	97% AMC00	97% AFC00	97% AMC00	97% AFC00	390
0:100 BLAGAB	Conventional Non Profit post vesting	106% RMV00 Improvements CMI_2009 C2028 ^{(1) (2)}	118% RFV00 Improvements CMI_2009 C2026 ^{(1) (2)}	104% RMV00 Improvements CMI_2009 C2028 ^{(1) (2)}	118% RFV00 Improvements CMI_2009 C2025 ^{(1) (2)}	390
0:100 BLAGAB	Term Assurance non-YRT	122% AMC00 ⁽³⁾	122% AFC00 ⁽³⁾	122% AMC00 ⁽³⁾	122% AFC00 ⁽³⁾	325, 435
0:100 BLAGAB	Yearly Renewable Term Assurances (non-smoker)	60% AM80	60% AF80	60% AM80	60% AF80	325
0:100 BLAGAB	Yearly Renewable Term Assurances (smoker)	120% AM80	120% AF80	120% AM80	120% AF80	325
0:100 Pensions	Conventional Pensions Immediate Annuities (Direct and Reinsurance Accepted from other than NP Life and London Life)	106% RMV00 Improvements CMI_2009 ⁽¹⁾	118% RFV00 Improvements CMI_2009 ⁽¹⁾	104% RMV00 Improvements CMI_2009 ⁽¹⁾	118% RFV00 Improvements CMI_2009 ⁽¹⁾	400, 905
0:100 Pensions	Conventional Non Profit in deferment	97% AMC00	97% AFC00	97% AMC00	97% AFC00	390, 435
0:100 Pensions	Conventional Non Profit post vesting	106% RMV00 Improvements CMI_2009 C2028 ^{(1) (2)}	118% RFV00 Improvements CMI_2009 C2026 ^{(1) (2)}	104% RMV00 Improvements CMI_2009 C2028 ^{(1) (2)}	118% RFV00 Improvements CMI_2009 C2025 ^{(1) (2)}	390, 435
0:100 Pensions	Term Assurance non-YRT	122% AMC00 ⁽³⁾	122% AFC00 ⁽³⁾	122% AMC00 ⁽³⁾	122% AFC00 ⁽³⁾	325
0:100 Pensions	Yearly Renewable Term Assurances (non-smoker)	60% AM80	60% AF80	60% AM80	60% AF80	325
0:100 Pensions	Yearly Renewable Term Assurances (smoker)	120% AM80	120% AF80	120% AM80	120% AF80	325
0:100 Pensions	Reinsurance Accepted from NP Life Immediate Annuities	95% RMV00 Improvements CMI_2009 ⁽¹⁾	102% RFV00 Improvements CMI_2009 ⁽¹⁾	95% RMV00 Improvements CMI_2009 ⁽¹⁾	104% RFV00 Improvements CMI_2009 ⁽¹⁾	400, 905
0:100 Pensions	Vestings from London Life Immediate Annuities	90% PMA00 Improvements CMI_2009 ⁽¹⁾	83% PFA00 Improvements CMI_2009 ⁽¹⁾	90% PMA00 Improvements CMI_2009 ⁽¹⁾	85% PFA00 Improvements CMI_2009 ⁽¹⁾	400, 905
0:100 Pensions	Vestings from Pearl SERP Immediate Annuities	85% RMV00 Improvements CMI_2009 ^{(1) (4)}	101% RFV00 Improvements CMI_2009 ^{(1) (4)}			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. There is no mortality basis for Pearl SERP for 2009 as this business only started to vest in the 0:100 Pensions Fund in 2010.

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

Sub Fund	Product Group	Annuities in payment		Deferred annuities: life expectation at age 65	
		Age 65	Age 75	Age 45	Age 55
90:10	Conventional Deferred Annuities			26.2	24.6
90:10	Reinsurance Accepted Immediate Annuities	24.9	15.3		
0:100 BLAGAB	Conventional General Annuity Immediate Annuities	23.0	14.0		
0:100 Pensions	Conventional Pensions Immediate Annuities (Direct and Reinsurance Accepted from other than NP Life)	23.0	14.0		
0:100 Pensions	Reinsurance Accepted from NP Life Immediate Annuities	24.0	14.8		
0:100 Pensions	Vestings from London Life Immediate Annuities	24.9	15.3		
0:100 Pensions	Vestings from Pearl SERP Immediate Annuities	24.9	15.6		

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

Sub Fund	Product Group	Annuities in payment		Deferred annuities: life expectation at age 65	
		Age 65	Age 75	Age 45	Age 55
90:10	Conventional Deferred Annuities			27.9	26.5
90:10	Reinsurance Accepted Immediate Annuities	27.0	17.1		
0:100 BLAGAB	Conventional General Annuity Immediate Annuities	25.2	15.4		
0:100 Pensions	Conventional Pensions Immediate Annuities (Direct and Reinsurance Accepted from other than NP Life)	25.2	15.4		
0:100 Pensions	Reinsurance Accepted from NP Life Immediate Annuities	26.3	16.4		
0:100 Pensions	Vestings from London Life Immediate Annuities	27.3	17.3		
0:100 Pensions	Vestings from Pearl	26.4	16.5		

- (5) There are no products representing a significant amount of business that use a morbidity basis.
- (6) The expense bases are as follows:

Per Policy Expenses

NON LINKED BUSINESS

Subfund	Product Group	2010 £pa	2009 £pa	Tax Relief	Code
90:10	Conventional endowment with-profits OB savings	70.17	65.94	20%	120
90:10	Conventional endowment with-profits OB target cash	70.17	65.94	20%	125
90:10	Conventional pensions endowment with-profits	70.17	65.94	0%	155
90:10	Conventional deferred annuity with-profits	70.17	65.94	0%	165
0:100	Annuity non-profit (CPA)	47.55	45.00	0%	400
BLAGAB					
0:100	Annuity non-profit (CPA) Pre March 2018	25.20	24.01	0%	400
Pensions	Annuity non-profit (CPA) Post March 2018 ⁽²⁾	47.55	45.00	0%	400
90:10	Life UWP single premium	63.15	59.35	20%	500
90:10	Life UWP endowment regular premium – target cash ⁽³⁾	70.17	65.94	20%	515
90:10	Individual pensions UWP	70.17	65.94	0%	525
90:10	Group money purchase pensions UWP	0.00	0.00	0%	535
90:10	Individual Pensions UWP – PP	31.83	29.79	0%	525
90:10	Individual Pensions UWP – PP (AMC) ⁽¹⁾	48bp	48bp	0%	525

Note:

1. These expenses are per arrangement rather than per element. No expenses are allocated to PP Additional Life Cover elements. The per policy expense for Personal Pensions has been converted into a part per policy expense and a part Annual Management Charge.
2. This is the expense assumption to be used post 2018 to allow for the agreement that Pearl Assurance Ltd has in place with Pearl Group Services Ltd.
3. 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:

Sub Fund	Product Group	2010 Bp ⁽²⁾	2009 Bp ⁽²⁾
90:10	All business except Personal Pensions Guarantee Reserve ⁽¹⁾	43.0	53.0
90:10	Personal Pensions Guarantee Reserve ⁽¹⁾	5.0	11.0
0:100 BLAGAB	All business	13.0	15.0
0:100 Pensions	All business	10.0	14.0

Notes:

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

Inflation Rates

(7) Inflation rates for expenses and policy charges were as follows:

Sub fund		2010	2009
90:10	Expense inflation	3.3%	3.5%
0:100 BLAGAB	Expense inflation	3.3%	3.5%
0:100 Pensions	Expense inflation	4.0%	3.9%
90:10	Policy charge inflation	3.5%	3.7%
90:10	Expense inflation (Reinsurance Accepted Bonds)	5.0%	5.2%
90:10	Expense inflation (Reinsurance Accepted Immediate Annuities)	5.0%	5.2%

Future Bonus Rates

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

Persistency

(9) 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
Level term	Lapse	14.6%	8.8%	8.8%	8.8%
Decreasing term	Lapse	19.0%	10.0%	10.00%	10.0%
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.
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.

Retirement Rates

- (10) 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	2010	2009
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) The fund holds a number of swap contracts. These are incorporated within the fixed interest portfolio for the purpose of determining a valuation rate of interest within the Pearl 0:100 Pensions fund.

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

Options and Guarantees

5. (1) (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	2010
Take up Rate	100%
Rate of interest	Min(Gilts, Swaps), capped at 3.95%
Mortality in payment	104% RMV00 C2028 ⁽¹⁾ 118% RFV00 C2026 ⁽¹⁾
Expected annuity Guarantee periods	0 years 55% 5 years 10% 10 years 35%
Expected annuity Escalation rates	0% p.a. 65% 3% p.a. 35% 5% p.a. 0%
Tax free lump sum	17% decreasing linearly to 5% after 20 years for TXII, 11% decreasing linearly to 5% after 20 years for Tophats and Freedom Bonds
Retirement Rates	As per 4(10) above
Voluntary Discontinuance in deferment	Conventional Pensions endowments with a variable retirement age: Regular 1% pa Single 0.75% pa All other business 0% pa

Note:

1. CMI 2009 improvements 3.25% for ages up to age 60, 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	14,084	Gradual run-off, mean term of 10 years	7,274	10%	No	See Note 4	60-70	155
UK Pension	Conventional pensions endowment with-profits	736,719	Gradual run-off, mean term of 9 years	442,627	10%	No	See Note 4	60-75	155
UK Pension	Regular premium endowment non-profit	68,334	Gradual run-off, mean term of 9 years	24,411	10%	No	See Note 4	60-75	300
UK Pension	Reinsurance Accepted Annuity Rate Guarantee	59,915	Gradual run-off, mean term of 8 years	29,571	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

- (2) 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) Pearl Assurance Ltd does not have 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 Pearl Assurance Ltd and those where they are shared between Pearl Assurance Ltd and the former Pearl Assurance (Unit Linked Pensions) Limited business which now forms part of NPI 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 Pearl Assurance Ltd) 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	2010
Real rate of interest	0.10% per annum
Future inflation	3.79% per annum
Salary increases above inflation, inclusive of allowance for future salary progression	1.85% per annum
Annuity pricing margin ⁽¹⁾	15.0%
Mortality in deferment	79% AMC/AFC00 ultimate
Mortality in payment	104.0% RMV00 (CMI 2009 improvements 3.25% for ages up to age 60, reducing linearly down to 0% at age 120) 118.0% RFV00 (CMI 2009 improvements 3.25% for ages up to age 60, reducing linearly down to 0% at age 120)
Percentage assumed married	100%
Allowance for future service	Up to 14 years for those unable to rejoin their pension scheme

⁽¹⁾ Annuities in payment are assumed to increase at the future inflation rate.

The amount of business involved had a basic mathematical reserve of £69 million reserve with additional reserves of £531 million. This additional reserve also includes an allowance for future expenses and policies where the compensation process is yet to be completed.

