5.(1)(C) Description of SAIF linked contracts continued

(i) Linked benefits under these contracts are wholly reinsured with Scottish Amicable Life plc who refund the whole of the annual management charge. Benefits are determined by reference to the value of internal funds of the reinsurer.

(j) Contracts which were written up to and including 26 July 2000 as increments to FlexiPension (Series 1) contracts have the same Guaranteed Annuity Option as the FlexiPension (Series 1) contract (see 4(C)(c)B on page 30).

(k) These contracts ceased to be available in 1990, except for FlexiPension (Series 3) and IndePension (Series 1) which ceased to be available in 1988.

(l) There were no increases in the rates of charges during the report period.

*(v) **Series 2 pensions***

(a) This category comprises MaxiPension (Series 2), OmniPension (Series 2), ExtraPension (Series 2), FlexiPension (Series 5 and Series 6) and IndePension (Series 3 and Series 4).

(b) These are non-profit pure endowment contracts.

(c) Single or regular (annual or monthly) premium.

(d) MaxiPensions and OmniPensions are designed for exempt approved schemes and ExtraPensions for free standing AVCs. MaxiPension and OmniPensions have slightly different charges and are designed to appeal to different markets.

FlexiPensions and IndePensions are personal pension contracts for those in self-employment and employment respectively. FlexiPension (Series 5) and IndePension (Series 3) are for increments to FlexiPension (Series 1, 2 and 3) and to IndePension (Series 1 and 2) respectively, effected in terms of Chapter III of Part XIV of the Income and Corporation Taxes Act 1988.

A group personal pension version, Group IndePension (Series 2), is included with IndePension (Series 4).

Policies are written either to a normal retirement age (NRA) or a selected retirement age (SRA).

On retirement at the NRA or SRA the fund available is the value at the bid price of the units allocated.

On death before the NRA or SRA, the policyholder may receive:

(i) the value at the bid price of the units allocated to the policy, or

(ii) in the case of MaxiPension (Series 2), ExtraPension (Series 2), FlexiPension (Series 6) and IndePension (Series 4), the greater of a specified sum assured and the value at the bid price of the units allocated to the policy, or

(iii) in the case of MaxiPension (Series 2), OmniPension (Series 2), ExtraPension (Series 2), FlexiPension (Series 6) and IndePension (Series 4), a specified sum assured in addition to the value at the bid price of the units allocated to the policy.

The personal pension contracts have a facility for waiver benefit, under which premiums are waived in respect of any period of incapacity, excluding the first six months and excluding periods of sickness when HIV positive or suffering from AIDS.

Accumulating with-profits versions of these contracts are also available as described in 4(C)(a)(1)*D* (page 29).

(e) Not applicable.

5.(1)(C) Description of SAIF linked contracts continued

(f) With effect from 6 April 2001 some charges were removed from IndePension (Series 4), FlexiPension (Series 6) and ExtraPension (Series 2) contracts. Following the changes, the allocation factor is 100% or, if greater, the original allocation factor less 5% bid/offer spread, premiums are allocated at bid price and no installation or annual member charges apply. Additional non unit reserves have been established where this results in future expenses exceeding charges.

Regular premium policies:

Acquisition expenses and initial commission are recouped by an additional management charge of 1.8% per annum for a period of up to 25 years, of the units bought in the first three years of each benefit This charge is met by the cancellation of units at the end of each policy year. Subject to the removal of charges with effect from 6 April 2001 referred to above, an installation charge is also applied at the set up of a policy.

Subject to the removal of charges with effect from 6 April 2001 referred to above, renewal expenses and renewal commission are met from the combination of the bid/offer spread and the allocation factor, from the annual management charge and from an annual member charge which is applied to one of each member's policies.

After 10 years the premium deemed to be allocated after allowing for the bid/offer spread and the allocation factor may exceed the amount of the premiums received. Any such enhancement is met from the annual management charge.

The cost of any sum at risk (i.e. the excess of the death benefit over the bid value of the units) is met by the monthly cancellation at the bid price of sufficient units to meet the cost for that month.

The cost of providing waiver of premium benefit is met by the monthly deallocation of units.

Single premium policies (including DSS rebate only contracts):

Subject to the removal of charges with effect from 6 April 2001 referred to above, acquisition expenses and initial commission are recouped from the combination of the bid/offer spread and the allocation factor.

Subject to the removal of charges with effect from 6 April 2001 referred to above, renewal expenses are met from the annual management charge and from an annual member charge which is applied to one of each member's policies.

There may be instances, for longer term policies, where the amount of premiums deemed to be invested, after allowing for the effect of the allocation factor and bid/offer spread, is greater than the amount of the premiums. Any such enhancement is recouped from the annual management charge.

The annual management charge is currently 0.875% per annum, with the exception of the Exempt Global Balanced (US View) fund for which the annual management charge is 1.125% per annum.

(g) Increases in member charges are normally restricted to increases in line with inflation unless it can be demonstrated that costs have increased by more than this. There are no restrictions on increases in the annual management charge other than that imposed by the need to meet policyholders' reasonable expectations.

The mortality rates used to calculate the cost of the death benefit may be changed if there is a significant change in the expected mortality experience of the Company's policyholders.

The rates used to calculate the charges for waiver of premium benefit can be changed if there is a significant change in the expectation that the Company's policyholders will suffer an accident or illness that leads to a claim.

5.(1)(C) Description of SAIF linked contracts continued

(h) Regular premium policies:

The value of the policy on early retirement or surrender before the NRA or SRA is the bid value of the units less an early retirement charge and a discontinuance charge.

The early retirement charge is equivalent to the value of units that would have been cancelled by the future additional management charges assuming early retirement had not taken place.

A discontinuance charge may also be applied if the contributions under a regular premium policy are reduced or stopped prior to the attainment of NRA or SRA.

Single premium policies:

The benefit on retirement or surrender before the NRA or SRA is the bid value of units less an early surrender charge which is calculated by reference to the outstanding proportion of the policy term.

(i) Linked benefits under these contracts are wholly reinsured with Scottish Amicable Life plc who refund the whole of the annual management charge. Benefits are determined by reference to the value of internal funds of the reinsurer.

(j) Contracts which were written up to and including 26 July 2000 as increments to FlexiPension (Series 1) contracts have the same Guaranteed Annuity Option as the FlexiPension (Series 1) contract (see 4(C)(c)B on page 30).

(k) These contracts were closed to new business in 1994, except for FlexiPension (Series 5), IndePension (Series 3), MaxiPension (Series 2) and OmniPension (Series 2), which were available in SALAS until the transfer date. FlexiPension (Series 5) and IndePension (Series 3) are available for incremental business in SAIF. MaxiPension (Series 2) and OmniPension (Series 2) are available in SAL for non-contractual incremental business and new entrants to existing schemes, and in SAIF for contractual increments.

(l) There were no increases in the rates of charges during the report period.

(vi) Series 3 pensions

(a) This category comprises MaxiPension Plus, OmniPension Plus, ExtraPension (Series 3), FlexiPension (Series 7) and IndePension (Series 5).

(b) These are non-profit pure endowments.

(c) Single or regular (annual or monthly) premium.

(d) MaxiPension Plus and OmniPension Plus are for contracted-in exempt approved schemes only. ExtraPension (Series 3) is used for free standing AVCs. FlexiPension (Series 7) and IndePension (Series 5) are personal pensions contracts for those in self-employment and employment respectively. A group personal pension version, Group IndePension (Series 3), is included with IndePension (Series 5).

Policies are written either to a normal retirement age (NRA) or a selected retirement age (SRA).

On retirement at the NRA or SRA the fund available is the value at the bid price of the units allocated.

On death before the NRA or SRA, the policyholder may receive:

(i) the value at the bid price of the units allocated to the policy, or

(ii) in the case of MaxiPension Plus, ExtraPension (Series 3), FlexiPension (Series 7) and IndePension (Series 5), the greater of a specified sum assured and the value at the bid price of the units allocated to the policy, or

(iii) in the case of MaxiPension Plus, OmniPension Plus, ExtraPension (Series 3), FlexiPension (Series 7) and IndePension (Series 5), a specified sum assured in addition to the value at the bid price of the units allocated to the policy.

The personal pension contracts have a facility for waiver benefit, under which premiums are waived in respect of any period of incapacity, excluding the first six months and excluding periods of sickness when HIV positive or suffering from AIDS.

Accumulating with-profits versions of these contracts are also available as described in 4(C)(a)(1)*E* (page 30).

(e) Not applicable.

(f) With effect from 6 April 2001 some charges were removed from IndePension (Series 5), FlexiPension (Series 7) and ExtraPension (Series 3) contracts. Following the changes, the allocation factor is 100% or, if greater, the original allocation factor less 5% bid/offer spread, premiums are allocated at bid price and no installation or annual member charges apply. Additional non-unit reserves have been established where this results in future expenses exceeding charges.

Subject to the removal of charges with effect from 6 April 2001 referred to above, acquisition expenses and initial/level commission are recouped by a combination of the bid/offer spread and allocation factor, and an installation charge which is deducted at the set up of each policy.

For single premium policies where full or part fund-related commission is selected, a service charge, met by quarterly deallocation of units, is applied to recoup the fund-related commission payable.

Subject to the removal of charges with effect from 6 April 2001 referred to above, renewal expenses and commission (where applicable) are met by the combination of the bid/offer spread and the allocation factor, an annual charge which applies to one of each member's policies and an annual management charge. (For regular premium-paying policies in up to the final 10 years of the policy, this is net of a rebate of 0.75% pa which applies to units in investment linked funds).

If the amount of premiums deemed to be invested after allowing for the effect of the allocation factor and bid/offer spread is greater than the amount of the premiums, any such enhancement is recouped from the annual management charge.

The cost of the sum at risk (i.e. the difference between the death benefit and the bid value of units) is met by the monthly cancellation at the bid price of sufficient units to meet the cost for that month.

The cost of waiver benefit is met by the monthly cancellation of units.

The annual management charge is currently 0.875% per annum, with the exception of the Exempt Global Balanced (US View) fund for which the annual management charge is 1.125% per annum.

(g) Increases in member charges are normally restricted to increases in line with inflation except where it can be demonstrated that costs have increased by more than this. There are no restrictions on increases in the annual management charge other than that imposed by the need to meet policyholders' reasonable expectations.

The mortality rates used to calculate the cost of the death benefit may be changed if there is a significant change in the expected mortality experience of the Company's policyholders.

The rates used to calculate the charges for waiver of premium benefits can be changed if there is a significant change in the expectation that the Company's policyholders will suffer an accident or illness that leads to a claim.

5.(1)(C) Description of SAIF linked contracts continued

(h) Regular premium policies:

The benefit on retirement or transfer before the NRA or SRA is the bid value of units less a discontinuance charge. This charge varies according to the term of the policy, premiums paid and the level and type of commission paid.

Single premium policies:

The benefit on retirement or transfer before the NRA or SRA is the bid value of units less an early retirement charge. This charge is based on the difference in allocation factors for the original term and reduced term.

(i) Linked benefits under these contracts are wholly reinsured with Scottish Amicable Life plc who refund the whole of the annual management charge. Benefits are determined by reference to the value of internal funds of the reinsurer.

(j) Not applicable.

(k) These contracts were open to new business in SALAS before the transfer date and continued to be issued by SAL thereafter.

(l) There were no increases in the rates of charges during the report period.

(vii) Section 32 Buy-Out Plan

(a) Section 32 Buy-Out Plan.

(b) These are non-profit pure endowments.

(c) Single premium.

(d) The contract is designed to accept a transfer value from an occupational pension scheme. An accumulating with-profits version of this contract is also available as described in 4(C)(a)(1)*F* (page 30).

The contract is written with a normal retirement age (NRA) equal to that of the scheme from which the transfer is received.

Where GMP is to be provided, part of the transfer value must be invested in the Exempt With-Profits Fund and cannot subsequently be switched to any of the various internal linked funds. There is a guarantee that the accrued fund will be sufficient to meet all GMP liabilities at and after State Pension Age or on the investor's earlier death. A test of the adequacy of the transfer value to meet this guarantee is performed at the outset of the policy.

On death before benefits are taken, the sum available is the value at the bid price of the units allocated to the policy subject to a minimum of the GMP death benefit.

(e) Not applicable.

(f) Acquisition expenses and commission are recouped by a combination of the bid/offer spread and allocation factor, and an installation charge which is deducted at the set up of a policy.

Renewal expenses are met from the annual management charge. Prior to 6 April 2001 a member charge may also have been deducted annually. Member charges were discontinued with effect from 6 April 2001. Additional non-unit reserves have been established where this results in future expenses exceeding charges.

Where full or part fund-related commission is selected, a service charge, met by a quarterly deallocation of units, is applied to recoup the fund-related commission payable. In these cases, a higher allocation factor applies.

5.(1)(C) Description of SAIF linked contracts continued

For longer term policies, the amount of premiums deemed to be invested after allowing for the effect of the allocation factor and bid/offer spread may be greater than the amount of the premiums. Any such enhancement is recouped from the annual management charge.

The annual management charge is currently 0.875% per annum, with the exception of the Exempt Global Balanced (US View) fund, for which the annual management charge is 1.125% per annum.

(g) Increases in member charges are normally restricted to increases in line with inflation unless it can be demonstrated that costs have increased by more than this. There are no restrictions on increases in the annual management charge other than that imposed by the need to meet policyholders' reasonable expectations.

(h) The value of the policy on early retirement or surrender before the NRA is the bid value of units less an early retirement charge. This charge is based on the difference in allocation factors for the original term and reduced term to retirement.

(i) Linked benefits under these contracts are wholly reinsured with Scottish Amicable Life plc who refund the whole of the annual management charge. Benefits are determined by reference to the value of internal funds of the reinsurer.

(j) Not applicable.

(k) This contract was open to new business in SALAS before the transfer date, and continued to be issued by SAL until November 1998.

(l) There were no increases in the rates of charges during the report period.

(viii) Phased Retirement Plan
Income Drawdown Plan

(a) Phased Retirement and Income Drawdown Plans.

(b) These are non-profit pure endowments.

(c) Single premium.

(d) These contracts are designed to accept a transfer value from an existing tax-exempt pension arrangement.

For Phased Retirement, a partial encashment of the plan is allowed at any time, with part of the proceeds available as tax free cash and the remainder used to purchase an annuity.

For Income Drawdown, tax free cash may be taken at outset. Regular income is then withdrawn from the remaining fund, subject to minimum and maximum limits specified by the Inland Revenue.

Contracts are normally written to age 75 when the residual value must be used to buy a pension annuity.

The value of the fund on death prior to age 75 is the bid value of the units. This is used to provide benefits in accordance with the relevant Inland Revenue regulations.