Mortgage Endowment Promise

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

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

Assumption	2010
Rate of interest	1.80% 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 £437 million and additional reserves (MEP reserve) of £173 million.

Expense Reserves

6. (1) 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	14	12	3	29
Other	0	20	36	8	64
Total	0	34	48	11	93

- (2) 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) 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) Since Pearl Assurance Ltd has ceased to 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) 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 these total per policy expenses to allow for adverse deviation. These per policy expense assumptions are then projected into the future assuming a prudent level of inflation.

The MSA with Pearl Group Services Ltd is structured on a fixed cost per policy per annum (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 Pearl Assurance Ltd certainty over the majority of the cost base into the future, especially in relation to economies of scale and fixed costs.

However, a maintenance expense overrun reserve of £68m has been set up in the with-profits fund to cover the potential additional charges to be paid to Pearl Group Services Limited as provided in clause 13.6 of the MSA. This reserve includes a prudent margin of £12m.

As Pearl Assurance Ltd 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) 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).

Mismatching reserves

7. (1) 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
Sterling	6,902	5,815
US Dollar		454
Euro		631
Other		2
Total	6,902	6,902

There is a premium withheld arrangement of £2,414m included in line 23 of Form 14 where the liabilities are equal to the value of the assets and the assets contain £589m worth of assets in USD and £247m worth of assets in Euro.

Non sterling currency assets held to back the mathematical reserves are fully hedged back to sterling.

- (3) 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) 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) Not applicable – see 7(4).
- (6) Not applicable – see 7(4).
- (7) No additional reserve is held.

Other special reserves

8. Under an FSA basis, Pearl Assurance Limited holds the higher of the mortality deductible reserve and the Opal counterparty risk reserve (this is zero at YE2010). As the mortality deductible reserve for Pearl Assurance Limited is £15m then this is the reserve that is held.

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

Reinsurance

9. (1) 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) 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 any Un-discharged Obligation	Math-ematical Reserves Ceded £m	Retention by the Insurer
Opal Reassurance Ltd	Liability to pay the Basic Annuity.	0	2,414	Yes	Nil	2,360	Nil

- 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) None of the treaties is subject to any material contingencies such as credit or legal risk.
- o) No provision has been made for any liability of the 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

Industrial Branch – Conventional Business policies

Bonus Series	31.12.2010 Basic Mathematical Reserve £'000	31.12.2010 Reversionary Bonus £ Per £14 weekly premium £	31.12.2009 Reversionary Bonus £ Per £14 weekly premium £	31.12.2010 Total guaranteed bonus £ Per £14 weekly premium £
Endowment policies	22,776	£0	£0	N/A
Whole Life policies	158,798	£0	£0	N/A

Ordinary Branch – Conventional Business policies (Simple bonus)

Bonus Series	31.12.2010 Basic Mathematical reserve £'000	31.12.2010 Reversionary bonus %	31.12.2009 Reversionary bonus %	31.12.2010 Total guaranteed bonus %
Life regular premium	105,843	0%	0%	N/A
Pensions regular premium	94,836	0%	0%	N/A

Ordinary Branch – Conventional Business policies (Compound bonus)

Bonus Series	31.12.2010 Basic Mathematical Reserve £'000	31.12.2010 Reversionary bonus %	31.12.2009 Reversionary bonus %	31.12.2010 Total guaranteed bonus %
Life regular premium and paid up policies	655,643	0%	0%	N/A
General annuity fund regular premium and paid up policies	20,911	0%	0%	N/A
Pensions regular premium and paid up policies	612,868	0%	0%	N/A
Pensions single premium	573,106	0%	0%	N/A

Ordinary Branch – Individual Pensions UWP - PP

Bonus Series	31.12.2010 Basic Mathematical Reserve £'000	31.12.2010 Reversionary bonus %	31.12.2009 Reversionary bonus %	31.12.2010 Total guaranteed bonus %
Regular premium	947,189	0%	0%	N/A
Single premium	262,485	0%	0%	N/A
Protected rights DSS recurring single premium	846,514	0%	0%	N/A

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

Bonus Series	31.12.2010 Basic Mathematical Reserve £'000	01.01.2010 - 02.09.2010 Reversionary bonus %	03.09.2010 - 09.12.2010 Reversionary bonus %	10.12.2010 - 31.12.2010 Reversionary bonus %	31.12.2010 Total guaranteed bonus %
Life policies issued in 1995	10,501	0.75%/0.42%	0.75%/0.42%	1.00%/0.55%	N/A
Life policies issued after 1995	340,170	0.75%/0.42%	0.75%/0.42%	0.75%/0.42%	N/A
Pensions policies	331,377	1.10%/0.55%	1.55%/0.75%	3.20%/1.60%	N/A
ISA Bonus Account policies	139,243	0.50%/0.25%	0.65%/0.30%	2.45%/1.20%	N/A
Bonus Account policies	8,420	0.40%/0.20%	0.40%/0.20%	1.65%/0.80%	N/A

Ordinary Branch - Reinsured Accepted Business

Bonus Series	31.12.2010 Basic Mathematical Reserve £'000	31.12.2010 Reversionary bonus %	31.12.2009 Reversionary bonus %	31.12.2010 Total guaranteed bonus %
Portfolio Bond 1a	19,031	1.00%	1.00%	N/A
Portfolio Bond 1b	2,653	1.00%	1.00%	N/A
Portfolio Bond 2	6,348	1.00%	1.00%	See Note (1)
Investment Bond	54,292	1.00%	1.00%	N/A
Socially Responsible With Profits Bond	44,869	1.00%	1.00%	N/A
Individual Pensions and Socially Responsible With Profits Pensions	28,555	1.50%	1.50%	N/A
Group Pensions	18,382	1.50%	1.50%	N/A
Capital Account Pensions	16,560	3.25%	3.25%	N/A
Immediate Annuities Series 3	16,427	4.50%	4.50%	N/A
Immediate Annuities Series 4	37,008	4.50%	4.50%	N/A

Notes:

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

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

Pearl SERP Fund

Discretionary charges and benefits

3. (1) Not applicable.
- (2) Not applicable.
- (3) Not applicable.
- (4) Not applicable.
- (5) Not applicable.
- (6) Not applicable.
- (7) Not applicable.
- (8) Not applicable.
- (9) Not applicable.
- (10) Not applicable.

Valuation basis (other than for special reserves)

4. (1) 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	45.0%
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.

If valued as a deferred annuity an additional expense reserve is included to allow for expenses after vesting in line with the present expense assumptions for annuities in payment. Also if valued as a deferred annuity the 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) The following table sets out the rates of interest used for all classes of business:

Product Group	2010	2009	Product Code
Gross premium basis			
SERP	4.20%	4.60%	165

- (3) 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.

The level of the reduction was assessed by reference to long-term average default rates plus an allowance for shorter-term factors and expected deviations from the historic average. The rates assume a doubling of historical default experience, net of an allowance for 37% recovery on default. An additional reserve has been held as an additional prudential allowance for default deductions. The additional reserve allows for a further increase to default deduction of 10% of the deductions as an allowance for adverse deviation.

- (4) The following table sets out the mortality bases used for all classes of business:

Product Group	2010		2009		Product Code
	Males	Females	Males	Females	
Pre-vesting					
SERP	80% AM92	80% AF92	80% AM92	80% AF92	165
Post-vesting/In payment					
SERP	92% RMV00	101.5% RFV00	92% RMV00	104% RFV00	165

Notes:

1. Ultimate mortality has been used in all cases.
2. At 31 December 2010, for post-vesting mortality using the RMV00 and RFV00 tables, future mortality improvements in line with the CMI Mortality Projections model v1.0 with a 3.25% floor up to age 60 reducing to 0% at age 120 for both males and females have been assumed. This is the same as at 31 December 2009 except future mortality improvements were in line with the CMI Mortality Projections model v0.0.

Male complete life expectations for annuity contracts are as follows:

Product Group	Deferred annuities: life expectation at age 65	
	Age 45	Age 55
SERP	27.3	25.7

Female complete life expectations for annuity contracts are as follows:

Product Group	Deferred annuities: life expectation at age 65	
	Age 45	Age 55
SERP	29.2	27.8

(5) There are no products using a morbidity basis.

(6) 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
	2010 £pa	2009 £pa	2010 £pa	2009 £pa	
CWP pensions	57.21	55.63	22.98	22.35	165
Annuity			35.03	34.70	400

Notes:

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

An allowance for expenses for the full outstanding term has also been added to contracts.

Gross Investment Expenses

Investment expenses, after allowance for VAT where appropriate, have been allowed for through a reduction to the valuation interest rates. The table below sets out the basis point ("bp") reductions applied:

Fund	2010 Bps	2009 bps
Non-Linked		
Bonds & Derivatives	6.00	6.00
Property	11.25	11.25
Cash	11.25	11.25

(7) Expense inflation rates are:

Product Group	Expense
---------------	---------

	Inflation	
	Rate (% p.a)	
	2010	2009
All business	4.30	4.80

- (8) As a realistic basis life firm, no allowance has been made in the determination of mathematical reserves for future bonuses in accordance with INSPRU 1.2.9R.
- (9) Surrender and Paid Up Rates

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	0.90%	0.90%	0.90%	0.90%
CWP pension single premium	surrender	0.90%	0.90%	0.90%	0.90%

Notes:

1. 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	2010	2009
UK Pensions – all income	0%	0%
UK Pensions – all gains	0%	0%

- (11) Derivative contracts are held by the company. There are inflation hedge swaps, interest rate swaps and swaptions. The cashflows expected to arise from derivatives are projected assuming the current yield curve (in line with the statutory valuation scenario). The valuation yield is derived from the IRR on the combined cashflows from fixed interest securities and derivatives.
- (12) Not applicable.

Options and guarantees

5. The policies have an option to convert their annuity at retirement to a cash value on guaranteed terms. The reserve for this Guaranteed Cash Fund ("GCF") is valued stochastically on a market consistent basis using 2,000 simulations. The reserve is the average over 2,000 simulations of the discounted value of the excess of the GCF over the fund using market annuity rates, if positive, for each simulation.

Table detailing guarantee reserves:

Product Code	165
Product name	Self Employed Retirement Plan
Basic reserve, £000	1,301,160

Spread of outstanding durations	Gradual run-off mean term of 5.2 years to assumed vesting dates.	
Guarantee reserve, £000		100
Increments allowed	No	
Form of the annuity	Consistent with that taken at policy inception	
Retirement ages	60, 65, 70 or 75. See section 4(1)	

Expense reserves

6. (1) The aggregate amount of expense loadings, grossed up for taxation where appropriate, expected to arise during the 12 months from the 'valuation date' are £3.1m.
- (2) Investment expense allowances are implicitly calculated by a margin in the valuation interest rate.
- (3) The difference between the allowance for maintenance expenses shown above and those shown in Form 43 are due to one-off expenses incurred during the year and run-off of business.
- (4) Not applicable.
- (5) Not applicable.
- (6) Not applicable.