Accumulating with-profits versions of these contracts are also available as described in 4(C)(a)(1)*G* (page 30).

(e) Not applicable.

5.(1)(C) Description of SAIF linked contracts continued

(f) Acquisition expenses and commission are recouped by the allocation factor and also from an establishment charge. This latter charge is equal to 0.13% per month of the amount invested and applies for the first five years of the contract, or to age 75 if earlier.

If the amount of premium deemed to be invested is greater than the amount of the premium, acquisition expenses and commission are still recouped from the establishment charge. This will occur only if the amount of initial commission selected is less than the 'basic' commission structure.

Fund-related commission is met by the annual management charge. A rebate of units is applied if the amount of commission is less than the 'basic' commission structure. Similarly a service charge, met by quarterly deallocation of units, is applied if higher commission is selected.

The annual management charge is currently 0.875% per annum, with the exception of the Exempt Global Balanced (US View) fund for which the annual management charge is 1.125% per annum.

(g) There are no restrictions on increases in the annual management charge other than that imposed by the need to meet policyholders' reasonable expectations.

(h) For full surrenders, a surrender charge is applied equivalent to the total of the outstanding establishment charges described in paragraph (f) above.

(i) Linked benefits under these contracts are wholly reinsured with Scottish Amicable Life plc who refund the whole of the annual management charge. Benefits are determined by reference to the value of internal funds of the reinsurer.

(j) Not applicable.

(k) These contracts were open to new business in SALAS before the transfer date and continued to be issued by SAL thereafter.

(l) There were no increases in the rates of charges during the report period.

5. (1)(D) United Kingdom direct written linked contracts in SAA

(i) ***Capital Investment Bond***

(a) Capital Investment Bond.

(b) These are non-profit whole life assurance contracts.

(c) Single premium.

(d) The death benefit is normally 101% of the bid value of units. However, for Capital Investment Bond contracts effected prior to May 1986, the death benefit is calculated as a percentage of the bid value of units according to age at death. This percentage varies from 250% at age 30 to 101% at ages 75 and above.

(e) Not applicable.

(f) Acquisition expenses and initial commission are recouped by a combination of the allocation factor and the bid/offer spread.

In addition, for initial investments of less than £5,000, a shortfall charge is deducted based on the size of the investment.

Renewal expenses and commission are met from the annual management charge.

The annual management charge is currently 0.75% per annum, with the exception of the Global Balanced (US View) Fund for which the annual management charge is 1.00% per annum.

(g) There are no restrictions on increases in the annual management charge other than that imposed by the need to meet policyholders' reasonable expectations.

(h) The surrender value at any time is the value at the bid price of the units allocated to the policy.

(i) Linked benefits under these contracts are wholly reinsured with Scottish Amicable Life plc who refund the whole of the annual management charge. Benefits are determined by reference to the value of internal funds of the reinsurer.

(j) Not applicable.

(k) These contracts were closed to new business in 1997, although increments to existing Capital Investment Bond policies can still be accepted.

(l) There were no increases in the rates of charges during the report period.

(ii) ***Capital Investment Bond (Series 2)***

(a) Capital Investment Bond (Series 2).

(b) These are non-profit whole life assurance contracts.

(c) Single premium.

(d) For Capital Investment Bond (Series 2) policies issued after 15 January 1996, the death benefit is 101% of the surrender value. For policies issued prior to this date, the death benefit is 101% of the bid value of the units.

(e) Not applicable.

(f) Acquisition expenses and initial commission are recouped by an establishment charge of 1.25% per annum of the fund for the first four years of the policy. For Capital Investment Bond (Series 2) policies issued before 15 January 1996, the establishment charge is 0.75% per annum of the fund for 5 years. The charge is met by deallocation of units on a monthly basis.

5.(1)(D) Description of SAA linked contracts continued

In addition, for initial investments of less than £5,000, a shortfall charge is deducted based on the size of the investment.

The contract is sold on various commission terms: full initial commission, full fund-related commission or part initial and part fund-related commission. Where full or part fund-related commission is selected, higher allocation rates apply and the fund-related commission is met by a service charge taken by deallocation of units on a quarterly basis.

Renewal expenses are met by the annual management charge.

Where the investment exceeds £50,000 and/or where initial commission has been rebated, the premium deemed to be invested after taking account of the allocation factor may be greater than the amount of the premium. Any such enhancement is met from the establishment charges.

The annual management charge is currently 0.75% per annum, with the exception of the Global Balanced (US View) Fund for which the annual management charge is 1.00% per annum.

(g) The annual management charge can only be increased if costs have increased by more than inflation and only to an extent consistent with the need to meet policyholders' reasonable expectations.

(h) The surrender value at any time is the value at the bid price of the units allocated to the policy less an early discontinuance charge.

The maximum discontinuance charge is calculated as the bid value of units being withdrawn multiplied by the factor shown below.

Policy year	Factor
	%
1	7.5
2	6.0
3	4.5
4	3.0
5	1.5
6 and over	0.0

(i) Linked benefits under these contracts are wholly reinsured with Scottish Amicable Life plc who refund the whole of the annual management charge. Benefits are determined by reference to the value of internal funds of the reinsurer.

(j) Not applicable.

(k) These contracts were closed to new business on the transfer date.

(l) There were no increases in the rates of charges during the report period.

(iii) Scottish Amicable Distribution Bond

(a) Scottish Amicable Distribution Bond.

(b) These are non-profit whole life assurances.

(c) Single premium.

(d) The Scottish Amicable Distribution Bond aims to provide an income which rises over the medium to long term. Distributions are made every quarter, on 1 March, 1 June, 1 September and 1 December. There is an option to have distributions paid monthly. Policyholders can elect to receive distributions, or reinvest them in the bond.

For policies issued before 15 January 1996, the death benefit is 101% of the bid value of units. For policies issued after this date the death benefit is 101% of the surrender value.

5.(1)(D) Description of SAA linked contracts continued

A higher income option is available. Under this option, the policyholder can take a higher rate of distribution from the Distribution Bond by reducing the death and surrender benefits to a minimal amount. This option may be effected at any time, and once selected, the option remains in force for a period of five years, after which it may be reselected. If it is not, then the Bond reverts to being a normal Scottish Amicable Distribution Bond.

(e) Not applicable.

(f) Acquisition expenses and initial commission are recouped by an establishment charge of 1.25% per annum of the fund for the first four years of the policy. For policies issued before 15 January 1996, the establishment charge is 0.75% per annum of the fund for 5 years. This charge is met by deallocation of units on a monthly basis.

The contract is sold on various commission terms: full initial commission, full fund-related commission or part initial and part fund-related commission. Where full or part fund-related commission is selected, higher allocation rates apply and the fund-related commission is met by a service charge taken by deallocation of units on a quarterly basis.

Renewal expenses are met by the annual management charge.

Where the investment exceeds £50,000 and/or where initial commission has been rebated, the premium deemed to be invested after taking account of the allocation factor may be greater than the amount of the premium. Any such enhancement is met from the establishment charges.

The annual management charge is currently 0.75% per annum.

(g) There are no restrictions on increases in the annual management charge other than that imposed by the need to meet policyholders' reasonable expectations.

(h) The surrender value at any time is the value at the bid price of the units allocated to the policy less an early discontinuance charge.

The maximum discontinuance charge is calculated as the bid value of units being withdrawn multiplied by the factor shown below.

Policy year	Factor
	%
1	7.5
2	6.0
3	4.5
4	3.0
5	1.5
6 and over	0.0

(i) Linked benefits under these contracts are wholly reinsured with Scottish Amicable Life plc who refund the whole of the annual management charge. Benefits are determined by reference to the value of internal funds of the reinsurer.

(j) Not applicable.

(k) This contract was closed to new business on the transfer date.

(l) There were no increases in the rates of charges during the report period.

5.(1)(D) Description of SAA linked contracts continued

(iv) Guaranteed Investment Bond

(a) Guaranteed Investment Bond.

(b) These are non-profit whole life assurances.

(c) Single premium.

(d) There have been two issues of this contract with guarantee dates of 31 October 2001 and 30 August 2002.

The bond has a minimum value of 110% of the initial investment on the guarantee date, but there is no predetermined maturity date.

The benefit on death before the guarantee date is 101% of the surrender value, subject to a minimum death benefit of the initial investment. On or after the guarantee date, the death benefit is 101% of the bid value of units.

(e) The bid value of units at the guarantee date (and the benefit on death prior to the guarantee date) is guaranteed not to be less than the original investment.

(f) Acquisition expenses and initial commission are recouped from a combination of the allocation factor and the bid/offer spread. Renewal expenses are met from the annual management charge.

The annual management charge is currently 1.5% per annum.

(g) There are no restrictions on increases in the annual management charge other than that imposed by the need to meet policyholders' reasonable expectations.

(h) The surrender value at any time before the guarantee date is 95% of the bid value of the units. On the guarantee date, the surrender value will be the greater of the bid value of units or 110% of the initial investment. After the guarantee date the surrender value is the bid value of the units.

(i) Linked benefits under these contracts are wholly reinsured with Scottish Amicable Life plc who refund the whole of the annual management charge. Benefits are determined by reference to the value of internal funds of the reinsurer.

(j) Not applicable.

(k) This contract was closed to new business in 1997.

(l) There were no increases in the rates of charges during the report period.

(v) FlexiCover (Series 2)

(a) FlexiCover (Series 2).

(b) These are non-profit whole life assurance contracts.

(c) Regular (annual or monthly) premium.

(d) For a given level of premium the policyholder may select any level of life cover between the minimum cover and the maximum cover.

The benefit on death is the greater of the life cover selected and the value of the units allocated at the bid price on the date of death. The contract is available on a single life, joint life or joint life last survivor basis.

The initial level of life cover selected is guaranteed only for the first 10 years. It is guaranteed that the level of life cover after 10 years (i.e. after the first review) will not be less than the minimum cover unless the contract is altered by the policyholder.

5.(1)(D) Description of SAA linked contracts continued

At the end of 10 years and at regular intervals thereafter, the Company reviews the contract to determine whether the existing cover can be maintained at the current level and whether the premium needs to be increased.

The options under FlexiCover (Series 2) contracts are:-

(i) Variation of cover option - At any monthly anniversary of the commencement date after two years there is an option for the selected cover to be reduced to not less than the minimum cover or, subject to underwriting, to be increased up to the maximum cover.

(ii) Change of life assured option - At any time after the second policy anniversary but not within two years of a previous exercise of this option, there are certain restricted options to alter the life assured on a single life basis or to alter from a single life basis to a joint life or joint life last survivor basis, or to alter from a joint life basis to a single life or joint life last survivor basis.

(e) Not applicable.

(f) Acquisition expenses and initial commission are recouped by a combination of the allocation factor and the bid/offer spread.

Renewal expenses and commission are met by a combination of the allocation factor and the bid/offer spread, a policy charge and the annual management charge.

The cost of the sum at risk (i.e. the excess of the life cover over the value of the units allocated at the bid price) is met by monthly cancellation of sufficient units to meet the cost for that month.

The annual management charge is currently 0.75% per annum.

(g) Increases in policy charges are normally restricted to increases in line with inflation except where it can be demonstrated that costs have increased by more than this. There are no restrictions on increases in the annual management charge other than that imposed by the need to meet policyholders' reasonable expectations.

The mortality rates used to calculate the cost of the death benefit may be changed if there is a significant change in the expected mortality experience of the Company's policyholders.

(h) The value on surrender is the value at the bid price of the units allocated to the policy, except that the Company reserves the right to make a discontinuance charge if fewer than three years' premiums have been paid.

(i) Linked benefits under these contracts are wholly reinsured with Scottish Amicable Life plc who refund the whole of the annual management charge. Benefits are determined by reference to the value of internal funds of the reinsurer.

(j) Not applicable.

(k) The contract ceased to be available in 1994 but existing policyholders had the option to effect a new policy in SALAS until the transfer date and in SAL thereafter.

(l) There were no increases in the rates of charges during the report period.

(vi) Home Purchaser (Series 2)

(a) Home Purchaser (Series 2).

(b) These are non-profit endowment assurance contracts.

(c) Regular (annual or monthly) premium.

5.(1)(D) Description of SAA linked contracts continued

(d) Home Purchaser (Series 2) is a low cost mortgage endowment plan.

An accumulating with-profits version of this contract is also available as described in 4(D)(a)(1)*A* (page 32). There is no option to switch investment between the investment linked and with-profits versions.

The benefit on maturity is the value of units allocated at the bid price.

The benefit on death is the greater of a minimum death benefit and the value of units allocated at the bid price on the date of death.

The contract has a facility for waiver of premium benefit, under which premiums are waived in respect of any period of incapacity, excluding the first six months and excluding periods of sickness when HIV positive or suffering from AIDS.

The contract also has the facility to incorporate at additional cost a critical illness benefit.

(e) Not applicable.

(f) Acquisition expenses and initial commission are recouped by a recurrent management charge of 2.75% per annum for a period of up to 25 years, of the value of units purchased by regular premiums in the first three years of the contract (or the first three years of any increments in regular premiums) ignoring any deallocation to meet other charges.

Renewal expenses and renewal commission are met by a combination of the allocation factor and the bid/offer spread, a policy charge and the annual management charge.

The cost of the sum at risk under the death and/or critical illness benefits (i.e. the excess of the relevant benefit over the value of the units allocated at the bid price) is met by monthly cancellation of sufficient units to meet the cost for that month.

The cost of the waiver of premium benefit is met by a monthly charge.

The annual management charge is currently 0.25% per annum.

(g) Increases in policy charges are normally restricted to increases in line with inflation except where it can be demonstrated that costs have increased by more than this. There are no restrictions on increases in the annual management charge other than that imposed by the need to meet policyholders' reasonable expectations.

The mortality rates used to calculate the cost of the death benefit may be changed if there is a significant change in the expected mortality experience of the Company's policyholders.

The rates used to calculate the charge for waiver of premium benefits and critical illness benefits may be changed if there is a significant change in the expectation that the Company's policyholders will suffer an accident or illness which leads to a claim.

(h) The surrender value is equal to the bid value of units less a surrender charge and, if the surrender is prior to three years' premiums having been paid, an early discontinuance charge. The surrender charge is equivalent to the value of units that would have been cancelled by the future recurrent management charges assuming the policy had run its full course and not been surrendered.

The early discontinuance charge is 24% of the annual premium (35% if premiums are paid monthly) after one premium has been paid decreasing linearly to zero after three yearly or 36 monthly premiums have been paid, the percentage being calculated on the contractual premiums payable during the fourth year.

The early discontinuance charge may also be applied if premiums are stopped before maturity.

(i) Linked benefits under these contracts are wholly reinsured with Scottish Amicable Life plc who refund the whole of the annual management charge. Benefits are determined by reference to the value of internal funds of the reinsurer.

5.(1)(D) Description of SAA linked contracts continued

(j) Not applicable.

(k) This contract ceased to be available in 1995, although increments to existing policies can still be made.

(l) There were no increases in the rates of charges during the report period.

(vii) Home Purchaser (Series 3)
Amicable Savings Plan

(a) Home Purchaser (Series 3) and Amicable Savings Plan.

(b) These are non-profit endowment assurance contracts.

(c) Regular (annual or monthly) premium.

(d) Home Purchaser (Series 3) is a unitised low cost mortgage endowment plan. Amicable Savings Plan is a qualifying unitised endowment policy.

Accumulating with-profits versions of these contracts are also available, as described in 4(B)(a)(1)*A* (page 21). There is no option to switch investment between the investment linked and with-profits versions.

The benefit on death is the greater of a minimum death benefit and the value of the units allocated at the bid price on the date of death.

Reduced levels of charges apply to premium paying policies during their rebate period. The length of a policy's rebate period varies with the term of the contract as follows:

Term of contract	Rebate period
10 years	Final 6 years
15 years	Final 10 years
20 years	Final 13 years
25 years	Final 16 years

During the rebate period, the allocation factor is increased by 5.5% irrespective of commission shape, the policy charge is reduced by 50%, and there is a rebate of part of the annual management charge. The latter rebate is achieved by the monthly creation of additional units at a rate of 0.625% per annum of the fund.

The contract may include waiver of premium benefit, under which premiums are waived during any period of incapacity, excluding a deferred period of 3, 6 or 12 months and excluding periods of sickness when HIV positive or suffering from AIDS.

The contract also has the facility to incorporate at additional cost a critical illness benefit. The level of cover can be chosen to be either the same as for the death benefit, or a higher amount which decreases over the term of the policy to the level of the death benefit.

For Home Purchaser contracts there is a limited facility to increase the life cover or extend the term of the plan without evidence of health under the terms of a mortgage alteration option.

Amicable Savings Plans have an extension option which allows the term of the plan to be extended by a period of at least ten years from the original maturity date, and a mortgage conversion option under which the death benefit or critical illness cover or both may be increased and the term may be extended within the qualifying limits subject to underwriting.

5.(1)(D) Description of SAA linked contracts continued

For new Home Purchaser (Series 3) policies effected from July 1996 the following benefits were offered:

(i) Mortgage Interest Benefit - this provides a monthly payment if the policyholder is unable to work through accident or sickness (excluding a deferred period of 3, 6 or 12 months). The amount of the payments are such that they will approximately cover the mortgage interest payments on a specified loan amount. Payments are restricted to a percentage of earnings prior to the claim.

No payments are made if the mortgage is no longer in existence. This benefit is available on a joint life or single life basis. For joint life cases, the benefit is not payable to both lives at the same time.

(ii) Children's Critical Illness Cover - if a plan has critical illness cover then children's critical illness cover is included automatically at no extra cost. This provides a sum of 50% of the initial level of the main critical illness cover, subject to a maximum of £15,000, on one of the policyholder's children surviving for 14 days after the diagnosis of a critical illness.

For policies effected from 28 July 1997 the deferred period under the waiver of premium benefit and, if available, Mortgage Interest Benefit may be 3, 6 or 12 months. If both benefits are selected, the same deferred period will apply. Before 28 July 1997 the deferred period was set at 6 months.

(e) Not applicable.

(f) Acquisition expenses are recouped by a combination of the allocation factor and the bid/offer spread.

The contract is sold on various commission terms: full initial/renewal commission, full level commission throughout the policy term or part initial/renewal and part level commission. The allocation factors used through the term of a policy are adjusted to reflect the commission basis.

Renewal expenses are met by the policy charge and the annual management charge.

The cost of the sum at risk for the death and critical illness benefit (i.e. the excess of the relevant benefit over the value of the units allocated at the bid price) is met by monthly cancellation of sufficient units to meet the cost for that month.

The cost of the waiver of premium benefit is met by a monthly charge.

The cost of the Mortgage Interest Benefit is met by the monthly cancellation of sufficient units to meet the cost for that month.

During the rebate period there may be some policies where the premium deemed to be invested, after allowing for the effect of the allocation factor and bid/offer spread, is greater than the amount of the premium. Any such enhancement is met from the annual management charge.

The annual management charge is currently 0.75% per annum.

(g) Increases in policy charges are normally restricted to increases in line with inflation except where it can be demonstrated that costs have increased by more than this. There are no restrictions on increases in the annual management charge other than that imposed by the need to meet policyholders' reasonable expectations.

The mortality rates used to calculate the cost of the death benefit may be changed if there is a significant change in the expected mortality experience of the Company's policyholders.

The rates used to calculate the charge for waiver of premium benefit and critical illness benefits may be changed if there is a significant change in the expectation that the Company's policyholders will suffer an accident or illness which leads to a claim.

5.(1)(D) Description of SAA linked contracts continued

The rates used to calculate the charge for the Mortgage Interest Benefit may be changed to take account of changes in the level of the Halifax Building Society's lending rate. Also, they can be changed if there is a significant change in the expected frequency or duration of claims arising.

(h) On surrender, the value of units at the bid price is reduced by an early discontinuance charge if less than 5 years premiums have been paid. The amount of this charge depends on the term of the contract, the premiums paid and the type of commission paid.

This charge may also be applied if premiums are stopped or reduced before maturity.

(i) Linked benefits under these contracts are wholly reinsured with Scottish Amicable Life plc who refund the whole of the annual management charge. Benefits are determined by reference to the value of internal funds of the reinsurer.

(j) Not applicable.

(k) These contracts were open to new business in SALAS before the transfer date and continued to be issued by SAL until April 2001.

(l) The policy charge increased from £1.82 to £1.89 per month on 15 January 2001.

(viii) Provider Income Protection

(a) Provider Income Protection.

(b) This is a non-profit permanent health insurance contract.

(c) Regular (annual or monthly) premium.

(d) This contract is designed to provide replacement income benefit in the event of the policyholder being totally unable through sickness or accident to continue with his/her own occupation, and not following any other. Reduced benefits can be payable under certain conditions where the incapacity is not total.

The contract is written to a specified expiry age (which may be 50, 55 or any age from 60 to 65 inclusive). At the expiry date of the contract, the value at the bid price of the allocated units remaining is payable to the policyholder.

In the event of a claim, the income benefit commences after a deferred period of 13, 26 or 52 weeks.

Premiums are waived during the period of income benefit payments.

The benefit payable on death is the greater of the sum of premiums, including any extra premiums due to a rating, payable in the first year of the plan and the value at the bid price of the units allocated at the date of death.

(e) Not applicable.

(f) Acquisition expenses and initial commission are recouped by using a nil initial allocation factor for 48 months.

Renewal expenses and renewal commission are met from a monthly policy charge, the annual management charge and a combination of the allocation factor and the bid/offer spread.

The cost of the Income Protection benefit is met by the monthly cancellation at the bid price of sufficient units to meet the cost for that month.

The annual management charge is currently 0.25% per annum.

5.(1)(D) Description of SAA linked contracts continued

(g) Increases in policy charges are normally restricted to increases in line with inflation except where it can be demonstrated that costs have increased by more than this. There are no restrictions on increases in the annual management charge other than that imposed by the need to meet policyholders' reasonable expectations.

The rates used to calculate the charge for Income Protection benefit may be changed if there is a significant change in the expectation that the Company's policyholders will suffer an accident or illness which leads to a claim.

(h) The plan has no surrender value.

(i) Linked benefits under these contracts are wholly reinsured with Scottish Amicable Life plc who refund the whole of the annual management charge. Benefits are determined by reference to the value of internal funds of the reinsurer.

(j) Not applicable.

(k) This contract was closed to new business on the transfer date.

(l) There were no increases in the rates of charges during the report period.

(ix) Wealth Preservation Bond

(a) Wealth Preservation Bond.

(b) These bonds consist of a non-profit endowment assurance and a non-profit whole life assurance.

(c) Single premium.

(d) The Wealth Preservation Bond was designed for Inheritance Tax planning. It enables the investor to gift capital to beneficiaries whilst retaining access to the income the capital generates.

Units in the Wealth Preservation Capital Fund are allocated to the whole life policy. The same number of units is allocated to the endowment assurance policy. The death benefit under the whole life assurance is a percentage of the bid value of units. The percentage varies with duration in force as follows:

Duration in force (years)	Percentage
1	92.5
2	94.0
3	95.5
4	97.0
5	98.5
6 and over	100.0

Income from the assets comprising the Wealth Preservation Capital Fund is accumulated in the Wealth Preservation Income Fund, units of which are allocated to the endowment assurance policy. The income is distributed every quarter on 1 March, 1 June, 1 September and 1 December and is used to allocate cash fund units to the endowment assurance policy. Policyholders can elect to receive all or part of the income immediately as a partial withdrawal from the policy. Any income not taken immediately is redirected into up to three internal linked funds available for this purpose. The endowment policy's death benefit is £100 plus the amount of any accrued income not yet distributed (i.e. the value of the Income Fund units) plus the bid value of units in other funds purchased by redirected distributions.

5.(1)(D) Description of SAA linked contracts continued

The endowment assurance matures on the anniversary following the policyholder's 105th birthday. The maturity benefit is the amount of any accrued income not yet distributed plus the bid value of units in other funds purchased by redirected distributions plus the bid value of its Wealth Preservation Capital units.

(e) Not applicable.

(f) Acquisition expenses and initial commission are recouped by an establishment charge of 1.25% per annum of the funds for the first five years of the policy. The charge is met by monthly deallocation of units.

The bond is sold on various commission terms: full initial commission, full fund-related commission or part initial and part fund-related commission. Where full or part fund-related commission is selected, higher allocation rates apply and the fund-related commission is met by a quarterly service charge taken by deallocation of units from the whole life policy.

Renewal expenses are met by the annual management charge.

If initial commission has been rebated, the premium deemed to be invested after taking account of the allocation factor may be greater than the amount of the premium. Any such enhancement is met from establishment charges.

The annual management charge for the Wealth Preservation funds is currently 0.75% per annum. If an investor has chosen to redirect income, the annual management charge will be that appropriate to the fund in which the redirected units are held.

(g) The annual management charge may be increased only if administration costs have increased by more than the rate of inflation and only to an extent consistent with the need to meet policyholders' reasonable expectations.

(h) These bonds cannot be fully surrendered. Distributions and withdrawals may be taken from the endowment assurance.

(i) Linked benefits under these contracts are wholly reinsured with Scottish Amicable Life plc who refund the whole of the annual management charge. Benefits are determined by reference to the value of internal funds of the reinsurer.

(j) Not applicable.

(k) These contracts were closed to new business on the transfer date.

(l) There were no increases in the rates of charges during the report period.

5. (1)(E) Europe linked contracts

Prudential Europe Vie

(a) Prudential Europe Vie.

(b) These contracts are whole life assurances. They may include non-linked benefits as described in 4(A)(a)(1)*H* (page 13).

(c) These are single premium assurances. Additional top up premiums may be paid at any time.

(d) The death benefit is the value of the units on the day the death claim process is complete.

(e) There are no guaranteed investment returns.

(f) Costs are recovered from policies by the following charges:

(i) An initial charge of 4.5% of the premium, including any top-up premiums.

(ii) An annual management charge of 0.75% of the bid value of the units.

(iii) Exit charges applied to withdrawals (other than regular withdrawals) at the following rates:

Year of exit	Charge as % of fund value
1	2
2	2
3	1
4 and over	0

(g) None of the charges described in (f) above can be increased.

(h) The surrender value is the value of the units at the date of surrender, less an early discontinuance charge shown in (f)(iii) above.

(i) Benefits are linked to the Réactif or Carmignac Investissement UCITS funds managed by Véga Finance and Carmignac Gestion respectively.

(j) Not applicable.

(k) The contract was opened to new business during the year to the valuation date.

(l) Charges cannot be increased.

5. (1)(F) Hong Kong linked contracts

(i) Linked assurances

This category comprises two products, PruLink and PRUretirement.

(I) PruLink

(a) PruLink.

(b) These contracts are whole life assurances.

(c) Regular premiums may be paid yearly, half-yearly, quarterly or monthly. Additional top up premiums, single or regular, may be paid at any time.

(d) At issue, there is a choice of benefit payable on death before age 65. The benefit may be either the sum assured *plus* the bid value of units allocated to the policy, or the *greater* of the sum assured and the bid value of the units. After age 65, the benefit is the bid value of units.

(e) Provided regular premiums are paid when due and no partial withdrawals are made which cause the fund to fall below a minimum level set by the Company from time to time, the sum assured is guaranteed to be payable on death before age 65 (75 for some policies issued before 2000) irrespective of the performance of the units.

(f) An administration charge and a mortality charge are levied monthly by cancelling units at the bid price. Additional charges are levied on premiums and on the funds. Current charges are as follows:

Premium charge:

Year	Charge
	%
1	100
2	40
3-10	10
11 and over	5

The current charge for top-up premiums is between 4% and 5% depending on the size of the premium.

Administration charge: US$4 per month starting from the beginning of the second policy year.

Management charge:

The charge is 1% per annum of the value of the fund assets for the Global Growth Fund and the US$ Bond Fund and 1.25% per annum for the Global Equity Fund and the Pacific (ex-Japan) Fund. Other recurring fees may not exceed 0.125% per annum of the value of these funds' assets except for the Pacific (ex-Japan) Fund where the maximum is 0.25%.

The charge for the Prudential Money Fund is not more than 0.5% per annum of the value of the fund assets.

(g) All charges are subject to revision without limit upon three calendar months prior written notice to the policyholders, provided any increase is consistent with policyholders' reasonable expectations. The Company reserves the right to levy other policy administration charges, for example on surrender.

(h) The surrender value is currently the cash value of the units allocated to the policy.

(i) Benefits are linked to internal linked funds.

(j) Not applicable.

5.(1)(F) Description of Hong Kong linked contracts continued

(k) The contract was open to new business on the valuation date.

(l) There were no increases in the rates of charges during the report period.

(II) PRUretirement Plan

(a) PRUretirement Plan.

(b) These contracts are limited premium whole life assurances with a waiver of premium benefit.

(c) Regular premiums may be paid yearly, half-yearly, quarterly or monthly. Additional top up premiums, single or regular, may be paid at any time.

(d) The death benefit is 101% of the value of the units or, if greater, 100% of total premiums paid less any withdrawals.

If the policyholder becomes incapable of following any occupation, all premiums due after 180 days of incapacity up to age 65 are waived.