Mismatching reserves

7. (1) 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	1,303.3	1,303.3
Euro	0.0	0.0
Total	1,303.3	1,303.3

- (3) No currency mismatch reserve is held. Foreign exchange forwards are held to minimise the currency risk from the non-Sterling assets.

(4) 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) Not applicable – see 7(4).

(6) Not applicable – see 7(4).

(7) No additional reserve is held.

Other special reserves

8. For the 31 December 2010 valuation an additional reserve was established in respect of short term corporate bond defaults on Pillar 1. This reserve, of £2m, was calculated using sensitivity information such that it increases the total default amount by 10%. This is based on defaults in 2011 being 3x the historical average and those for 2012 being 2.5x with an assumed average duration of 7 years for corporate bonds.

Reinsurance

9. (1) There are no reinsurance arrangements in place for this business.
 (2) Not applicable.
 (3) Not applicable.

Reversionary (or annual) bonus

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

Compound Bonus

Bonus series	31.12.2010 Mathematical reserve £000	31.12.2010 Reversionary bonus %	31.12.2009 Reversionary bonus %	31.12.2010 Total guaranteed bonus %	Product code
With-profit S620 deferred annuities (SERP)	1,301,260	0.00%	0.00%	-	165

PEARL ASSURANCE LIMITED

APPENDIX 9.4A

ABSTRACT OF VALUATION REPORT FOR REALISTIC VALUATION

1. Introduction

- (1) The date to which the investigation relates is 31 December 2010.
- (2) The date of the previous valuation is 31 December 2009. The policies in the Pearl SERP fund were previously included in the National Provident Life Limited annual FSA returns.
- (3) For the purpose of rule 9.3A an interim valuation was carried out at 30 June 2010.

Pearl 90:10 With-Profits Fund

2. Assets

- (1) A market-consistent valuation is used to determine the value of future profits on non-profit insurance contracts written within the with-profits fund. The zero coupon curves used for this valuation and the previous valuation are set out below.

Implied zero curve at 31 December 2010 (gilts + 10bp)							
Year	Zero-curve	Year	Zero-curve	Year	Zero-curve	Year	Zero-curve
1	0.73%	11	3.95%	21	4.59%	31	4.53%
2	1.12%	12	4.09%	22	4.60%	32	4.51%
3	1.64%	13	4.20%	23	4.60%	33	4.49%
4	2.12%	14	4.30%	24	4.60%	34	4.47%
5	2.51%	15	4.37%	25	4.60%	35	4.45%
6	2.84%	16	4.44%	26	4.59%	36	4.44%
7	3.12%	17	4.49%	27	4.58%	37	4.42%
8	3.37%	18	4.52%	28	4.57%	38	4.40%
9	3.60%	19	4.55%	29	4.56%	39	4.38%
10	3.79%	20	4.58%	30	4.54%	40	4.36%

Source: Barrie & Hibbert

Implied zero curve at 31 December 2009 (gilts + 10bp)

Year	Zero-curve	Year	Zero-curve	Year	Zero-curve	Year	Zero-curve
1	0.97%	11	4.49%	21	4.86%	31	4.67%
2	1.60%	12	4.60%	22	4.84%	32	4.66%
3	2.19%	13	4.69%	23	4.83%	33	4.64%
4	2.70%	14	4.75%	24	4.81%	34	4.62%
5	3.13%	15	4.80%	25	4.79%	35	4.61%
6	3.47%	16	4.84%	26	4.77%	36	4.59%
7	3.75%	17	4.86%	27	4.75%	37	4.58%
8	3.99%	18	4.87%	28	4.73%	38	4.57%
9	4.18%	19	4.87%	29	4.71%	39	4.55%
10	4.35%	20	4.86%	30	4.69%	40	4.54%

Source: Barrie & Hibbert

(2) Not applicable.

(3) Not applicable.

(4) Not applicable.

(5) Not applicable.

3. With-Profits Benefit Reserve Liabilities

(1) 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	236	104
Conventional With-Profits Ordinary Branch Life business	Retrospective – asset shares ¹	727	236
Conventional With-Profits Ordinary Branch Pensions business	Retrospective – asset shares ¹	611	528
Direct Unitised Accumulating With-Profits Personal Pensions business	Retrospective – asset shares	2,525	529
Direct Unitised Accumulating With-Profits business other than Personal Pensions	Retrospective – shadow fund	746	191
Reassurance Accepted Unitised Accumulating With-Profits business	Retrospective – shadow fund	193	9
Reassurance Accepted With-Profits Pension Annuity business	Retrospective – shadow fund	75	0
Other business	Not applicable	0	439
Total		5,114	2,036

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) The with-profits benefits reserve and future policy related liability figures in the above table represent the totals in Form 19.

(3) Not applicable.

(4) Not applicable.

4. With-Profits Benefits Reserve – Retrospective Method

- (1) (a) The with-profits benefit reserve for all business other than Industrial Branch business is calculated on an individual basis. This amounts to 95.4% 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 4.6% 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.

- (c)(ii) The total number of Industrial Branch with-profits contracts included in the model at 31 December 2010 was 243,611. These contracts were grouped into a total of 2,999 model points.
- (c)(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)(a) No significant changes were made to the valuation method for any type of product or classes of with-profits insurance contracts compared to the previous valuation.
- (b) Not applicable.
- (3)(a) As maintenance expenses are defined in a Service Management 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.
- (c)(ii)

Expenses Allocated to With-Profits Benefits Reserve during 2010 (£m)	
Expense Type	Amount
Initial expenses	0.0
Maintenance expenses ¹	42.5
Total expenses	42.5

¹ Service company charges, plus project and direct costs of £4.1m less payments of £0.2m received for an expense inflation hedge.

- (c)(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.

- (c)(iv) Investment expenses on assets needed to cover the excess of the realistic liabilities over and above the with-profits benefits reserve (i.e. not deducted from the with-profits benefits reserve) were valued at £12.5m.

(4) 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 2009 are shown in the following tables:

Guarantee Adjustments Applied to Asset Shares in 2010¹		
Date Applied	IB	OB
1 January 2010	1.46%	0.97%
1 July 2010	0.64%	0.65%

Smoothing Adjustments Applied to Asset Shares in 2010¹		
Date Applied	IB	OB
1 January 2010	(0.062)%	(0.071)%
1 July 2010	(0.315)%	(0.091)%

¹ A positive percentage reflects a credit to asset shares whilst a negative percentage reflects a charge to asset shares.

(5) 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) 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
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) The investment return (before tax and expenses) allocated to the with-profits benefits reserve for with-profits business during 2010 was 11.3%.

5. With-Profits Benefits Reserve – Prospective Method

(1) Not applicable.

(2) Not applicable.

6. Costs of Guarantees, Options and Smoothing

(1) Not applicable.

(2) (a) The cost of all significant guarantees, options and smoothing have been valued using a full stochastic approach.

(b)(i) Not Applicable.

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

(b)(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 2010 was 956,841 (comprising 586,257 pensions contracts and 370,584 life contracts). These contracts were grouped into a total of 11,445 model points (comprising 2,262 pensions and 9,183 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) No significant changes were made to the valuation method for valuing cost of guarantee, option or smoothing since the previous valuation.

(4) (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. Some of these guarantees are in-the-money and others are out-of-the money.

- 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 Pearl Assurance Ltd and those where they are shared between Pearl Assurance Ltd and the former Pearl Assurance (Unit Linked Pensions) Limited business which now forms part of NPI Limited. Generally, these guarantees are in-the-money.

(a)(ii)

The asset models 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 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.

The following tables show the credit spreads over gilts + 10bp and long term volatility targets at 31 December 2010 in basis points:

Corporate Bond Spreads at 31 December 2010				
Term	AAA	AA	A	BBB
1	50	172	251	539
2	94	222	302	554
3	130	247	317	519
5	173	261	311	443
7	188	255	292	387
10	190	238	263	327
15	177	207	223	264
20	160	182	194	223
25	146	163	172	194
30	135	149	156	173

Volatility assumptions for corporate bond spreads (bps)				
Rating	Maturity (years)			
	1	7	10	30
AAA	62	56	50	62
AA	65	66	63	63
A	83	79	73	77
BBB	108	97	95	93

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) has been upgraded at the current valuation to improve the asset modelling and to remain in line with the latest Industry practice. This represents a change since the previous valuation, and involves, for UK equity, moving from the Local Volatility equity model to 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	30.6	27.1	23.8	20.6	17.7	15.6	14.5
	3	29.4	27.1	25.0	23.0	21.2	19.5	18.1
	5	29.4	27.6	25.9	24.3	22.9	21.5	20.3
	7	29.7	27.9	26.4	25.1	23.9	23.0	22.2
	9	30.0	28.5	27.1	25.9	24.8	23.8	23.0

All other equity type asset classes are modelled using constant volatility. These parameters are shown below:

OS equity volatility	27.60%
Property volatility	30.00%
Quant fund volatility	6.80%
Fundamental volatility	7.70%

The correlations between the log-normal processes are equated to the correlations between asset classes and between changes in risk-free bond yields.

The correlations assumed are as follows:

	UK equities	OS equities	Property	Interest rates	Quant	Fundamental
UK equities	1	0.7	0.39	-0.15	0.30	0.34
OS equities		1	0.17	-0.15	0.34	0.38
Property			1	-0.10	0.05	0.24
Interest rates				1	0.45	0.50
Quant					1	0.48
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.