At issue, the policyholder chooses a selected retirement age at which contractual regular premiums cease. On attaining that age, bonus units are added to the policy at the following percentage of the annual premium payable multiplied by the complete number of years for which it has been paid:

Number of years	%	Number of years	%
10-12	2	30-34	7
13-15	3	35-39	8
16-19	4	40-44	9
20-24	5	45- 49	10
25-29	6	50 or more	11

(e) There are no guaranteed investment returns.

(f) An administration charge and a waiver of premium charge are levied monthly by cancelling units at the bid price. Additional charges are levied on premiums and on the funds. Current charges are as follows:

Premium charge:

Year	Charge
	%
1	75
2-8	10
9 and over	0

The current charge for top-up premiums is between 4% and 5% depending on the size of the premium.

Administration charge: US$4 per month starting from the beginning of the second policy year.

Management charge:

The charge is 1% per annum of the value of the fund assets for the US$ Bond Fund and 1.25% per annum for the Global Growth Fund, Global Equity Fund and the Pacific (ex-Japan) Fund. Other recurring fees may not exceed 0.125% per annum of the value of these funds' assets except for the Pacific (ex-Japan) Fund where the maximum is 0.25%.

The charge for the Prudential Money Fund is not more than 0.5% per annum of the value of the fund assets.

5.(1)(F) Description of Hong Kong linked contracts continued

(g) All charges are subject to revision without limit upon three calendar months prior written notice to the policyholders, provided any increase is consistent with policyholders' reasonable expectations. The Company reserves the right to levy other policy administration charges, for example on surrender.

(h) The surrender value is currently the cash value of the units allocated to the policy.

(i) Benefits are linked to internal linked funds.

(j) Not applicable.

(k) The contract was open to new business on the valuation date.

(l) There were no increases in the rates of charges during the report period.

(ii) Global Growth Fund

(a) Global Growth Fund.

(b) These are group provident fund contracts.

(c) Single or regular yearly, half-yearly, quarterly or monthly premiums may be paid.

(d) When a scheme member retires, dies or leaves service, the bid value of units allocated to his or her account is payable.

(e) Not applicable.

(f) An annual expense charge is payable. Excess initial costs are recovered from subsequent years' charges and from a surrender charge payable on scheme termination during the first five years.

The expense charge during the report period was:

HK$1,000 per scheme, plus

HK$12 per member for the first 500 members and HK$10 for each additional member, plus

a contribution-related charge of 3% of the first HK$200,000 reducing on a sliding scale to 0.9% on the excess over HK$1,000,000.

The unit trust manager levies a management fee of 1% per annum and a trustee fee of 0.125% per annum.

(g) The Company may increase the charges on any scheme anniversary after the third, subject to six months notice being given, provided any increase is consistent with policyholders' reasonable expectations.

(h) On scheme termination a surrender charge, initially 5% of the bid value of units reducing linearly to zero at the beginning of year 6, is payable. No charge is made when an individual member leaves the scheme.

(i) Benefits are determined by reference to the value of units in a unit trust.

(j) Not applicable

(k) The contract was open to new business on the valuation date.

(l) There were no increases in the rates of charges during the report period.

5. (2) With-profits options

With-profits options are available under the following contracts described in 5(1)(A)-(F) above:

(A) Prudence Bond, Prudence Managed Bond, PPA, EPP2/3/4, EIB, PPP, FSAVC, GPP1/2/3/4, MPP2, PTP, AVC, Flexible Retirement Income Account;

(C) IPA, FlexiPension Series 2 to 7, MaxiPension Series 1, 2 and Plus, OmniPension Series 1, 2 and Plus, ExtraPension Series 1, 2 and 3, IndePension Series 1 to 5, Section 32 Buy-Out, Phased Retirement and Income Drawdown Plan.

(D) Home Purchaser Series 2 and 3, Amicable Savings Plan;

(E) Prudential Europe Vie

The additional information required is given in the appropriate parts of 4(A) – 4(D) above.

5. (4) Unit pricing methods

(i) Prufund

Unit pricing is based on the smoothed equity approach (as defined by the 18 November 1993 report of a Working Party of the Society of Actuaries in Ireland). The fund is invested both directly and through unit trust holdings. No new business other than top ups has been written since 1991. The portfolio is therefore in long term decline. The bid price is set equal to the cancellation price, with a bid/offer spread of 4%. Prices are calculated weekly, with transactions carried out on a forward pricing basis. Unit prices are rounded by up to 0.1p in the favour of the Company. Brokerage fees are charged to the fund using rates notified by the fund manager, M&G Investment Management Limited.

The cancellation price is the cash amount for which the assets of the unit fund can be sold, net of all costs that would be incurred in disposing of the assets, divided by the number of units in existence.

Where investments are in Prudential Unit Trusts, the purchase price is the underlying creation price and stamp duty charge while the sale price is the underlying cancellation price.

(ii) Hong Kong PruLink policies - all funds except the Prudential Money Fund

The funds are wholly invested in similarly-named authorised Guernsey unit trusts managed by Prudential Fund Managers Guernsey. Units are allocated or cancelled on the next weekly valuation date at the prices determined by the unit trust manager. There is no bid/offer spread. PruLink policies provide that the fund unit prices may be varied from the corresponding unit trust price if a variation would be justified by, for example, a change in the basis of Hong Kong life office taxation.

(iii) Hong Kong PruLink policies - Prudential Money Fund

The unit issue price and redemption price are always 1.000. Interest is credited to policies in the form of additional units not less frequently than once a month. The rate to be credited is determined from the value of the fund assets, any surplus being distributed by issuing new units on a pro-rata basis.

(iv) Others

The unit pricing methods for all other contracts are described in the regulatory returns of the companies with which the linked liabilities are wholly reassured.

5. (5) Provisions for capital gains tax

(i) Prutrust

Capital gains tax is not allowed for in the unit price. On claim or surrender, a deduction is made equal to the full rate of capital gains tax applied to indexed gains which have occurred over the lifetime of the policy. As the units are invested wholly in the UK Growth Trust, capital gains tax is actually paid on a deemed disposal basis. The Company holds a capital gains tax reserve equal to the outstanding instalments of tax on the deemed disposal basis, less the capital gains tax which will be deductible from policyholder units. This reserve is invested in units and other shareholder assets.

(ii) Prufund

The capital gains tax reserve on 31 December 2001 was equal to 22% of unrealised indexed gains on other than unit trust holdings, plus an allowance of 19.44% of the taxable gains applicable to the deemed disposal of any unit trust holdings; this reserve is a deduction from the unit fund and is therefore reflected in the unit price. Realised gains were taxed at 22%. When a gain is realised an appropriate transfer is made from the linked funds to the trading account; similarly a transfer is made at the year end in respect of the tax liability arising from deemed disposals.

(iii) Guaranteed Equity Bond

Liabilities are matched by a combination of bonds and derivatives which ensure that at maturity the gross amount payable less tax at 22% on the chargeable gain from the derivatives equals the guaranteed maturity benefit. Capital gains tax is allowed for in the valuation by including the gross value of the derivatives in the mathematical reserves.

(iv) Linked contracts in France and Hong Kong

The funds are not subject to capital gains tax.

(v) Prudence Bond, Prudence Managed Bond, Prudential Distribution Bond, linked contracts in SAA

A full description of the capital gains tax provisions for these contracts can be found in the regulatory returns of the companies with which the linked liabilities are wholly reinsured.

(vi) Others

The funds all relate to pension business and are not subject to capital gains tax.

5. (6) Discounts on unit trust purchases

(i) Prutrust

The Company buys units of the Prudential UK Growth Trust at a discount of 3% from the published offer prices. In all other respects the conditions of sale and purchase are the standard conditions applied by Prudential Unit Trusts Limited.

(ii) Prufund

The fund buys units of the Prudential UK Growth Trust and the Prudential Small Companies Trust at the creation price and sells back at the cancellation price. The fund also benefits from a rebate of the annual management charge.

(iii) France

The company receives rebate commission of 0.6% p.a. of funds under management from the Réactif and Carmignac external unit-linked funds. Corresponding rebate commission of 0.4% and 0.3% respectively is payable to distributing agents. Policyholders do not benefit from this rebate.

(iv) Hong Kong

No special terms apply when units are purchased from the unit trust manager.

(v) Others

The unit pricing methods for all other contracts are described in the regulatory returns of the companies with which the linked liabilities are wholly reassured.

6. Valuation - principles and methods

(1) (i) Unless specified to the contrary in (x) below, the mathematical reserve for assurances and annuities reported in Form 51 is the difference between the present value of the benefits and the present value of the future valuation net premiums, both calculated with provision for immediate payment of claims. Contracts with a common attained age and number of years to run to maturity or premium cessation are grouped together, except where it is necessary to value individually to eliminate negative reserves (see 6(1)(d) (page 86)).

(ii) The mathematical reserve for accumulating with-profits business in SAIF and SAA, and accumulating with-profits business accepted as reinsurance from SAL, is taken as the lower of:

(a) the value at the bid price, excluding terminal bonus, of the notional number of units allocated to policyholders, and

(b) the surrender or transfer value which, having regard to policyholders' reasonable expectations, would be payable at the valuation date,

or, if greater, the value of the guaranteed liabilities, excluding terminal bonus, calculated on a gross premium bonus reserve method based on charges.

A further non-unit reserve is held in respect of mortality or morbidity, as appropriate, and expenses (including investment management expenses and other outgo associated with payments to third parties).

The comparison of the value of units allocated, the surrender or transfer value and the bonus reserve liability is carried out on a policy-by-policy basis.

For contracts for which the product description indicates that initial expenses are recouped by a shortfall charge, an annual establishment charge, a recurrent management charge or an additional management charge, the value of the units is net of the present value of those future charges.

In the base scenario the surrender or transfer value is taken as the accumulated fund, including terminal bonus, at the valuation date, less any explicit charge that would apply on immediate surrender. In the resilience scenarios, the surrender or transfer value described above is, where appropriate, reduced to reflect the market value reductions that would be applied consistent with movements in the underlying asset values over the lifetime of the policy.

The bonus reserve liability makes due allowance for future reversionary bonus interest at rates which would be payable if the valuation assumptions were borne out in practice and having regard to policyholders' reasonable expectations.

The non-unit reserves are adequate, on the valuation basis, to eliminate any future negative cash flows which would otherwise arise.

Specific provision is made for the Guaranteed Minimum Pension under Section 32 Buy Out contracts.

(iii) The mathematical reserve for all other accumulating with-profits business is taken as the lower of:

(a) the accumulated fund or the value at the bid price of the notional number of units allocated to policyholders, in both cases excluding terminal bonus, and

(b) the surrender or transfer value which, having regard to policyholders' reasonable expectations, would be payable at the valuation date,

or, if greater, the value of the guaranteed liabilities, excluding terminal bonus, calculated on a gross premium bonus reserve method.

The comparison of the accumulated fund or value of units allocated, the surrender or transfer value and the bonus reserve liability is carried out on a policy-by-policy basis.

6. Valuation – principles and methods continued

For contracts for which the product description indicates that initial expenses are recouped by an annual cancellation of units allocated in the first year, the number of units valued is reduced appropriately. In cases where a higher benefit would be payable on early death, due allowance has been made.

In the base scenario the surrender or transfer value is taken as the accumulated fund, including terminal bonus, at the valuation date, less any explicit charge that would apply on immediate surrender. In the resilience scenarios, the surrender or transfer value described above is, where appropriate, reduced to reflect the market value reductions that would be applied consistent with movements in the underlying asset values over the lifetime of the policy.

The bonus reserve liability makes due allowance for future reversionary bonus interest at rates which would be payable if the valuation assumptions were borne out in practice and having regard to policyholders' reasonable expectations.

Where relevant, additional reserves have been set up for mortality, outstanding premiums, premiums in respect of policies not yet accepted and adjustments to allow for the incidence of initial commission. For Bond 32 the mathematical reserve has been increased where necessary to ensure that it is not less than the value, at 4%, of the GMP.

(iv) The mathematical reserve for property-linked contracts consists of a unit liability together with a non-unit liability to cover expenses, mortality, morbidity, options and guarantees and, for Prutrust, capital gains tax.

The unit liability is based on the value at the date of valuation of the units allocated to policyholders and, for the Prufund Investment Bond, on the value of the units held as part of the death benefit in excess of the units so allocated. Unit liabilities are wholly reassured under all contracts except Prutrust and Prufund in the UK and all overseas linked business.

The non-unit liability for mortality and expenses is determined by a discounted cash flow method, on a worst case basis as far as future conversion to paid-up status is concerned, and is adequate on the valuation basis to ensure that any future negative cash flows which would otherwise arise are eliminated. Part of the available fund charge is reserved for funding the death benefit for the Prufund Investment Bond. Specific reserves are also set up for tax on capital gains, for outstanding premiums and, where relevant, for premiums received in respect of policies not yet accepted.

(v) The mathematical reserve for RPI linked annuities is determined without an explicit allowance for future increases in annuity payments, which is consistent with the treatment of the matching assets.

(vi) The mathematical reserve for the index-linked Guaranteed Peak Bond is the value of the underlying asset which exactly matches the unit liability.

(vii) The mathematical reserve for the index-linked Guaranteed Equity Bond is the value of the guaranteed minimum maturity amount plus the gross value on the valuation date of the derivatives required to meet the additional maturity amount net of tax on gains.

(viii) The mathematical reserve for guarantees issued under the FSA personal pensions review is calculated by valuing the pension scheme benefits to which the policyholder would otherwise have been entitled and subtracting the value of the personal pension policy. In the absence of information about the actual scheme benefits, each policyholder where relevant is assumed to be in a scheme providing an RPI-linked pension of two thirds of final earnings after 40 years' service with a 50% continuation to a surviving spouse and equivalent death-in-service benefits.

6. Valuation – principles and methods continued

(ix) The mathematical reserve for guaranteed annuity options is based on a 100% take-up of available options, and is determined as follows:

(I) CA and CAAVC

For valuation purposes, it is assumed, in line with current practice, that if the guaranteed rates are higher than current rates on the valuation date, the guarantee will be revised with 6 months' notice from the next scheme renewal date. As a result, it is assumed that on average a further 18 months' premiums will be subject to the guarantee prior to its amendment. The additional amount of annuity payable as a result of the guarantee is calculated assuming that the recent profile of retirements (age, sex and purchase money) continues. The resulting annuity is valued on the basis used for non-profit group deferred annuities.

(II) EPP Mark 1

The fund in respect of the first 5 years' premiums for each scheme is calculated. The additional amount of annuity payable as a result of the guarantee is then calculated and valued as described in (I) above.