- (a)(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				
n	Duration (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 (r)		2.51%	4.37%	4.60%	4.45%	x	x	x	x	x	x	x	x			
1	Risk-Free Zero Coupon Bond	£0	£883,521	£526,479	£324,556	£218,223	£0	£0	£0	£0	£0	£0	£0	£0			
2	FTSE All Share Index (p=1)		£101,690	£245,075	£331,451	£401,452	£206,334	£392,402	£500,306	£588,467	£540,021	£741,366	£881,658	£994,585			
3	FTSE All Share Index (p=0.8)		£95,732	£199,019	£239,923	£268,191	£194,255	£320,011	£364,990	£395,266	£510,372	£609,653	£648,830	£676,292			
4	Property (p=1)		£123,196	£263,903	£361,064	£435,034	£260,033	£432,308	£545,655	£629,389	£627,774	£825,360	£948,783	£1,042,111			
5	Property (p=0.8)		£114,975	£209,602	£258,792	£292,046	£245,158	£349,799	£398,185	£428,527	£597,755	£680,084	£703,386	£719,483			
6	15yr Risk-Free ZCBs (p=1)		£14,043	£21,475	£14,751	£22,129	£85,338	£87,791	£90,023	£123,249	£499,195	£499,894	£505,373	£529,352			
7	15yr Risk-Free ZCBs (p=0.8)		£11,987	£11,805	£4,930	£3,261	£74,318	£47,455	£21,859	£20,409	£462,945	£324,570	£231,886	£198,354			
8	15yr Corporate Bonds (p=1)		£22,929	£37,312	£33,742	£41,948	£103,607	£119,598	£116,689	£141,180	£492,705	£483,821	£483,795	£509,038			
9	15yr Corporate Bonds (p=0.8)		£19,936	£21,814	£12,419	£10,281	£92,083	£72,913	£45,301	£39,849	£457,755	£328,214	£236,689	£207,957			
10	Portfolio 1 (p=1)		£79,795	£200,961	£276,717	£347,160	£186,802	£344,751	£438,049	£525,360	£541,783	£698,046	£817,724	£920,328			
11	Portfolio 1 (p=0.8)		£73,865	£156,330	£191,899	£223,361	£174,403	£273,892	£308,055	£341,398	£510,724	£563,766	£584,826	£609,876			
12	Portfolio 2 (p=1)		£54,611	£141,696	£202,949	£257,508	£143,295	£268,109	£345,329	£414,784	£503,126	£609,576	£703,773	£792,095			
13	Portfolio 2 (p=0.8)		£50,277	£106,412	£132,889	£152,492	£132,136	£203,710	£229,951	£252,493	£469,890	£475,979	£480,230	£494,542			
14	Portfolio 3 (p=1)		£35,912	£95,444	£140,376	£186,483	£121,737	£211,654	£269,985	£332,180	£501,695	£561,980	£627,057	£698,479			
15	Portfolio 3 (p=0.8)		£32,222	£66,034	£82,554	£97,601	£110,178	£150,747	£163,744	£182,038	£467,481	£422,467	£400,442	£406,521			
	Sterling Receiver Swaptions		5.38%	6.28%	5.80%	4.64%	6.55%	7.88%	7.10%	5.56%	7.74%	9.27%	8.12%	6.22%			
			Swap Duration = 15 years					Swap Duration = 20 years					Swap Duration = 25 years				

Notes:

- (1) Row zero shows the risk free rate rounded to two decimal places. When deriving the strike for each option we have not used the truncated risk free rate; rather we have used the risk free rate implied by the scenarios.

(a)(iv) Income yields for each asset class are shown in the following table.

Income Yields by Asset Class	
Asset Class	Income Yield
UK Equity	2.93%
Property	4.09%
OS Equity	2.33%
Quant	0.00%
Fundamental	0.00%

(a)(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).

(a)(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	3	N/A	6
Conventional With-profits Pension business	9	9	N/A	N/A
Conventional With-profits Industrial Branch business (endowments only)	N/A	2	N/A	N/A
Non unitised Accumulating With-profits business	N/A	13	N/A	N/A
Direct Unitised Accumulating With-profits business	N/A	13	7	7
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	103.53%	105.41%	100.00%	99.51%
	10	122.27%	114.91%	110.17%	110.70%
	15	110.96%	106.00%	101.74%	104.07%
	20	98.57%	93.90%	93.16%	96.80%

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.

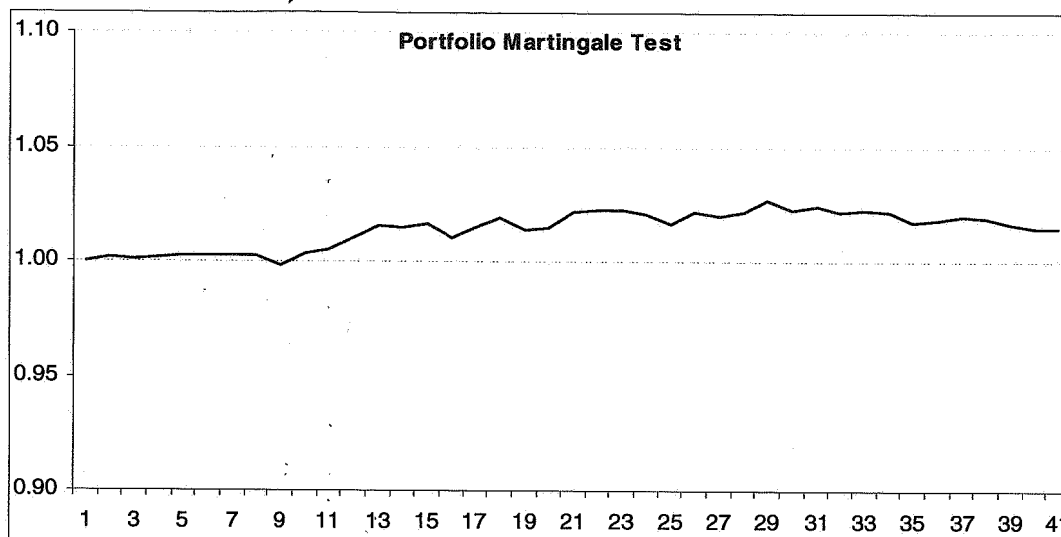
(a)(vii) The validation process involves two tests:

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

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

In day to day use, it is not possible to use sufficient scenarios to eliminate all simulation error. For this fund 1000 scenarios were used.

The chart below is used to demonstrate that the scenarios supplied are arbitrage free up to suitable simulation error. In the chart, the y-axis shows the expected net present value of £1 invested at time zero and the x-axis shows the period of investment. In a market consistent model the expected value (or average discounted value) of £1 invested in a traded asset (e.g. cash, bonds or equities) equals £1 (this test is referred to as the "one = one" test). Given that the chart is the result of calculating the expected value via simulation, a margin for error is expected. The observed error is small and the scenarios are considered to pass the no arbitrage test.

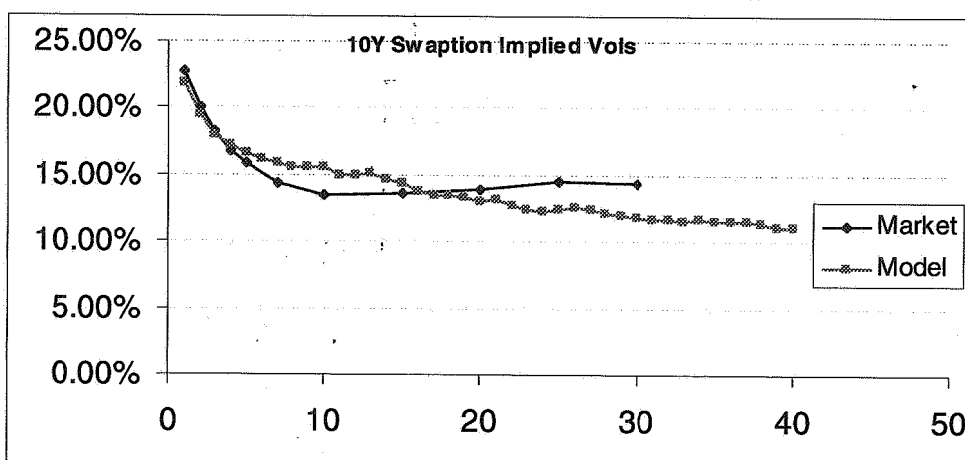
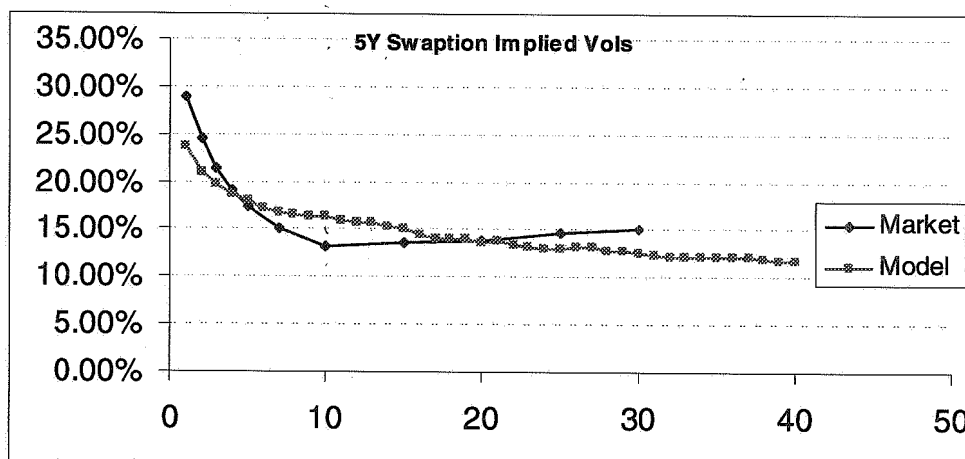


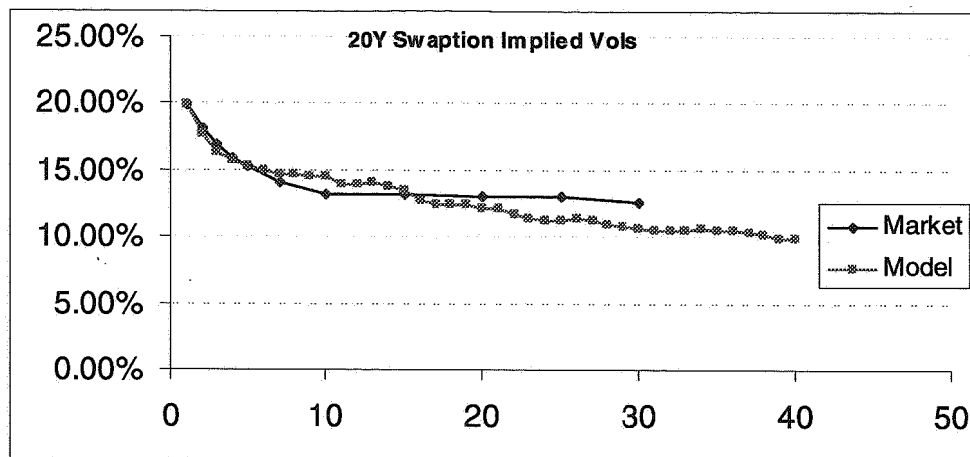
The second test requires that the scenarios themselves can be used to reproduce (by stochastic simulation) market prices. This test has been carried out separately for the asset models described in 6(4)(a)(ii).

Interest rates

The first step is to show how well the calibrated model follows the given volatility surface.