(III) SAIF products - FlexiPension Series 1 (including investments written as FlexiPension Series 2 or Series 1 pensions)
Individual Endowment/Pure Endowment - Series 1 & 2
IPA

For accumulating with-profits and linked business, an additional reserve is calculated by rolling up the existing unit reserve with future premiums to the selected retirement date, and calculating the present value of the excess of the annuity guarantee over the projected fund value. For linked business, the projected fund is calculated assuming a fund growth rate of 6.625% (i.e. 7.5% less an annual management charge) and the present value of the annuity guarantee is calculated at a discount rate of 4.5%. For accumulating with-profits business, no future bonus is allowed for. The projected fund is calculated assuming zero growth, and the present value is calculated at a zero discount rate.

For other business, the benefit included in the net premium reserve is the greater of the cash benefit and the value of the annuity guarantee. The mortality basis in possession is 70% of PMA92 (c=2002) or 70% of PFA92 (c=2002). Allowance is made for mortality improvement in deferment by reducing the valuation interest rate in deferment by 0.35%. The valuation interest rate (before the 0.35% reduction for mortality improvements) is 5% for FlexiPension and 4.5% for other products in deferment, and 4% in possession.

In addition a separate expense reserve is held.

(x) Exceptions to the above are as follows:

Mathematical reserves for with-profits whole life assurances issued by the Company prior to 1978, are calculated on the assumption that each policy is converted on its next anniversary to an endowment assurance maturing after ten years, this being the most onerous option.

A specific provision is held for the guarantee on certain low-cost endowment assurances described in the final paragraph of 4(A)(c)*B* (page 17).

An additional reserve is held against possible adverse mortality experience arising from the exercise of options under convertible term assurances in SAIF.

Specific provision is made for guaranteed early maturity options under Flexidowment and certain other miscellaneous assurances and deferred annuities in SAIF, and for early maturity options and annuity options under FlexiPension (Series 1) contracts, by valuing them at the earliest maturity option date and holding additional reserves for maturity options thereafter. For FlexiPension (Series 1), the 3% Zillmer adjustment described in paragraph 6(1)(c) (page 86), which applies to the maturity benefit at the earliest maturity option, is reduced to 2% of the maturity benefit at later ages.

Specific provision is made for guaranteed cash options under pension assurance and pure endowment contracts in SAIF by valuing the greater of the cash option and the present value of the annuity benefit.

6. **Valuation – principles and methods continued**

The mathematical reserve for waiver of premium benefits on contracts in SAA and SAIF is two years' premium income plus a reserve for claims in payment.

The mathematical reserve for group deferred annuity contracts in SAIF is the value as at 31 December 2001 of the benefit secured before the 2001 renewal date, plus the value of the return of premiums on death before pension age. An additional reserve is held for premiums received on or after the 2001 renewal date and for refunds of premiums outstanding.

The reserve for single premium loan protection policies is the unearned premium plus any accrued profit commission. The unearned premium is net of initial commission but gross of all other loadings for expenses and profit. No additional reserve is held against adverse deviations in mortality experience since the expense and profit loadings are large in relation to the underlying net premium.

The mathematical reserve for certain minor classes of assurance and contingent reversionary annuities is based on the premiums paid, and is not less than an appropriate reserve calculated prospectively.

Deferred assurances and deferred annuities where the death benefit is the return of the premiums paid are valued without allowance for mortality during the period of deferment.

The mathematical reserve for some individual deferred annuities is obtained by accumulating the premiums paid at the greater of a rate of interest guaranteed at the date of issue and a concessionary rate of interest declared for each year, these concessionary rates being the rates of interest used in determining the benefits payable.

(xi) Where the Company has accepted liability for future payments of Life Assurance Premium Relief on policies which were in the course of issue and subsequently not allowed as eligible following the Finance Act 1984, provision for the full liability is made explicitly in the mathematical reserves for both linked and non-linked contracts issued by PAC. For contracts issued by SALAS, appropriate provision is included in the additional reserves in SAIF, as described in 6(1)(i) (page 88).

In particular, the following principles and methods have been adopted:

(a) In determining the long term liabilities, allowance has been made for derivative contracts and contracts or assets having the effect of derivative contracts, by adjusting the existing assets attributed to the long term business to reflect the underlying investment exposure.

(b) Due regard has been paid to the reasonable expectations of policyholders as follows:

For the declaration of annual reversionary bonuses on conventional with-profits business, by adopting a valuation interest rate which is less, by an amount which makes implicit provision for the emergence of appropriate future reversionary bonuses, than that element of the total future investment return which, it is anticipated, will be utilised in the declaration of reversionary bonuses. In all cases, the mathematical reserve is not less than any surrender value which a policyholder might reasonably expect to receive, excluding any element relating to terminal bonus.

For accumulating with-profits business, the surrender or transfer value payable at the valuation date, and the bonus reserve liability, make direct allowance for policyholders' reasonable expectations. Where mathematical reserves are based on the accumulated fund or value at the bid price of the units allocated, the method allows investment earnings in excess of any guaranteed rate of accumulation and an amount needed to provide for expenses, to emerge in proportion to reserves and hence (to the extent that they are not utilised to provide for future terminal bonus) fund bonus interest.

For linked business the Company reserves the right to increase the annual management charge applicable to certain internal linked funds. Policyholders would reasonably expect that any such increases would be associated with external events outside the control of the Company or, in the case of policies transferred from SALAS, with an increase in management expenses considerably in excess of inflation. The calculation of non-unit reserves is in accordance with this expectation.

6. Valuation – principles and methods continued

(c) The net premium method has been used without modification for non-profit assurances issued in the United Kingdom, and for non-profit individual deferred annuities. All other assurances, and with-profits individual retirement annuities, have been valued by the modified net premium method.

For assurances valued by the modified net premium method, the net premium is modified by adding an amount having a capitalised value at the date of issue of the policy of:

(A) 1.5% of the sum assured for business issued in Malta;

(B) 2% of the sum assured for pensions assurance policies in SAIF; and

(C) 3% of the sum assured for all other policies.

For business issued in Hong Kong and Malta, net premiums are further modified to ensure that they do not exceed the unmodified net premium which would apply if the policy had been issued one and a half years (Hong Kong Better Life policies) or one year (other policies) after its actual issue date, the dates of payment of the sum assured and cessation of premiums being unchanged.

For with-profits individual retirement annuities, the addition is 2% of the relevant capital sum.

For contracts in SAIF, the amount of each net premium is limited where necessary to 92.5% of the premium actually payable by the policyholder.

These modifications conform with rule 5.10 of IPRU (INS).

(d) To ensure conformity with rule 5.15 of IPRU (INS), policies where negative reserves could arise have been valued individually, and the mathematical reserves increased to zero where necessary. Appropriate provision has been included within the additional reserve to ensure that outstanding premiums do not result in any policies being treated as an asset.

(e) For with-profits assurance policies issued by PAC where premiums have ceased, allowance is made for future reversionary bonuses at a rate of 1% per annum simple.

For accumulating with-profits business, the bonus reserve liability makes allowance for future reversionary bonuses.

Otherwise, no specific allowance is made for future bonus.

(f) The fund shown in Form 58 relates to assets at book value. No provision for any prospective liability for tax on unrealised capital gains in respect of non-linked business has been included in the mathematical reserves shown in Form 58. However, a provision is made in Form 14 as described in section 6(2) below.

For Prutrust policies, the reserve for tax on capital gains shown in Form 53 has been calculated on the assumption that all units were realised at 31 December 2001, with due allowance for the future deductions which would be available from policy proceeds.

For Prufund policies, unit prices are calculated net of a provision for tax on capital gains.

For Guaranteed Equity Bond a provision for tax on capital gains is included in the mathematical reserves.

For Prudence Managed Bond, Prudence Distribution Bond, linked benefits under Prudence Bond and all property-linked contracts in SAA and SAIF, reserves for any capital gains tax liability arising on the sale of units are maintained by the reinsurer.

6. Valuation – principles and methods continued

(g) Provision is made in the bonus reserve valuation for the guaranteed accumulation rates under United Kingdom deposit administration contracts which are described in 4(A)(a)(1)*C* (page 7).

For contracts in SAIF and SAA, the following investment performance guarantees apply :-

(i) The rate of interest credited to a group accumulation policy will not fall below 5% per annum in the first five years of the policy's duration.

(ii) The value of accumulation units in the Net Cash Fund, Exempt Cash Fund and Exempt Building Society Fund will not fall.

(iii) For accumulating with-profits pensions policies where the application was received before 15 January 1996, the value of Exempt With-Profits (Series 1) initial units is guaranteed not to fall and the increase in value of Exempt With-Profits (Series 1, 2, 3 and 4) accumulation units is guaranteed to average not less than 4% per annum over the term of the policy. The guarantee applies only on maturity or earlier death.

(iv) The value of Guaranteed Investment Bonds on the guarantee dates is guaranteed to be at least 110% of the original investment.

No specific provision is made for the guarantees in (i) and (ii) above. The guarantees in (iii) are allowed for in the bonus reserve valuation. Provision for the guarantee in (iv) is met by the purchase of appropriate put options.

6. Valuation – principles and methods continued

(h) Specific provision is made for certain options under which policies may be effected without evidence of health.

(i) The additional reserve covers:

the expenses associated with carrying out the FSA personal pensions review and the potential costs of compensating policyholders other than those in phase 1 who have accepted guarantees;

the expenses associated with carrying out the FSAVC review and the potential cost of compensating policyholders;

the £34m cost of meeting the guaranteed annuity options that were granted on pensions policies issued by PAC in the 1970s and 1980s, the equivalent provision of £758m in SAIF being included in the mathematical reserves for the appropriate policies;

future expenses likely to be incurred in fulfilling ex-Scottish Amicable contracts, to the extent that such expenses cannot be met by the margin between the actual premium receivable and the net premium valued;

potential additional liabilities in respect of systems and administration errors;

the potential cost of meeting maturity options and miscellaneous guarantees;

life assurance premium relief paid by the Company on ex-Scottish Amicable contracts (appropriate provision for other policies being made within the mathematical reserves);

claims incurred but not reported at the valuation date;

additional mortality costs as a result of AIDS (except for ex-Scottish Amicable assurances where provision is made in the mathematical reserves);

early cessation of premiums under UK assurance policies (other than those in the pension fund and those transferred from Scottish Amicable) issued after 1962;

ensuring that outstanding premiums and, in Hong Kong, outstanding commission do not result in a contract being treated as an asset;

potential levies to the Financial Services Compensation Scheme; and

general contingencies.

(2) For business in the linked fund, explicit provision is made in respect of mismatching and the prospective liability for tax on unrealised gains. For other business, the funds are brought into Form 58 at book value. No provision is made in the valuation for mismatching or the prospective liability for tax on unrealised capital gains, both such provisions being made in Form 14. For the Other Long Term PAC Fund, the provision in Form 14 for the prospective liability for tax on unrealised capital gains is based on all UK ordinary branch business other than property-linked and all industrial branch business combined, and has been assessed by providing an amount equal to 22% of the estimated chargeable gains at 31 December 2001. For SAIF, the equivalent amount is 22% of the estimated chargeable gains at 31 December 2001.

The provision for mismatching is as described in 7 below.

7. Interest, mortality and morbidity bases, resilience etc

(1) The rates of interest and tables of mortality assumed in the valuation are shown in Forms 51 to 54. For Better Life contracts in Hong Kong, the valuation interest rate is 4% for the with-profits portion and 4.5% for the non-profit portion. The valuation interest rates make implicit provision for £174m per annum of investment management expenses that relate to maintenance and lease costs on property assets. The yields on property shown in Forms 48 and 57 are net of these costs.

(2) Specimen rates per £1,000 sum at risk for the incidence of death, terminal illness and critical illness combined used to value MPCIC are:

Age	Men		Women	
	non-smokers	smokers	non-smokers	smokers
20	1.10	1.10	0.60	1.30
25	1.20	1.20	0.90	1.20
30	1.00	1.10	1.30	1.40
35	1.20	1.70	1.50	2.20
40	1.70	3.00	1.90	3.60
45	2.70	5.40	2.70	6.20
50	5.30	9.70	4.60	10.30
55	9.80	16.20	7.70	15.90
60	17.90	27.30	12.60	24.70
65	29.50	40.70	17.80	33.80

The underlying mortality rates are AM92 or AF92 ultimate both rated up 1 year.

Specimen incidence rates per $1,000 sum at risk used to value accelerated critical illness benefit and total and permanent disability benefit attached to with-profits and linked assurances issued in Hong Kong are:

Age	Critical illness		TPDB
	Men	Women	
20	0.90	0.35	0.063
25	0.82	0.54	0.072
30	0.72	0.78	0.081
35	0.93	1.19	0.108
40	1.49	1.79	0.171
45	2.58	2.76	0.270
50	4.31	4.28	0.423

Age	Critical illness		TPDB
	Men	Women	
55	6.87	5.92	0.702
60	11.50	8.20	1.206
65	17.08	11.34	2.016
70	22.54	15.87	2.889
75	28.85	21.14	2.889
80	32.28	25.05	2.889
85	34.00	25.11	2.889

No other unpublished mortality or disability tables have been used.

(3) The mortality and disability tables used are based on experience relevant to the State of the commitment.

(4) In general, annuities are valued using various percentages of the 92 series tables for annuitants and pensioners. The percentages are selected so that the valuation makes allowance for future mortality improvement at a faster rate than that implicit in the underlying tables. Due to practical constraints, immediate annuities issued in Hong Kong are valued on the 80 series tables with prudent allowance for improvements in mortality. For annuity contracts in deferment, for valuing the provision for guaranteed annuity options on SAIF policies and for guarantees issued in connection with phase 1 of the FSA personal pensions review, a further deduction of 0.35% from the valuation rate of interest has been made to allow for mortality improvements prior to vesting.

(5) Provision for AIDS has been assessed using one third of the additional mortality derived from the assumptions underlying projection R6A of the Institute of Actuaries Working Party Bulletin No. 5.

For business in SAIF and SAA and reinsurance accepted from SAL, the provision is made by modifying the mortality table used to calculate the mathematical reserves.

For other business, provision is made by including £2.87m in the additional reserves. No allowance has been made for Prufund Protection Plan because mortality charges can be varied.

7. Interest, mortality and morbidity bases, resilience etc continued

(6) To ensure compliance with rule 5.17 of IPRU (INS), the following scenarios of future changes in the value of a block of assets equal in market value to the total mathematical reserves (after distribution of surplus) have been tested. The resulting value of the assets has been compared with the resulting revised values of those mathematical reserves. Allowance has been made in each scenario for the effect on the prospective liability to tax on unrealised capital gains. The scenarios tested are:

(a) A combination of

(i) a 10% fall in equity and property values with corresponding rises in dividend and rental yields,

(ii) for fixed interest securities

- of less than five years outstanding term to redemption (including short term deposits), a 20% fall in the risk free yield
- of fifteen or more years outstanding term to redemption, a 10% fall in the risk free yield
- of more than five but less than fifteen years outstanding term to redemption, a fall in the risk free yield of (25-{outstanding term in years and part years})%, and

(iii) a 25% fall in the real yield on index-linked gilts.