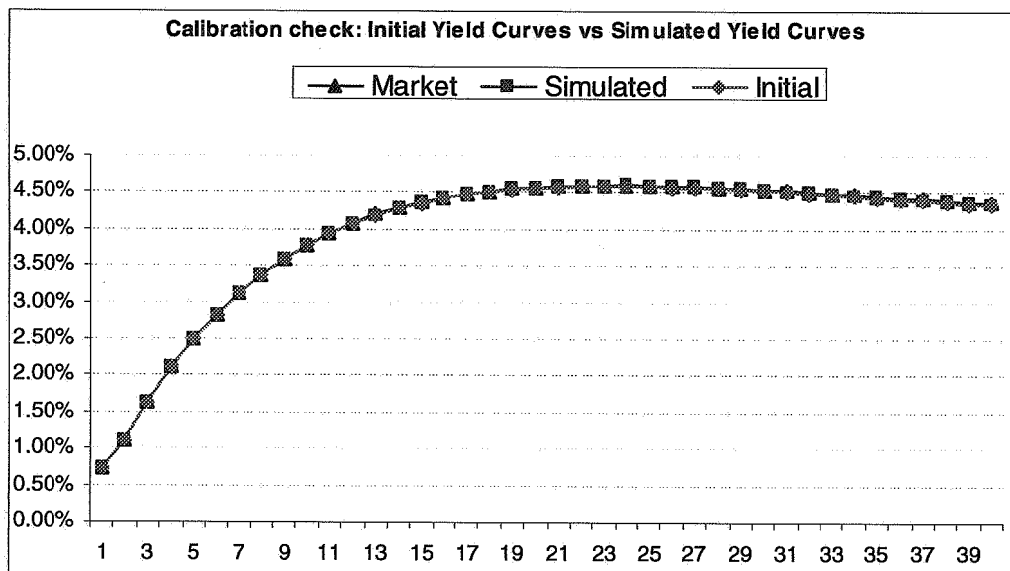
The calibration focuses on the swap duration between 10 and 20 years, which match the liabilities more closely, and on swaption expiries between 5 and 15 years. The graphs below show how the volatilities of modelled swaptions of varying tenors fit the market data.





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

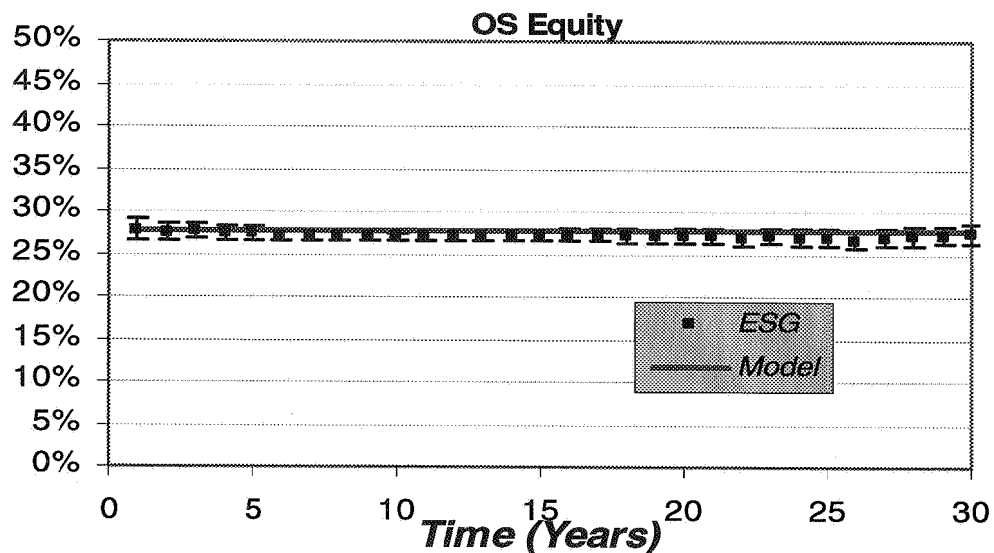
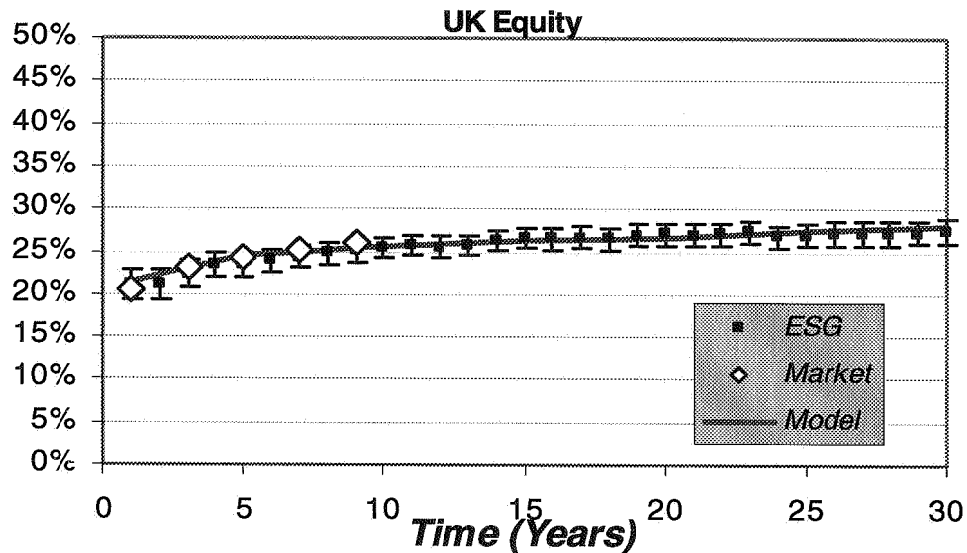
The graph below shows the average of the modelled discount factors compared to the market data. The fit when taking the average of the 1000 scenarios can be seen to be very close to the market data.

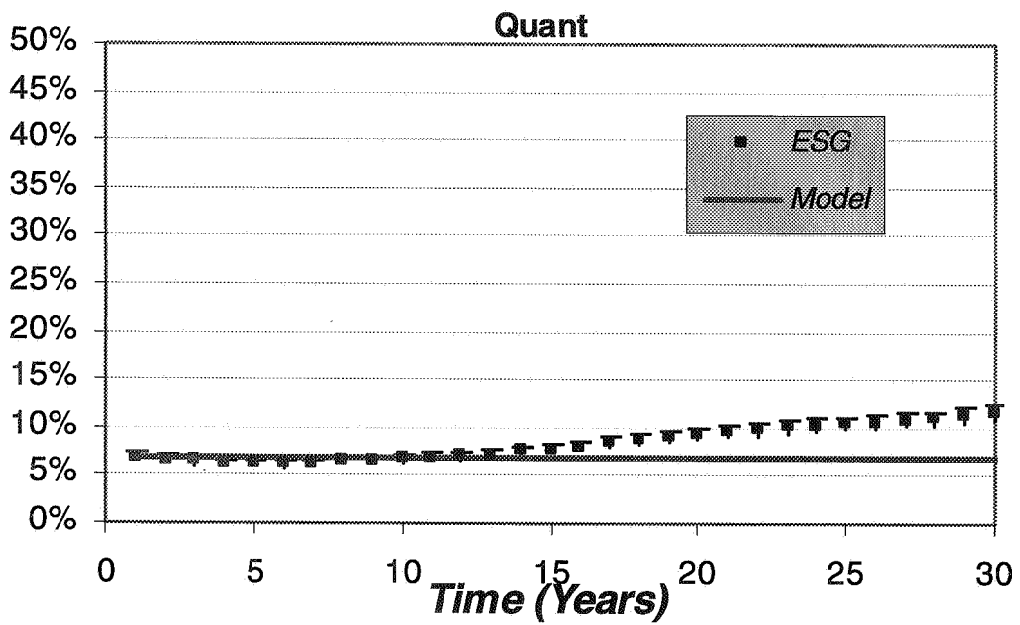
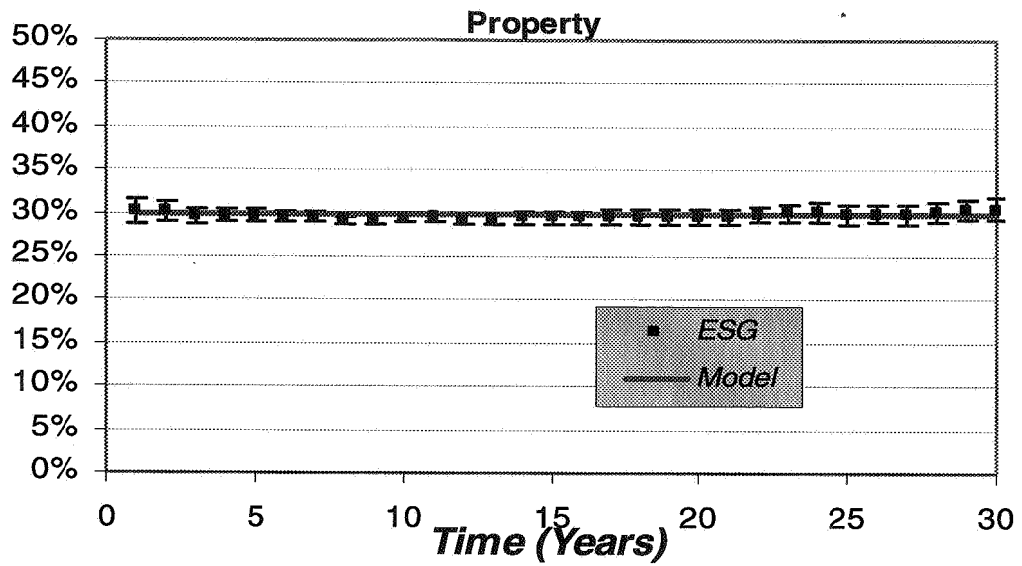


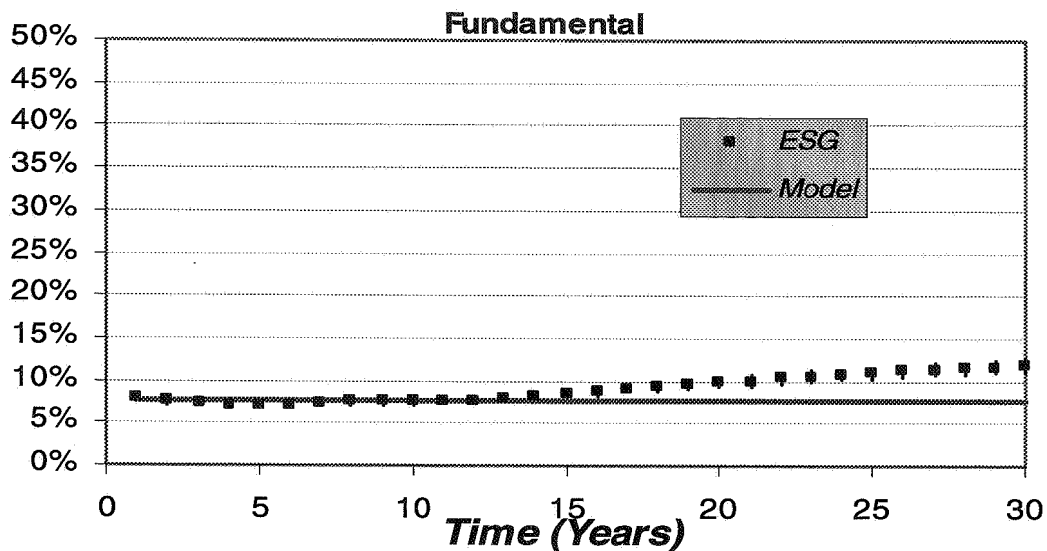
Equity and Property

Only UK equity has been calibrated to market data. Therefore, for all other asset classes it is not possible to illustrate the fit of the scenarios to market data. However, the fit to the volatility assumptions mentioned in 6(4)(a)(ii) above can be demonstrated.

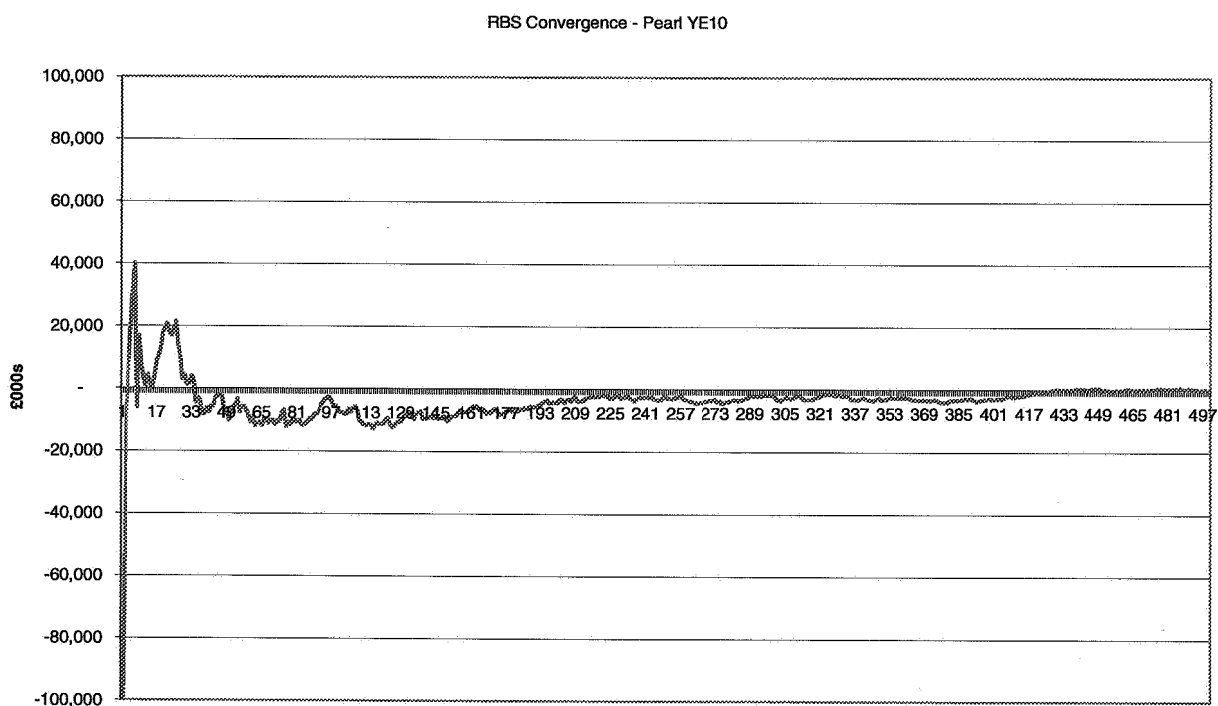
The charts below show the results for the market price test applied to at the money put options. The smooth (red) line shows the target volatility input into the model. The black markers show the implied volatility calculated from simulated prices. This can be seen to follow the theoretical volatility closely when the high level of the volatility parameters is taken into consideration and we conclude that the error introduced by simulation is small and that market consistency is satisfied.







(a)(viii) Simulations were performed using 1,000 scenarios, which allow reasonable convergence of the results as can be gauged from the validation tests described in (a)(vii) above. The graph below also shows that there is suitable convergence in results over the number of scenarios used.



(b) Not applicable.

(c) Not applicable.

(5) (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
- Differences between the movement in assets backing the basic and GAO guarantees and their corresponding provisions are charged/credited to relevant asset shares.
- 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)

	Equity Proportion	
	Accumulating with-profits	Conventional with-profits
(i) Risk free interest rate curve - At 31 December 2010	37.2%	37.2%
(i) Risk free interest rate curve - End 5 years	32.5%	32.5%
(i) Risk free interest rate curve - End 10 years	27.9%	27.9%
(ii) Risk free interest rate curve + 17.5% - At 31 December 2010	37.2%	37.2%
(ii) Risk free interest rate curve + 17.5% - End 5 years	32.5%	32.5%
(ii) Risk free interest rate curve + 17.5% - End 10 years	27.9%	27.9%
(iii) Risk free interest rate curve – 17.5% - At 31 December 2010	37.2%	37.2%
(iii) Risk free interest rate curve – 17.5% - End 5 years	32.5%	32.5%
(iii) Risk free interest rate curve – 17.5% - End 10 years	27.9%	27.9%

Projected Annual Bonus Rates – Scenarios (i), (ii) and (iii)

(i) Risk Free Interest Rate Curve

		31 Dec 2010	31 Dec 2015	31 Dec 2020
Direct Unitised Accumulating With-profits business other than Personal Pensions ⁽¹⁾	Life	1.0 / 1.0	1.0 / 1.0	1.0 / 1.0
	Pensions	3.0 / 2.0	3.0 / 2.0	3.0 / 2.0
	Bonus Account	2.0 / 1.0	2.0 / 1.0	2.0 / 1.0
	ISA	2.0 / 1.0	2.0 / 1.0	2.0 / 1.0
Direct Unitised Accumulating With-profits Personal Pensions business	Pensions	0.0	0.5	0.5
Reassurance Accepted Unitised Accumulating with-profits business	Life	1.0	1.0	1.0
	Pensions	1.5	1.5	1.5
	Capital Account	3.25	3.25	3.25

(ii) Risk Free Interest Rate Curve +17.5% of Long Term Gilt Yield				
		31 Dec 2010	31 Dec 2015	31 Dec 2020
Direct Unitised Accumulating With-profits business other than Personal Pensions ⁽¹⁾	Life	1.0 / 1.0	1.0 / 1.0	1.0 / 1.0
	Pensions	3.0 / 2.0	3.0 / 2.0	3.0 / 2.0
	Bonus Account	2.0 / 1.0	2.0 / 1.0	2.0 / 1.0
	ISA	2.0 / 1.0	2.0 / 1.0	2.0 / 1.0
Direct Unitised Accumulating With-profits Personal Pensions business	Pensions	0	0.7	1.3
Reassurance Accepted Unitised Accumulating with-profits business	Life	1	1	1
	Pensions	1.5	1.5	1.5
	Capital Account	3.25	3.25	3.25

(iii) Risk Free Interest Rate Curve -17.5% of Long Term Gilt Yield				
		31 Dec 2010	31 Dec 2015	31 Dec 2020
Direct Unitised Accumulating With-profits business other than Personal Pensions ⁽¹⁾	Life	1.0 / 1.0	1.0 / 1.0	1.0 / 1.0
	Pensions	3.0 / 2.0	3.0 / 2.0	3.0 / 2.0
	Bonus Account	2.0 / 1.0	2.0 / 1.0	2.0 / 1.0
	ISA	2.0 / 1.0	2.0 / 1.0	2.0 / 1.0
Direct Unitised Accumulating With-profits Personal Pensions business	Pensions	0	0.5	0.0
Reassurance Accepted Unitised Accumulating with-profits business	Life	1	1	1
	Pensions	1.5	1.5	1.5
	Capital Account	3.25	3.25	3.25

¹⁾ Bonus rates given are the high and low bonus rates.

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

Product		Average paid-up / lapse rate for the policy years			
		1 to 5	6 to 10	11 to 15	16 to 20
Conventional With-profits Life business regular premium	PUP	0.5%	0.5%	0.5%	0.5%
Conventional With-profits Life business regular premium	lapse	2.5%	2.5%	2.5%	2.5%
Conventional With-profits Life business single premium	lapse	2.5%	2.5%	2.5%	2.5%
Conventional With-profits Pensions business regular premium	PUP	2.0%	2.0%	2.0%	2.0%
Conventional With-profits Pensions business regular premium (Note 1)	lapse	2.0%	2.0%	2.0%	2.0%
Conventional With-profits Pensions business single premium	lapse	1.5%	1.5%	1.5%	1.5%
Conventional With-profits Industrial Branch business regular premium	PUP	0.0%	0.0%	0.0%	0.0%
Conventional With-profits Industrial Branch business regular premium	lapse	0.0%	0.0%	0.0%	0.0%
Direct Unitised Accumulating With-profits Personal Pensions business	PUP	4.0%	4.0%	4.0%	4.0%
Direct Unitised Accumulating With-profits Personal Pensions business	lapse	4.0%	4.0%	4.0%	4.0%
Direct Unitised With-profits Life business regular premium	PUP	1.0%	1.0%	1.0%	1.0%
Direct Unitised With-profits Life business regular premium	lapse	6.0%	6.0%	6.0%	6.0%
Direct Unitised With-profits Life business single premium (Note 2)	lapse	10%	10%	10%	10%
Direct Unitised With-profits Pensions business other than Personal Pensions regular premium	PUP	7.0%	7.0%	7.0%	7.0%
Direct Unitised With-profits Pensions business other than Personal Pensions regular premium	lapse	4.0%	4.0%	4.0%	4.0%
Direct Unitised With-profits Pensions business other than Personal Pensions single premium	lapse	4.0%	4.0%	4.0%	4.0%
Direct Unitised With-profits business ISA and Bonus Account	PUP	3.0%	3.0%	3.0%	3.0%
Direct Unitised With-profits business ISA and Bonus Account	lapse	15.0%	15.0%	15.0%	15.0%
Reassurance Accepted Unitised Accumulating with-profits Life Business	lapse	10.5%	10.5%	10.5%	10.5%
Reassurance Accepted with-profits Pensions business - Personal Pension Plan	lapse	8.0%	8.0%	8.0%	8.0%
Reassurance Accepted with-profits Pensions business - Flexible Income Plan	lapse	9.0%	9.0%	9.0%	9.0%

- (1) These rates also apply to non-profit pensions contracts which were originally written as simple bonus with-profit contracts, but became non-profit when paid up.
- (2) In addition a partial withdrawal rate of 2% per annum of the initial investment is assumed, where applicable.

The annuitant mortality and take-up rate assumptions are shown in the following tables.

Annuitant Mortality Assumptions		
	Projection Basis	
	Male	Female
Annuity Rate Guarantee – post vesting ⁽¹⁾	110.0% RMV00 projected	125% RFV00 projected

⁽¹⁾ Improvements CMI_2009 [3.0% for ages up to age 60, reducing linearly down to 0% from age 110]

Annuity Rate Guarantee Take-up rate Assumptions		
Tax free cash percentage	Self Employed Deferred Annuity	22%
	Other Deferred Annuity	13%
Take-up rate	Self Employed Deferred Annuity	100%
	Other Deferred Annuity	95%

- (7) 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 2010 (£m)	
Liability	Value
Pensions misselling	328
Other misselling provisions	0
Value of future profits from direct unitised accumulating with-profits business	(14)
Value of future shareholder transfers from direct unitised accumulating with-profits business	30
Investment return tax and investment expenses	12
Value of investment fees	13
Value of future tax charges levied	63
Additional liability for expenses	10
Other additional liabilities	62
Total	502

No provisions have been included in respect of 'Any other liabilities related to regulatory duty to treat customers fairly.'