(b) A combination of

(i) a fall in equity values of 25%, equity earnings of 10% and property values of 20% with no change in dividends and rental income,

(ii) for fixed interest securities

- of less than five years outstanding term to redemption, (including short term deposits), a fall in the risk free yield to the maximum reinvestment rate permitted under rule 5.11(9) of IPRU (INS)
- of fifteen or more years outstanding term to redemption, no change in the risk free yield
- of more than five but less than fifteen years outstanding term to redemption, a fall in the risk free yield calculated by interpolation between the rule 5.11(9) rate at term five years and the 15-year gilt yield at duration fifteen years, and

(iii) a 10% increase in the real yield on index-linked gilts.

(c) an immediate increase of 3 percentage points in the rates of interest per annum obtainable on fixed interest securities, an immediate increase of one percentage point in the real yields on index-linked gilts, a 25% fall in the market value of equities, a 10% fall in equity earnings and a 20% fall in the market value of property, together with corresponding rises in the dividend and rental yields.

Scenario (6)(c) was the most onerous for each of the SAIF, Europe and the Other Long Term PAC Funds and the results on this basis are reported in Form 57.

(7) The business is primarily with-profits, and no additional provision is considered necessary under rule 5.17(a) of IPRU (INS).

(8) The fund shown in Form 58 relates to assets at book value. No provision for mismatching has been included in the mathematical reserves shown in Form 58. However a provision of £2.6 billion (£0.9 billion for SAIF and £1.7 billion for the Other Long Term PAC Fund) has been made in Form 14. This is based on all non-linked liabilities and the non-unit liabilities for linked business considered separately for SAIF and the Other Long Term PAC Fund, and was calculated as follows:

(a) Valuation interest rates were adjusted as stated in Forms 57. In addition, for with-profits pensions individual deferred annuities other than those in SAIF and for guarantees issued in connection with the FSA personal pensions review, the rates of interest in possession in all scenarios were adjusted so that they were not greater than the maximum reinvestment rate specified in rule 5.11(9) (a) of IPRU (INS) which would apply in the relevant scenario.

No other assumptions were changed.

7. Interest, mortality and morbidity bases, resilience etc continued

(b) Assets were hypothecated to liabilities as shown in Form 57. Income from these assets was restricted where necessary to ensure that no equity or property asset had a yield (before the market fall) in excess of the annual yield at 31 December 2001 on the Merrill Lynch over 10 years corporate bond index, less a risk margin of 30 basis points. This is reflected in the yields shown on Form 57.

For land and buildings, the restriction on rental income was applied after deducting from the expected gross income the expected outgo on maintenance costs and leases. This treatment is consistent with that adopted in Form 48. The outgo on property maintenance costs and leases amounted to £9,379,000 in SAIF and £161,838,000 in the Other Long Term PAC Fund. However, it should be noted that in Form 40 all investment management expenses, including those on property maintenance costs and leases, are shown as expenses.

For land and buildings, equities and fixed interest securities in the Other Long Term PAC Fund, implicit allowance was made for investment management charges by ensuring that the gross yields in Form 57 were at least 0.125% per annum higher than the corresponding valuation interest rates.

For accumulating with-profits policies, the liability in the resilience scenario is taken as the lower of:

(a) the accumulated fund or the value at the bid price of the notional number of units allocated to policyholders, in both cases excluding terminal bonus, and
(b) the surrender or transfer value which, having regard to policyholders' reasonable expectations, would be payable at the valuation date if the underlying assets had their resilience scenario values,

or, if greater, the value of the guaranteed benefits, excluding terminal bonus, calculated on a gross premium bonus reserve basis.

When calculating the surrender value in the resilience scenarios, the underlying assets used are those actually held in the company's with-profits fund, and not the assets hypothecated in Form 57.

For most other regular premium business the liability in the resilience scenarios is taken as the present value of the guaranteed benefits. In each case these liabilities are valued at the interest rates shown in Form 57.

(c) (i) The long term liabilities excluding any provision for mismatching fell by £1.6 billion in SAIF and by £7.9 billion in the Other Long Term PAC Fund. The Form 14 provision for the prospective liability for tax on unrealised capital gains fell by £0.3 billion in SAIF and by £1.3 billion in the Other Long Term PAC Fund.

(ii) The assets allocated to the long term liabilities, including those backing the provision of £2.6 billion included in Form 14, fell by £2.8 billion in SAIF and by £10.9 billion in the Other Long Term PAC Fund from the values shown in Form 13.

(9) Liabilities in each currency are covered by assets in that currency, with the exception of the small liability for contracts issued in Maltese currency where sterling assets are held. The valuation rates of interest pay due regard to the yields available on the matching assets and to policyholders' reasonable expectations.

8. Valuation of non-linked business

(a) The proportion of office premiums implicitly reserved for expenses and profits is shown in Form 51 wherever such provision is made. There are no such provisions recorded in Form 52.

(b) SAIF holds an explicit expense reserve where required.

The bonus reserve method used to value accumulating with-profits business includes explicit allowances for expenses.

For business other than SAIF and accumulating with-profits:

The reserves for all immediate and deferred annuities include an explicit allowance for payment expenses as indicated in note 5103 (page 404).

The reserves for limited premium non-linked assurances in Hong Kong include a provision for expenses after premiums have ceased equal to the present value of US$17.5 per policy per annum, escalating at 3% per annum.

Maintenance expenses are provided for by reducing the valuation interest rate by 0.5% per annum for paid-up assurances and by 1% per annum during deferment for non-premium paying with-profits deferred annuities.

(c) A prospective valuation has been used for all types of non-linked business except for miscellaneous minor categories for which the total mathematical reserves are negligible.

(d) All future premiums valued are computed in accordance with rule 5.9(1) of IPRU (INS).

9. Valuation of linked business

(a) The unit liability in respect of property-linked contracts has been obtained by valuing those units allocated to policyholders, reduced where appropriate for future cancellation of units and additional charges made on special series of units associated with initial contributions, at the unit valuation price on the valuation date, plus an additional amount in respect of Prufund Investment Bond death benefit (see 5(1)(A)(vi) on page 39). For contracts linked to an external unit trust, the valuation price is the bid price of units; for contracts linked to internal funds, it is determined from the net asset value of the fund and the number of units.

The Company's sole liability for the Guaranteed Peak Bond reinsured from SAL is to pay the value of the units in the event of a claim. All other liabilities are retained by SAL. The Company has purchased an asset which precisely matches the unit liability. The mathematical reserve is therefore equal to the market value of this asset.

For United Kingdom business, the following parameters were used in determining the non-unit liability:

(A) Direct written contracts other than those in SAIF and SAA

(i) Prutrust Whole Life, Prutrust Endowment, Prufund Savings Plan, Prufund Protection Plan and Prufund Investment Bond:

	% p.a.
Valuation rate of interest (net)	3.60
Fund growth (before adjustment to allow for fund charge)	3.60
Inflation	3.00

For Prufund Savings Plan and Prufund Investment Bond, credit is taken for a fund charge of 0.90% (the full fund charge of 1% less investment expenses of 0.1%, net of tax). For the Investment Bond, part of the fund charge (0.051%) is earmarked as provision for the death benefit in excess of the unit reserve.

Turn on investments: 4% on units allocated

Mortality: AM92 Ult rated down 3 years for men and 8 years for women.

9. Valuation of linked business continued

Per policy expenses (net of tax) applicable at 31 December 2001:

Renewal	
Premium paying policies	£32
Other	£22
Claim	£36

*(ii) **Prudence Bond, Prudence Managed Fund and Prudence Distribution Bond:***

	% p.a.
Valuation rate of interest	3.20
Fund growth (before adjustment to allow for fund charge)	3.60
Fund charge (net of investment expenses of 0.20% per annum)	0.80

In determining the future income from net fund charges, the value of units is based on average bid prices during the year or, if lower, those ruling at the end of the year.

Inflation	3.00

Mortality: AM92 or AF92 Ult both rated down 3 years.

Renewal expenses per annum (net of tax relief at 20%) at 31 December 2001:

per cent of premium	0.10
per policy benefit	£3.05

In the case of policies with both with-profits and unit linked benefits, a proportionate part of the per policy loadings are valued.

*(iii) **Guaranteed Equity Bond:***

	% p.a.
Valuation rate of interest	4.40
Fund growth (before adjustment to allow for fund charge)	3.60

Mortality: AM92 Ult rated down 3 years for men and 8 years for women.

Expenses net of tax:

Renewal	£22
Claim	£36

9. Valuation of linked business continued

(iv) PPA, EPP2/3/4, EIB, PPP and FSAVC:

	% p.a.
Valuation rate of interest	4.50
Fund growth (before adjustment to allow for fund charge and loyalty bonus where applicable)	4.50
Fund charge (net of investment expenses with full allowance for the accrual of future guaranteed loyalty bonus units on EPP2/3 and PPP)	
EPP and PPP written after 6 April 1990, PPA, EIB and FSAVC	0.75
EPP and PPP written before 6 April 1990	0.50

In determining the future income from net fund charges, the value of units is based on average bid prices during the year or, if lower, those ruling at the end of the year.

Inflation	3.00
Mortality: AM92 or AF92 Ult both rated down 3 years.	
Persistency:	100.00

Renewal expenses per annum at 31 December 2001:

	PPA and PPP	EPP and EIB
Single premium		
per cent of premium	1.70	1.20
per policy benefit	£3.80	£3.80
Regular premium - premium paying		
per cent of premium	7.10	6.70
per policy benefit	£7.60	£7.60
per payment	£1.50	£1.50
Regular premium - non-premium paying		
per cent of premium	3.50	3.90
per policy benefit	£3.80	£3.80

Policy fees are valued where applicable. In the case of policies with both with-profits and unit linked benefits, a proportionate part of the per policy loadings is valued.

(v) AVC, GPP1/2/3, PTP and MPP2:

	% p.a.
Valuation rate of interest	4.00
Fund growth (before adjustment to allow for fund charge)	4.50
Fund charge (net of investment expenses):	
AVC, GPP1/2, PTP, MPP2	0.75
GPP3 reassurance to:	
Prudential Pensions Limited	1.00
Barclays Global Investors Pensions Management Limited	0.95
Mercury Life Assurance Company Limited	1.25
London & Manchester (Managed Funds) Limited	1.25
Inflation	3.00
Mortality	Nil
Total renewal expenses applicable at 31 December 2001:	£ 2,107,600

9. Valuation of linked business continued

(vi) Stakeholder pensions:

	% p.a.
Valuation rate of interest	4.00
Fund growth (before adjustment to allow for fund charge)	4.50
Fund charge (net of investment expenses):	0.75
Inflation	3.00
Mortality	Nil
Total renewal expenses applicable at 31 December 2001:	£ 588,624

(vii) Flexible Retirement Income Account

	% p.a.
Valuation rate of interest	4.00
Fund growth (before adjustment to allow for fund charge)	4.50
Fund charge (net of investment expenses)	0.80

In determining the future income from net fund charges, the value of units is based on average bid prices during the year or, if lower, those ruling at the end of the year.

Mortality:	80% of PMA/PFA92 u2002
Persistency:	100%

Renewal expenses:

Inflation	3.00
Commission (per cent of original premium per annum)	0.25
FLA annual policy fee	£150
Pension Contract per policy benefit per annum	£300

(B) Contracts in SAIF

	% p.a.
Valuation rate of interest	4.00
Fund growth (before adjustment to allow for fund charge)	4.50
Inflation	3.00

Mortality: AM92 or AF92 Ult both rated up 1 year
+ allowance for 33% AIDS mortality R6A for men and women.

Renewal expenses in addition to commission:

For regular premium personal pension business	£26.00 p.a.
For single premium personal pension business	£16.00 p.a.
For regular premium company pension business	£42.50 p.a.
For single premium company pension business	£25.50 p.a.

Termination expenses:

Personal Pensions	£75
Company Pensions	£105

9. Valuation of linked business continued

(C) Contracts in SAA	% p.a.
Valuation rate of interest	3.20
Fund growth (before adjustment to allow for fund charge)	3.60
Inflation	3.00

Mortality: AM92 or AF92 Ult both rated up 1 year
+ allowance for 33% AIDS mortality R6A for men and women.

Renewal expenses in addition to commission:

For single premium business	£10.50 p.a.
For regular premium business	£17.00 p.a.

Termination expenses:

Critical Protection Plan	£105
Other business	£55

(b) Explicit provision has been made for future expenses on business transacted in the United Kingdom and France. No explicit provision is made for Hong Kong business because charges for all contracts may be varied.

10. Expenses

(1) For business in SAA and SAIF, expense inflation is allowed for in the valuation at the rate of 3% per annum. For non-linked business other than accumulating with-profits business, the present value of future expenses allowing for inflation is compared with the margin between the value of future office and net premiums for each of the main categories of business separately. Where this margin is less than the present value of future expenses, an additional reserve is held equal to the amount of the shortfall. For accumulating with-profits and property-linked business, expense inflation is allowed for in the sterling reserves.

For business other than that in SAA and SAIF, no explicit provision has been made for future expense inflation, except for property-linked business for which details are given in section 9 above.

(2) The valuation provides for expenses in the next twelve months in respect of business in force on the valuation date as follows:

Source	Grossed up amount £m
Explicit loadings on AWP, linked and immediate annuity business	156
Explicit loadings in the provision for the FSA personal pensions review	100
1% of reserves on non-premium paying with-profits deferred annuities	25
Where a net premium valuation method is used, the excess of office over net premiums for non-profit contracts plus 30% of the excess for with-profits contracts	159
Margin in property yield reported on Form 57 to cover maintenance costs and leases	168
0.125% of assets allocated on Form 57 Other Long Term PAC Funds (excluding the balance form) to cover fund management expenses	57
Total	665

(3) The cost of continuing to transact new business during the twelve months following the valuation date was projected on the Company's business plan assumptions. As the cost is covered by surplus expected to arise from the in force business, no additional reserve is required.

(4) An allowance for expenses arising from closure to new business, if closure occurred twelve months after the valuation date, has been compared with the explicit margins and the portion of implicit margins not being utilised for other purposes arising from the in force business. As the costs are covered by the margins, no additional reserve is required.

11. Currency matching

Less than 2% of the total mathematical reserves relate to liabilities in currencies other than sterling, and all except those in Maltese currency (less than 2% of the non-sterling liabilities) are matched by assets in the same currency. In the case of policies in US dollars issued in Hong Kong, the matching assets are not all held in that part of the fund which is ear-marked to cover the Hong Kong branch liabilities.

More than sufficient sterling assets are held to match the sterling liabilities.

12. Reinsurance

(1) No premiums were paid in 2001 in respect of reinsurance business ceded on a facultative basis to reinsurers not authorised to carry on business in the United Kingdom.

(2) The following reinsurance treaties were in force at 31 December 2001.

(i) (a) **Prudential Annuities Limited**

(b) The reinsurer is authorised to carry on insurance business in the United Kingdom.

(c) The reinsurer is a connected company.

(d) United Kingdom non-profit pension annuities in payment on a 100% quota share basis.

(e) The premiums payable under the treaty during 2001 were £592,422,000.

(f) There were no deposit back arrangements.

(g) The net liability includes no allowance for the refund of any reinsurance commission.

(h) The treaty is open to new business.

(ii) (a) **Prudential Holborn Life Limited**

(b) The reinsurer is authorised to carry on insurance business in the United Kingdom.

(c) The reinsurer is a connected company.

(d) United Kingdom linked benefits under Prudence Bond, Prudence Managed Bond and Prudence Distribution Bond on a 100% quota share basis.

(e) The premiums payable under the treaty during 2001 were £23,832,000.

(f) There were no deposit back arrangements.

(g) The net liability includes no allowance for the refund of any reinsurance commission.

(h) The treaty is open to new business.

12. Reinsurance continued

(iii) (a) **Prudential Holborn Pensions Limited**

(b) The reinsurer is authorised to carry on insurance business in the United Kingdom.

(c) The reinsurer is a connected company.

(d) United Kingdom linked benefits under PPA, EPP2/3, EIB, PPP and FSAVC on a 100 per cent quota share basis.

(e) The premiums payable under the treaty during 2001 were £26,081,000.

(f) There were no deposit back arrangements.

(g) The net liability includes no allowance for the refund of any reinsurance commission.

(h) The treaty is open to new business.

(iv) (a) **Prudential Pensions Limited**

(b) The reinsurer is authorised to carry on insurance business in the United Kingdom.

(c) The reinsurer is a connected company.

(d) United Kingdom linked benefits under Group AVC, MPP2, GPP1/2/3/4, SHP and PTP contracts on a 100% quota share basis.

(e) The premiums payable under the treaty during 2001 were £74,760,000.

(f) There were no deposit back arrangements.

(g) The net liability includes no allowance for the refund of any reinsurance commission.

(h) The treaty is open to new business.

(v) (a) **Swiss Reinsurance Life & Health Ltd**

(b) The reinsurer is authorised to carry on insurance business in the United Kingdom.

(c) The reinsurer and the Company are not connected.

(d) United Kingdom group pension temporary assurances in excess of loss form, all classes of business transferred from SALAS (6 treaties) and Hong Kong assurances (2 treaties) in surplus form on a risk premium basis and group life assurance in Hong Kong on a quota share basis.

(e) The premiums payable under the treaties during 2001 were £7,268,000.

(f) There were no deposit back arrangements.

(g) The net liability includes no allowance for the refund of any reinsurance commission.

(h) The treaties are open to new business.

12. Reinsurance continued

(vi) (a) **Scottish Amicable Life plc**

(b) The reinsurer is authorised to carry on insurance business in the United Kingdom.

(c) The reinsurer is a connected company.

(d) United Kingdom linked benefits under
(i) Flexible Retirement Income Account (FRIA) policies
(ii) pensions policies transferred from SALAS to SAIF, and
(iii) life policies transferred from SALAS to SAA
on a 100% quota share basis. One treaty covers FRIA policies and a second treaty covers SAIF and SAA policies.

(e) The premiums payable under the treaties during 2001 were £309,742,000.

(f) There were no deposit back arrangements.

(g) The net liability includes no allowance for the refund of any reinsurance commission.

(h) The treaty is closed to new business.

(vii) (a) **Barclays Global Investors Pension Management Ltd (BGIPM)**

(b) The reinsurer is authorised to carry on insurance business in the United Kingdom.

(c) The reinsurer and the Company are not connected.

(d) Linked benefits under GPP3, GPP4 and stakeholder pensions, where the member has chosen to invest in BGIPM's funds, on a 100% quota share basis.

(e) The premiums payable under the treaty during 2001 were £665,000.

(f) There were no deposit back arrangements.

(g) The net liability includes no allowance for the refund of any reinsurance commission.

(h) The treaty is open to new business.

(viii) (a) **Mercury Life Assurance Company Ltd (MLA)**

(b) The reinsurer is authorised to carry on insurance business in the United Kingdom.

(c) The reinsurer and the Company are not connected.

(d) Linked benefits under GPP3, where the member has chosen to invest in MLA's funds, on a 100% quota share basis.

(e) The premiums payable under the treaty during 2001 were £362,000.

(f) There were no deposit back arrangements.

(g) The net liability includes no allowance for the refund of any reinsurance commission.

(h) The treaty is open to new business.

12. Reinsurance continued

(ix) (a) **London and Manchester (Managed Funds) Ltd (L&MMF)**

(b) The reinsurer is authorised to carry on insurance business in the United Kingdom.

(c) The reinsurer and the Company are not connected.

(d) Linked benefits under GPP3, where the member has chosen to invest in the L&MMF fund, on a 100% quota share basis.

(e) The premiums payable under the treaty during 2001 were £59,000.

(f) There were no deposit back arrangements.

(g) The net liability includes no allowance for the refund of any reinsurance commission.

(h) The treaty is open to new business.

(x) (a) **GeneralCologne Reinsurance**

(b) The reinsurer is authorised to carry on insurance business in the United Kingdom.

(c) The reinsurer and the Company are not connected.

(d) Hong Kong Mortgage Term Assurance Plan, Term Life Plan and group life assurance (two treaties) in surplus form on a risk premium basis.

(e) The premiums payable under the treaty during 2001 were £366,000.

(f) There were no deposit back arrangements.

(g) The net liability includes no allowance for the refund of any reinsurance commission.

(h) The treaties are open to new business.

(xi) (a) **Munich Reinsurance Co**

(b) The reinsurer is authorised to carry on insurance business in the United Kingdom.

(c) The reinsurer and the Company are not connected.

(d) Individual UK term insurance issued before 1 January 2000 in surplus form on an original terms basis.

(e) The premiums payable under the treaty during 2001 were £20,280,000.

(f) There were no deposit back arrangements.

(g) The net liability includes no allowance for the refund of any reinsurance commission.

(h) The treaty is not open to new business.

12. Reinsurance continued

(xii) (a) **Deutsche Asset Management Life and Pensions Ltd**

(b) The reinsurer is authorised to carry on insurance business in the United Kingdom.

(c) The reinsurer and the Company are not connected.

(d) Linked benefits under GPP4 and stakeholder pensions, where the member has chosen to invest in DAML&P's funds, on a 100% quota share basis.

(e) The premiums payable under the treaty during 2001 were £22,000.

(f) There were no deposit back arrangements.

(g) The net liability includes no allowance for the refund of any reinsurance commission.

(h) The treaty is open to new business.

(xiii) (a) **Standard Life Assurance Company Ltd**

(b) The reinsurer is authorised to carry on insurance business in the United Kingdom.

(c) The reinsurer and the Company are not connected.

(d) Linked benefits under stakeholder pensions, where the member has chosen to invest in Standard Life's funds, on a 100% quota share basis.

(e) The premiums payable under the treaty during 2001 were £43,000.

(f) There were no deposit back arrangements.

(g) The net liability includes no allowance for the refund of any reinsurance commission.

(h) The treaty is open to new business.

(3) No financing agreements were in force at 31 December 2001.

13. With-profits funds

The Company maintains three separate with-profits funds – the 90:10 fund, SAIF and Europe. The 90:10 fund comprises business in the Industrial Branch, Ordinary Branch (Other) and Ordinary Branch (Non-linked pensions) sub-funds.

(1) (a) Form 40 for SAIF is included in Schedule 3. Schedule 3 also contains a Form 40 for the Europe fund, which includes unit-linked business (the profits from which accrue to shareholders). A revenue account in the format of Form 40 for the Europe fund excluding unit-linked business is shown below:

Items are shown net of reinsurance ceded		The financial year 1	Previous year 2
Earned premiums	**11**	39,127	
Investment income receivable before deduction of tax	**12**	383	
Increase (decrease) in the value of non-linked assets brought into account	**13**	(961)	
Increase (decrease) in the value of linked assets	**14**		
Other income	**15**	120	
Total income (11 to 15)	**19**	38,669	
Claims incurred	**21**	298	
Expenses payable	**22**	1,478	
Interest payable before deduction of tax	**23**		
Taxation	**24**	20	
Other expenditure	**25**		
Transfer to (from) non technical account	**26**		
Total expenditure (21 to 26)	**29**	1,796	
Increase (decrease) in fund in financial year (19-29)	**39**	36,873	
Fund brought forward	**49**		
Fund carried forward (39+49)	**59**	36,873	

A revenue account for the 90:10 fund in the format of Form 40 is shown below:

Items are shown net of reinsurance ceded		The financial year 1	Previous year 2
Earned premiums	**11**	4,793,470	4,590,200
Investment income receivable before deduction of tax	**12**	2,766,444	2,613,265
Increase (decrease) in the value of non-linked assets brought into account	**13**	1,985,419	2,409,751
Increase (decrease) in the value of linked assets	**14**		
Other income	**15**	72,017	126,069
Total income (11 to 15)	**19**	9,617,350	9,739,285
Claims incurred	**21**	4,800,877	4,525,749
Expenses payable	**22**	1,196,635	1,012,820
Interest payable before deduction of tax	**23**	54,339	44,998
Taxation	**24**	181,046	191,776
Other expenditure	**25**	242	361
Transfer to (from) non technical account	**26**	309,561	309,127
Total expenditure (21 to 26)	**29**	6,542,700	6,084,831
Increase (decrease) in fund in financial year (19-29)	**39**	3,074,650	3,654,454
Fund brought forward	**49**	47,590,483	43,924,102
Fund carried forward (39+49)	**59**	50,665,133	47,578,556

13. With-profits funds continued

For the three funds, none of the investment income in line 12 relates to linked assets.

(b) Form 14 for SAIF is included in Schedule 1.

A statement of liabilities and margins for the Europe fund in the format of Form 14 is shown below:

Items are shown net of reinsurance ceded				As at the end of this financial year 1	As at the end of the previous year 2
Mathematical reserves, after distribution of surplus			11	36,873	
Cash bonuses which had not been paid to policyholders prior to the end of the financial year			12		
Balance of surplus/(valuation deficit)			13		
Long term business fund carried forward (11 to 13)			14	36,873	
Claims outstanding which had fallen due for payment before the end of the financial year	Gross amount		15		
	Reinsurers' share		16		
	Net (15-16)		17		
Provisions for other risks and charges	Taxation		21		
	Other		22		
Deposits received from reinsurers			23		
Creditors and other liabilities	Arising out of insurance operations	Direct business	31		
		Reinsurance accepted	32		
		Reinsurance ceded	33		
	Debenture loans	Secured	34		
		Unsecured	35		
	Amounts owed to credit institutions		36		
	Other creditors	Taxation	37		
		Other	38		
Accruals and deferred income			39		
Provisions for adverse changes (calculated in accordance with IPRU (INS) 5.3			41		
Total other insurance and non-insurance liabilities (17 to 41)			49		
Excess of the value of net admissible assets			51		
Total liabilities and margins			59	36,873	

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

Amount of any additional mathematical reserves included in line 51 which have been taken into account in the appointed actuary's certificate	63		

13. With-profits funds continued

A statement of liabilities and margins for the 90:10 fund in the format of Form 14 is shown below:

Items are shown net of reinsurance ceded				As at the end of this financial year 1	As at the end of the previous year 2
Mathematical reserves, after distribution of surplus			11	50,551,522	47,464,945
Cash bonuses which had not been paid to policyholders prior to the end of the financial year			12		
Balance of surplus/(valuation deficit)			13		
Long term business fund carried forward (11 to 13)			14	50,551,522	47,464,945
Claims outstanding which had fallen due for payment before the end of the financial year	Gross amount		15	342,687	383,743
	Reinsurers' share		16	2,413	353
	Net (15-16)		17	340,274	383,390
Provisions for other risks and charges	Taxation		21	1,463,654	2,039,737
	Other		22		
Deposits received from reinsurers			23		
Creditors and other liabilities	Arising out of insurance operations	Direct business	31	246,070	38,661
		Reinsurance accepted	32		
		Reinsurance ceded	33	12,223	4,049
	Debenture loans	Secured	34		
		Unsecured	35		
	Amounts owed to credit institutions		36		
	Other creditors	Taxation	37	257,347	521,854
		Other	38	244,116	270,670
Accruals and deferred income			39	131,963	143,688
Provisions for adverse changes (calculated in accordance with IPRU (INS) 5.3			41		
Total other insurance and non-insurance liabilities (17 to 41)			49	2,695,647	3,402,049
Excess of the value of net admissible assets			51	9,202,720	15,532,209
Total liabilities and margins			59	62,449,889	66,399,203
Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance and reinsurance			61	175,456	103,570
Amounts included in line 59 attributable to liabilities in respect of property-linked benefits			62		
Amount of any additional mathematical reserves included in line 51 which have been taken into account in the appointed actuary's certificate			63	1,700,000	5,500,000

The change in the value of non-linked assets is as follows:

(a) 90:10 – an increase of £1,985,419,000
(b) SAIF – an increase of £314,565,000
(c) Europe – a decrease of £961,000

(2) Not applicable.

14. Distribution of profits

(1) The Articles of Association of the Company from time to time define the basis on which any distribution of profits may be made. Policies are stated to be either with-profits or without profits; on conversion of a with-profits policy to a paid-up policy for a reduced amount, participation usually continues except for United Kingdom and Malta assurances (other than accumulating with-profits assurances and assurances within SAIF) where participation automatically ceases. The principles on which distribution is based for UK policyholders are set out in the Company's and, for business reinsured from SAL, that company's With-Profits Guides.

100% of profits arising in SAIF, including profits from linked business, are distributed to the relevant with-profits policyholders, including accumulating with-profits policyholders in SAA. This profit is determined after making a payment to the Other Long Term PAC Fund for the capital support provided by SACF.

The whole of the profit arising from with-profits business in the Europe sub-fund, excluding that derived from the excess of policy charges over expenses incurred, is distributed to eligible policyholders in that sub-fund.

After deduction of:

(i) the profits arising from business designated to be investment-linked business

(ii) the profits arising from the long term sickness and accident business, and

(iii) such sums as the Directors may set aside for the creation or augmentation of contingency funds,

a sum of not less than 90% of the divisible profits of the Other Long Term PAC Fund is available for distribution to eligible policyholders in that Fund.