9. Realistic Current Liabilities

The realistic current liabilities were £3,161m and the following table gives a breakdown at 31 December 2010.

Current liabilities at 31 December 2010 (£m)	
Liability	Value
Outstanding claims	56
Other provisions	16
Creditors	3,083
Accruals and deferred income	2
Direct Insurance Business	8
Deferred tax liability	0
Total Realistic Current liabilities	3,165
Provision for "reasonably foreseeable adverse variations"	8
Total Regulatory Current Liabilities	3,173

10. Risk Capital Margin

- (a) The risk capital margin at 31 December 2010 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 0.70% nominal change in the long term gilt yield. US bond yields are reduced by 0.60%. Eurozone bond yields are reduced by 0.50%.
 - (iii) The average change in spreads for non-credit exempt bonds was +83 basis points when weighted by value (this would be +143 basis points if weighted by value and duration), resulting in a 6.84% fall in bond asset value.
 - (iv) The persistency risk scenario resulted in a 0.49% 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

The with-profit fund holds the following major derivative positions:

- A portfolio of credit default swaps with nominal exposure of £30m which Pearl pays in the event of a credit default in exchange for receiving fixed rate coupons. The average term to expiry is 4 years and the average rate of the fixed coupons is 0.97%.
- A portfolio of credit default swaps with nominal exposure of £617m which Pearl receives in the event of a credit default in exchange for paying fixed rate coupons. The average term to expiry is 3 years and the average rate of the fixed coupons is 1.17%.
- A portfolio of purchased swaptions with notional amounts totalling £569m. The options have maturity dates spread over the next 10 years. The underlying swaps entitle Pearl to receive the strike rate in exchange for the floating swap rate over a term of 15 years. The average strike rate was 5.0%.
- A portfolio of purchased swaptions with notional amounts totalling £642m. The options have maturity dates spread over the next 21 years. The underlying swaps entitle Pearl to receive the floating rate in exchange for the strike rate over a term of 20 years. The average strike rate was 8.2%.
- A portfolio of interest rate swaps with notional amounts totalling £3,121m in which Pearl pays floating rate coupons and receives fixed rate coupons. The average term to expiry is 13 years and the average rate of the fixed coupons is 1.1%.
- A portfolio of interest rate swaps with notional amounts totalling £2,957m in which Pearl pays fixed rate coupons and receives floating rate coupons. The average term to expiry is 10 years and the average rate of the fixed coupons is 1.1%.
- A portfolio of swap spread hedges with notional amounts totaling £845m.
- A portfolio of overseas interest rate swaps with notional amounts totalling £306m in which Pearl pays fixed rate coupons and receives floating rate coupons. The average term to expiry is 7 years and the average rate of the fixed coupons is 1.30%.
- A portfolio of RPI linked swaps with notional amounts totalling £101m in which Pearl pays RPI linked coupons and receives fixed rate coupons. The average term to expiry is 7 years and the average rate of the fixed coupons is 1.25%.
- A portfolio of RPI linked swaps with notional amounts totalling £25m in which Pearl pays fixed rate coupons and receives RPI linked coupons. The average term to expiry is 7 years and the average rate of the fixed coupons is 1.25%.
- A portfolio of UK equity futures with short positions totalling (£213m).
- A portfolio of OS equity futures with long positions totalling £38m.
- A portfolio of OS bond futures with short positions totaling (£30m).
- A portfolio of OS bond futures with long positions totaling £6m.
- A portfolio of UK bond futures with short positions totaling (£197m).

13. Analysis of Working Capital

Analysis of Movement in Working Capital (£m)	
With-Profits Fund Working Capital at 31 December 2009	0
Undo zeroisation to Opening Working Capital	790
Opening Adjustments	2
Methodology Changes	(48)
Investment return on opening Working Capital	23
Economic assumption changes	(14)
Non economic assumption changes	(10)
Economic variances	(26)
Other Economic variances	(47)
Non economic variance	45
Stock Lending	104
Guarantee and smoothing adjustment to asset shares	(5)
Unexplained	12
Planned Enhancements	(827)
Reported Working Capital at 31 December 2010	0

14. Optional Disclosure

Not applicable.

Pearl SERP fund

Assets

2. (1) There are no non-profit insurance contracts within the Pearl SERP fund. Not applicable.
 (2) Not applicable.
 (3) Not applicable.
 (4) Not applicable.
 (5) Not applicable.

With-profit benefits reserve liabilities

3. (1) A retrospective method has been used to calculate the with-profit benefits reserves for contracts within the Pearl SERP fund. This method is the calculation of an asset share.

The asset shares are calculated by accumulating the premiums paid at the investment return applicable to the with-profit fund, less the expenses incurred. Deductions are made for tax where applicable. An adjustment is made for the expected death strains or surpluses where applicable. No other "miscellaneous" surpluses are credited to the asset shares as these accrue to the estate.

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	600	587

- (2) Not applicable.
 (3) Not applicable.

With-profit benefits reserve – retrospective method

4. (1) (a) 100% of the with-profit benefits reserve has been calculated on an individual basis using a retrospective method.
 (b) Not applicable.
 (c) Not applicable.
- (2) (a) Not applicable.
 (b) Not applicable.
- (3) The Scheme of Transfer effective 4 January 2010 specifies the calculation basis for determining the aggregate expenses to be charged to the fund in respect of administration and investment management. The administration expenses are expressed as an amount per policy, with the number of policies determined annually on the 1 July each year. Investment management expenses are expressed as a percentage of funds under management. No other expenses or charges shall be allocated to this fund.
- (a) The calculation of the administration expenses chargeable to the fund was last performed as at 1 July 2010.
- (b) The calculation of the administration expenses chargeable to the fund is performed annually.
- (c) (i) No expenses were identified as initial expenses.
 (ii) A table of maintenance expenses allocated to the with-profit benefit reserves during 2010:

<u>Maintenance expenses, £m</u>	<u>Investment management</u>
-------------------------------------	----------------------------------

		expenses, £m
Conventional with-profit pensions	2.5	0.4

- (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) Smoothing charges of £1.89 million were deducted from the with-profit benefits reserves during the financial year.
- (5) No charges were deducted from the with-profit benefits reserves in respect of non-insurance risk.
- (6) The ratio of the total claims paid on with-profit insurance contracts to the with-profit benefits reserves plus (or minus) any past miscellaneous surplus (or deficit) attributed to those claims was 186% for 2010.
- (7) The investment return (before tax and expenses) allocated to the with-profit benefits reserve in respect of the financial year was 3.19%.

With-profit benefits reserve – prospective method

5. (1) Not applicable.
- (2) Not applicable.

Cost of guarantees, options and smoothing

6. (2) (a) The cost of all guarantees, options and smoothing have been calculated using a full stochastic model approach.
- (b) (i) None
- (ii) 100% of the with-profit 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-profit pensions	Entry year, maturity year, age at maturity and premium payment type

In total there are 50,916 individual policies, which have been grouped together into 2,705 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) Not applicable.
- (4) (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.

There are no smoothing costs assumed in accordance with Pearl SERP fund's policy of targeting payouts at 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 2010. To fit the model, the fit is targeted to a 7 year A rated bond only.

The correlation assumptions used are listed in the table below. These assumptions are set based on historic data on the correlation between equity and property and long dated bond price movements, rather than derived directly from market instruments, as there are few instruments whose price is significantly affected by the assumption.

Correlation factors between asset classes				
	Equity	Property	Government bonds	Nominal short-rate
Equities	100%	35%	16%	-15%
Property		100%	10%	-10%

Source: Barrie and Hibbert

- (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:

		Asset type (all UK assets)	K=0.75						K=1						K=1.5					
			5	15	25	35	5	15	25	35	5	15	25	35	5	15	25	35		
	n	Annualised compound equivalent of the risk free rate assumed for the period (to two decimal places)	2.52%	4.37%	4.59%	4.45%					x	x	x	x	x	x	x	x		
1		Risk-free zero coupon bond	883	527	325	218	x	x	x	x	x	x	x	x	x	x	x	x		
2		FTSE All Share Index (p=1)	110	244	345	422	217	391	520	611	553	747	907					1,015		
3		FTSE All Share Index (p=0.8)	104	198	251	285	205	318	380	416	524	613	672					698		
4		Property (p=1)	35	108	180	237	138	242	334	404	520	616	714					793		
5		Property (p=0.8)	30	72	106	127	125	172	209	231	487	473	479					485		
6		15 year risk free zero coupon bonds (p=1)	17	17	11	19	87	83	83	120	500	499	502					524		
7		15 year risk free zero coupon bonds (p=0.8)	15	9	3	2	77	41	17	17	464	324	227					195		
8		15 year corporate bonds (p=1)	25	36	34	46	105	119	120	149	491	483	487					516		
9		15 year corporate bonds (p=0.8)	22	20	13	11	94	72	47	44	456	329	242					215		
10		Portfolio of 65% FTSE All Share and 35% property (p=1)	68	168	251	321	165	301	409	495	523	653	783					885		
11		Portfolio of 65% FTSE All Share and 35% property (p=0.8)	63	129	169	200	153	234	281	315	491	518	553					578		
12		Portfolio of 65% equity and 35% 15 risk free zero coupon bonds (p=1)	58	142	210	275	151	266	360	441	512	613	726					821		
13		Portfolio of 65% equity and 35% 15 risk free zero coupon bonds (p=0.8)	53	107	136	164	139	202	239	270	479	478	500					522		
14		Portfolio of 40% equity,	34	85	132	183	117	195	264	331	501	549	626					702		

- (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 type	Outstanding duration of guarantees (years)
SERP	21

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
10 years	112.52%	111.19%
15 years	106.52%	105.26%

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.
 - (viii) In addition the validation process performed a further test to check that the market prices of relevant traded instruments can be replicated. This validation test requires that the scenarios themselves can be used to reproduce (by stochastic simulation) market prices. This was tested separately for swaptions and the initial yield curve. The observed errors are small, showing that the simulation process does not introduce significant additional error over and above that arising from the calibration process. It is not possible to illustrate the fit of the property scenarios to market data; however, the fit of the property volatility assumption has also been validated.
- (b) Not applicable.
- (c) Not applicable.
- (5) (a) No management action assumptions have been applied.
- (b) The estimated proportions of equities (both UK and non-UK) backing the with-profit benefits reserves are as follows:

	31 December 2010	31 December 2015	31 December 2020
Proportion of equities backing with-profit benefits reserves	0%	0%	0%

These proportions apply in each of the three scenarios.

- (6) Persistency assumptions used to determine the costs of guarantees, options and smoothing are set out in the table below:

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	1.2%

CWP pension single premium	surrender	1.2%
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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	60%
65	80%
70	100%

The annuitant mortality assumptions used are:

Male lives: 97% RMV00 with future mortality improvements in line with the CMI Mortality Projections model v1.0 with a floor of 3% per annum up to age 60 reducing to a floor of 0% per annum at age 110.

Female lives: 107% RFV00 with future mortality improvements in line with the CMI Mortality Projections model v1.0 with a floor of 3% per annum up to age 60 reducing to a floor of 0% per annum at age 110.

- (7) For most product lines the guarantees are currently in the money, and have been so for a number of years. Therefore the persistency assumptions in (6) are appropriate and no additional policyholder actions are warranted.

7. Financing costs

Not applicable

8. Other long-term insurance liabilities

The amount in Form 19 line 47 represents liabilities in respect of the potential amount of future investment expenses charged to the estate.

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 £103.9 million, shown at line 51 of Form 19 are the same as the regulatory current liabilities.

10. Risk capital margin

- (a) The risk capital margin for Pearl SERP fund at 31 December 2010 was £25.3million.

The most onerous scenario for Pearl SERP fund is that which combines:

- (i) The percentage changes in the market value of equities and real estate for the purposes of the market risk scenario for UK assets were 20% and 12.5% respectively. A fall in the market value of these assets was the more onerous in each case.

There were no significant territories for the purposes of INSPRU 1.3.62R(1)(b).

- (ii) The nominal change in yields assumed for fixed interest securities for the purpose of the market risk scenario for UK assets was 0.70%. This represented a change of 17.5% in the level of the long-term gilt yield from a level of 3.95%. 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 with-profit sub fund's assets was 63 basis points.
 - (a) The change in value for the with-profit sub fund bond assets was a 2.3% decrease in asset value.
 - (b) Not applicable.
 - (c) Not applicable.
 - (d) Not applicable.
 - (e) The change in value for the with-profit sub fund other assets was 0%.
- (iv) The persistency risk scenario resulted in a 0.36% 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) Fixed interest and cash assets within the long-term fund cover £25.3 million of the risk capital margin.
 - (ii) Not applicable.

11. Tax

No tax is assumed on pensions business.

12. Derivatives

The fund holds a number of sterling receiver swaptions executed with UBS AG and payer swaptions executed with Goldman Sachs. The table below contains a summary of the trades.

Company	Notional amount, £000s	Strike level	Maturity date	Expiry date
UBS	52,800	4.88% - 4.92%	2026	2011
UBS	53,000	4.83% - 4.87%	2027	2012
UBS	32,800	4.79% - 4.82%	2028	2013
UBS	96,000	4.74% - 6.00%	2029	2014
UBS	102,200	4.70% - 6.00%	2030	2015
UBS	108,000	6.00%	2031	2016
Goldman Sachs	96,240	6.00%	2026	2011
Goldman Sachs	121,540	6.00%	2027	2012
Goldman Sachs	86,320	6.00%	2028	2013

The fund also holds a number of interest rate receiver and payer swaps executed with UBS, Deutsche Bank, Morgan Stanley, Barclays Capital and RBS. The table below contains a summary of the trades.

Security name	Nominal amount £s	Pay/Receive	Strike level %	Maturity date
UBS Swaps	-130,600,000	Pay	4.596	16/12/2015
UBS Swaps	-348,700,000	Pay	4.494	16/12/2020
UBS Swaps	119,300,000	Receive	4.638	19/12/2012
UBS Swaps	152,100,000	Receive	4.655	21/12/2011
DB Swaps	93,000,000	Receive	6.255	21/06/2011
DB Swaps	208,000,000	Receive	5.693	21/06/2022
DB Swaps	69,000,000	Receive	5.493	21/06/2027
DB Swaps	155,000,000	Receive	6.0475	22/06/2015
DB Swaps	50,000,000	Receive	5.39875	08/06/2027
IRS Swaps	130,000,000	Receive	5.583	30/07/2012
IRS Swaps	-192,900,000	Pay	3.2083	22/12/2012
IRS Swaps	-62,500,000	Pay	4.013	03/07/2023
UBS Swaps	12,688,000	Receive	4.618	17/12/2014
UBS Swaps	-68,288,000	Pay	4.618	17/12/2014

The fund also holds a total return bond swap which is summarised in the table below.

Security name	Nominal amount £s	Pay/Receive	Strike level %	Maturity date
TRS Swap	62,000,000	Receive	4.25	07/06/2011

The fund also holds a number of RPI swaps executed with deutsche bank. These are summarised in the table below:

Security name	Notional amount	Pay/Receive	Strike level	Maturity date
Deutsche Bank Break Even	1,615,000	Receive	3.07% pa	20/06/2011
Deutsche Bank Break Even	1,323,000	Receive	3.07% pa	20/06/2012
Deutsche Bank Break Even	1,077,000	Receive	3.07% pa	20/06/2013
Deutsche Bank Break Even	875,000	Receive	3.07% pa	20/06/2014
Deutsche Bank Break Even	710,000	Receive	3.07% pa	20/06/2015
Deutsche Bank Break Even	573,000	Receive	3.07% pa	20/06/2016
Deutsche Bank Break Even	459,000	Receive	3.07% pa	20/06/2017
Deutsche Bank Break Even	364,000	Receive	3.07% pa	20/06/2018
Deutsche Bank Break Even	287,000	Receive	3.07% pa	20/06/2019
Deutsche Bank Break Even	224,000	Receive	3.07% pa	20/06/2020
Deutsche Bank Break Even	173,000	Receive	3.07% pa	20/06/2021
Deutsche Bank Break Even	131,000	Receive	3.07% pa	20/06/2022
Deutsche Bank Break Even	99,000	Receive	3.07% pa	20/06/2023
Deutsche Bank Break Even	73,000	Receive	3.07% pa	20/06/2024
Deutsche Bank Break Even	52,000	Receive	3.07% pa	20/06/2025
Deutsche Bank Break Even	37,000	Receive	3.07% pa	20/06/2026
Deutsche Bank Break Even	26,000	Receive	3.07% pa	20/06/2027
Deutsche Bank Break Even	18,000	Receive	3.07% pa	20/06/2028
Deutsche Bank Break Even	12,000	Receive	3.07% pa	20/06/2029
Deutsche Bank Break Even	8,000	Receive	3.07% pa	20/06/2030
Deutsche Bank Break Even	5,000	Receive	3.07% pa	20/06/2031
Deutsche Bank Break Even	3,000	Receive	3.07% pa	20/06/2032
Deutsche Bank Break Even	2,000	Receive	3.07% pa	20/06/2033
Deutsche Bank Break Even	1,000	Receive	3.07% pa	20/06/2034

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 2009 to 31 December 2010.

	£m
Working capital at 31 December 2009	0
Transfers:	
Transfer from shareholder funds over the year	164.7
Modelling impacts:	
Model change	(20.0)
Restructure	(3.9)
Basis change:	
Updated surrender assumption	(4.9)
Investment returns variance:	
Property variance	4.3
Variance on fixed interest assets	(15.2)
Return on shareholder transfers	2.7
Miscellaneous	
Actual policy movements differing from expected	(4.5)
Unexplained	(0.6)
Working capital at 31 December 2010	122.5

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

PEARL ASSURANCE PUBLIC LIMITED COMPANY

Global Business

Financial year ended 31 December 2010

The with-profits actuary throughout the period was K J Arnott. In accordance with rule 9.36 of the Accounts and Statements Rules, the following information relating to Mr Arnott is in respect of the year 2010.

1.
 - a) During the year, K J Arnott held options to subscribe for 18,989 shares in Phoenix Group Holdings, the ultimate holding company, granted under the Company's Long Term Incentive Plan.
 - b) The aggregate of the remuneration and value of other benefits receivable by K J Arnott from the insurer in respect of 2010 was £410,575*.
 - c) K J Arnott was throughout the year a member of the Pearl Staff Pension Scheme, and was entitled to the standard benefits under the rules of the scheme.
2. The insurer has made a request to K J Arnott to furnish it the particulars specified in rule 9.36(1) of the Accounts and 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) of the Accounts and Statements Rules, reference to the insurer includes reference to any body corporate which is the insurer's subsidiary undertaking or parent undertaking and to any other subsidiary undertakings of its parent undertaking.

* Any undeclared bonuses are excluded.

Returns under the Accounts and Statements Rules

Certificate required by rule 9.34(1)

PEARL ASSURANCE LIMITED

Global Business

Financial year ended 31 December 2010

We certify that: -

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



M J Merrick
Chief Executive



A Moss
Director



J Yates
Director

Date: 22 March 2011

Returns under the Accounts and Statements Rules

Certificate required by rule 9.34(1)

PEARL ASSURANCE LIMITED

Global Business

Financial year ended 31 December 2010

Note to the Directors' Certificate

1. Principles and Practices of Financial Management

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

Returns under the Accounts and Statements Rules

Independent auditor's report to the directors pursuant to rule 9.35 of the Interim Prudential Sourcebook for Insurers

PEARL ASSURANCE LIMITED

Global business/UK branch business

Financial year ended 31 December 2010

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 Financial Services Authority under section 138 of the Financial Services and Markets Act 2000:

- Forms 1 to 3, 11 to 19, 20A, 20, 22 to 25, 30, 40 to 43, 48, 49, 58 and 60 (including the supplementary notes) ("the Forms");
- the statements required by IPRU(INS) rules 9.25, 9.26, 9.27 and 9.29 ("the statements"); 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 54, 57, 59A and 59B (including the supplementary notes);
- the statements required by IPRU(INS) rules 9.30, 9.32, 9.32A 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 auditors

The insurer is responsible for the preparation of an annual return (including the Forms, the statements and the valuation reports) under the provisions of the Rules. The requirements of the Rules have been modified by the directions issued under section 148 of the Act referred to in supplementary notes 0101 and 0201. Under IPRU(INS) rule 9.11 the Forms, the statements 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 statements 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

PEARL ASSURANCE LIMITED

Global business/UK branch business

Financial year ended 31 December 2010

(continued)

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited; or
- the Forms, the statements 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 statements 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 23 March 2011. It also included an assessment of the significant estimates and judgments made by the insurer in the preparation of the Forms, the statements 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.

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

PEARL ASSURANCE LIMITED

Global business/UK branch business

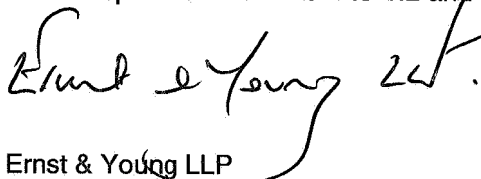
Financial year ended 31 December 2010

(continued)

Opinion

In our opinion:

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



Ernst & Young LLP

Statutory Auditor

Town

London

Date

23 March 2011