The remainder of the divisible profits of the Other Long Term PAC Fund is available, at the discretion of the Directors, to be transferred to the Profit and Loss Account or paid to SAL by way of an experience-related refund of premium. Some advertisements past and current may refer to the proportion of profits allocated to with-profits policyholders.

(2) The Company maintains three separate with-profits funds as explained in paragraph 13.

(a) The way each fund is defined and the way assets, liabilities, income and expenses are allocated and determined are explained in notes 4006 and 4007 of the Notes to the Returns under Schedules 1, 2, 3 and 6.

(b) With-profits policyholders in SAIF and SAA participate only in the profits arising in SAIF from linked and non-linked business.

With-profits policyholders in the Europe fund participate only in profits arising from with-profits business, excluding that derived from the excess of with-profits policy charges over expenses.

Other with-profits policyholders participate in profits arising in the Other Long Term PAC Fund, with the exception that policyholders do not participate in profits arising from long term sickness and accident business, creditor insurance reinsured from SAL, Guaranteed Equity Bond nor most property-linked business not transferred from SALAS.

14. Distribution of profits continued

The linked business in which policyholders do participate in profits is included in the non-linked Forms 40 and is separately identified in Form 53. It comprises:

(i) group contracts issued by PAC in the United Kingdom,

(ii) individual business issued by PAC in the United Kingdom between 1 January 1992 and 31 December 1993, under which the policyholder has the option of investing in either property-linked or accumulating with-profits funds,

(iii) RPI linked annuities, and

(iv) business within SAA.

(c) The Company's investment strategy is to seek to secure on behalf of its policyholders the highest combination of income and growth in capital value commensurate with maintaining the security of the fund. In accordance with this strategy, the distribution of the assets backing the company's with-profits business is currently based primarily on equity-type assets (ie equity shares and property). Asset allocations are kept under review and could change in future if the Company were to believe that such a change might benefit its policyholders. Also, if at any time the security of the fund were to reduce then a higher proportion of fixed interest or similar assets might be held. During 2001 the Company adjusted its asset holdings as a result of its short-to-medium term view on the likely relative performance of the various asset classes. The table below shows the non-linked investments held by SAIF and the 90:10 fund at the end of 2000 and 2001 and by the Europe fund (which was created during 2001) at the end of 2001.

	90:10		SAIF		Europe
	2001 %	2000 %	2001 %	2000 %	2001 %
Fixed interest	25	18	37	30	19
Property	13	13	10	10	0
Equity shares	53	62	47	54	41
Other investments	9	7	6	6	40
Total	100	100	100	100	100

For SAIF the existence of the Scottish Amicable Capital Fund allows greater investment flexibility than would normally be possible for a closed portfolio of business, particularly as the policies approach maturity.

(d) In order to protect solvency and to enable the smoothing of bonuses described in (e) below, it is necessary for the fund to maintain a volume of assets which is surplus to any amount which, in normal circumstances, would actually be paid out to policyholders. This surplus, and the investment return on them, are not taken into account when determining bonus rates although its existence does support the equity-oriented investment policy referred to in (c) and permits the limitation of certain expense charges, as mentioned in (e).

(e) The main aims of the Company's bonus policy are to give each with-profits policyholder a return on the premiums paid that reflects the earnings of the underlying investments, whilst smoothing out the peaks and troughs of investment performance, and to ensure that with-profits policyholders receive a fair share of the profits distributed from the fund by way of bonus additions to their policies.

A further aim, in respect of SAIF, is to distribute (by means of a uniform enhancement to asset shares of policies becoming claims) all assets of SAIF to its current in force policyholders, including for this purpose accumulating with-profits policyholders in SAA.

14. Distribution of profits continued

In order to help achieve these aims, regular financial investigations are carried out, of which the most important is currently an examination of the accumulated asset shares for maturing policies. Asset shares are calculated for typical policies by accumulating the premiums paid, less allowance for expenses and charges, at the actual rates of return earned on the assets of the fund over the lifetimes of those policies (allowing for the effects of tax on investment returns, including unrealised capital gains, and on expenses for assurance business) and then adjusting for other factors (such as other sources of surplus and distributions to shareholders). Costs associated with personal pensions mis-selling are not charged to asset shares. Although allowance is in general made for actual expenses when calculating asset shares, the allowance for acquisition expenses has been reduced for certain categories of contract written in recent years so that the deductions for expected expenses and distributions to shareholders (less allowance for other sources of surplus) are restricted to the policy-specific charges used when illustrating benefits at the point of sale.

The results of these and other investigations are then taken into account by the directors when they decide the levels of regular bonuses and final bonuses to declare.

Regular bonuses increase the amounts guaranteed to policyholders and are therefore targeted on a prudent proportion of the expected future investment return; this proportion is currently 60% for most classes of business. Regular bonuses have been reduced gradually over the last ten years in line with declining inflation and the associated reduction in expected future investment returns.

Total benefits are set by reference to asset shares but, in order to provide smoothed benefits, final bonus rates are set so that claim values change only gradually over time. In normal conditions the Company aims to ensure that total payouts on equivalent policies do not change by more than 10% from one year to the next.

The Company's intention is that any smoothing profits or losses should balance out over time, so that in the long run with-profits policyholders as a whole neither gain nor lose as a result of the smoothing policy. Over the last five years, the claim values actually paid on maturing policies have amounted to around 102% of the corresponding asset shares.

Surrender values for all with-profits policies have close regard to asset shares at short durations in force, and are designed to run in smoothly to maturity values over a period prior to maturity. For conventional business, a small margin is targeted relative to asset shares at intermediate durations in order to protect the interests of continuing policyholders while avoiding frequent changes in surrender basis. For unitised assurance contracts, surrender values normally include full credit for the declared final bonus. For certain single premium policies, a reducing surrender penalty applies for up to five years following the payment of premiums. For individual unitised personal pension policies, the amount available for transfer normally includes full credit for the declared final bonus. For individuals transferring out of grouped pension arrangements and for grouped arrangements or group schemes which are partially or wholly terminated, the Company's transfer value policy is described in paragraph 4(A)(a)(2) (page 18).

(f) All profits from SAIF and the notional with-profits fund in the Europe fund are distributed to policyholders of those funds. The Company's current practice is to distribute exactly 90% of the divisible profit after the deductions specified in (1) from the Other Long term PAC Funds.

(3) The methods used are described in (2) above.

(4) See (1) to (3) above.

15. Bonuses

The bonus declaration following the valuation as at 31 December 2001 provided that the following bonuses be added to policies that were entitled to participate.

15. (A) Bonuses for United Kingdom Other Long Term PAC Fund

(a) For with-profits assurance policies:

(i) A reversionary bonus at the rates of 1.70% of the sum assured and 3.20% of the existing reversionary bonuses.

(ii) A terminal bonus payable on policies becoming claims by death or maturity between 1 April 2002 and 31 March 2003 inclusive, at the rates per cent of sum assured shown in ***Table 1*** (page 114).

(b) For Prudence Savings Account and Prudential Investment Bond contracts:

With-Profits Savings Fund:

(i) Reversionary bonus interest at 2.00% per annum will apply daily from 1 March 2002 until further notice.

(ii) Bonus units of

- 1.00% per annum applied monthly for accounts of at least £4,000 and less than £6,000 and

- 2.00% per annum applied monthly for accounts of at least £6,000

will apply from 1 March 2002 until further notice. The account values of £4,000 and £6,000 exclude terminal bonus and any market value adjustment, and may be varied at any time.

15.(A) Bonuses for UK Other Long Term PAC Fund continued

(iii) A terminal bonus is paid as an addition to the rate of reversionary bonus on policies becoming claims by death or reaching the terminal bonus date. From 1 March 2002 until further notice the addition is such as to provide the following overall returns:

Period	Overall Return		
	Accounts less than £4,000	Accounts of at least £4,000 and less than £6,000	Accounts of at least £6,000
	% pa	% pa	% pa
1/3/02 onwards	4.00	5.00	6.00
1/3/01 - 28/2/02	2.75	3.75	4.75
6/4/00 - 28/2/01	3.25	4.25	5.25
6/4/99 - 5/4/00	6.50	7.50	8.50
6/4/98 - 5/4/99	8.00	9.00	10.00
6/4/97 - 5/4/98	10.00	11.00	12.00
6/4/96 - 5/4/97	10.00	11.00	12.00
6/4/95 - 5/4/96	9.75	10.75	12.00
1/7/94 - 5/4/95	10.00	11.00	12.25

The account values of £4,000 and £6,000 exclude terminal bonus and any market value adjustment and can be varied at any time. Bonus units are eligible for terminal bonus from the next anniversary of the account. The overall return for accounts of at least £4,000 and less than £6,000 also applies to those accounts of less than £4,000 that were purchased through selected marketing campaigns as described in paragraph 4(A)(a)(1) B (page 6).

(c) For with-profits Prudence Bond contracts:

(i) The following rates of reversionary bonus interest will apply from 1 March 2002 until further notice:

Optimum return: 4.00% per annum
Optimum bonus: 5.00% per annum

(ii) Policies becoming claims by death and qualifying income withdrawals receive a terminal bonus as an addition to the rate of reversionary bonus. From 1 March 2002 until further notice, the amount payable will be sufficient to bring the total annual yield on deposits to the levels shown below, dependent upon the date of deposit of each premium.

Date of deposit	Yield % per annum	
	Optimum return	Optimum bonus
1/3/02 onwards	6.00	5.55
1/3/01 - 28/2/02	5.50	6.05
6/4/00 - 28/2/01	5.25	
6/4/99 - 5/4/00	5.25	
6/4/98 - 5/4/99	6.40	
6/4/97 - 5/4/98	7.40	
6/4/96 - 5/4/97	8.65	
6/4/95 - 5/4/96	8.90	
6/4/94 - 5/4/95	9.05	
6/4/93 - 5/4/94	9.20	
6/4/92 - 5/4/93	9.50	
6/4/91 - 5/4/92	9.60	

(d)For with-profits individual retirement annuity policies (excluding those policies in (e) and (f) below)

(i) A reversionary bonus on benefits not yet commenced at the rates of 0.90% of the basic annuity and 1.40% of the existing reversionary bonuses.

(ii) A terminal bonus payable on annuities commencing between 1 April 2002 and 31 March 2003 inclusive, at the rates per cent of basic annuity shown in columns 1 and 2 of ***Table 2*** (page 114) for single and regular premium business respectively.

(iii) An additional terminal bonus for paid-up policies at the rates per cent shown in ***Table 3*** (page 115). These rates are applied to basic annuity, reversionary bonus and the terminal bonus described in (ii) above.

(iv) A further terminal bonus payable on death during the period of deferment to enhance the contractual benefit (if less than the transfer value) to the transfer value available at the date of death.

15.(A) Bonuses for UK Other Long Term PAC Fund continued

(v) A final bonus payable on annuities commencing from 1 April 2002 until further notice at the following specimen rates per cent compound.

Age Next Birthday at Vesting	Policies issued after 31 December 2000		Policies issued before 1 January 2001	
	Men	Women	Men	Women
50 and below	64	70	3	7
55	57	63	2	6
60	51	56	1	6
65	44	49	0	5
70	38	43	0	4
75	32	37	0	2

(e) For non-group accumulating with-profits pensions contracts sold through the Direct Sales Force or direct to customers listed in 4(A)(a)(1) D (page 9):

Cash Accumulation Funds:

(i) A rate of reversionary bonus interest of 4.50% per annum will apply from 1 April 2002 until further notice.

(ii) Terminal bonus interest is paid as an addition to the rate of reversionary bonus interest on policies becoming claims by death or reaching the terminal bonus date. From 1 April 2002 until further notice the addition is such as to provide the overall returns per cent per annum shown in ***Table 4*** (page 115).

Deposit Funds:

The rate of reversionary bonus interest has regard to the returns available from time to time on short term financial instruments, and hence changes frequently.

(f) For non-group accumulating with-profits pensions contracts sold other than through the Direct Sales Force or direct to customers listed in 4(A)(a)(1) E (page 10), GPP3 and GPP4:

With-Profits, Long Term With-Profits, With-Profits Investment and Flexible Pensions With-Profits Funds:

(i) A rate of reversionary bonus interest of 4.50% per annum will apply from 6 April 2002 (GPP3 and GPP4) or 1 March 2002 (other contracts) until further notice.

(ii) Terminal bonus interest is paid as an addition to the rate of reversionary bonus interest on policies becoming claims by death or reaching the terminal bonus date. From 6 April 2002 until further notice (GPP3) or 1 March 2002 until further notice (other contracts) the addition is such as to provide the overall returns per cent per annum shown in ***Table 5*** (page 115).

Short Term With-Profits Fund:

The rate of reversionary bonus interest has regard to the returns available from time to time on short term financial instruments and hence changes frequently.

(g) For group accumulating with-profits pensions contracts listed in 4(A)(a)(1) (excluding GPP3 and GPP4) (page 11):

Pensions With-Profits Fund, Long Term Accumulation Fund and Long Term Accumulation (Series B) Fund:

(i) A reversionary bonus of 4.75% per annum will apply with effect from 6 April 2002 until further notice, except for units designated to cover GMP in the With-Profits II fund (applicable only to PTP, PTB32 and MPP2), for which the rate will be 3.75%.

(ii) A terminal bonus is payable for policies becoming claims by death or reaching terminal bonus date. From 6 April 2002 until further notice the addition is such as to provide the overall returns per cent per annum shown in ***Table** 7* (page 116), dependent upon the date of deposit of each premium, except for units designated to cover GMP, for which all yields will be 1% lower.

15.(A) Bonuses for UK Other Long Term PAC Fund continued

Short Term Accumulation Fund and Short Term Accumulation (Series B) Fund:

(Applicable to Grouped Personal Pension contracts only) The rate of reversionary bonus interest has regard to the returns available from time to time on short term financial instruments, and hence changes frequently.

(h) For Flexible Retirement Income Account

Flexible Retirement With-Profits Fund:

(i) A rate of reversionary bonus interest of 4.50% per annum will apply from 6 April 2002 until further notice.

(ii) Terminal bonus interest is paid as an addition to the rate of reversionary bonus interest on policies becoming claims by death or reaching the terminal bonus addition date. The addition until further notice will be such that the aggregate rate of reversionary plus terminal bonus interest is as follows:

Date of deposit	Overall return
	%
6/4/02 onwards	6.50
6/4/01 – 5/4/02	5.75

(i) For Compulsory Purchase Annuities and Personal Pension Annuities – With-Profit Option:

(i) A reversionary bonus on pensions in payment of 4.50% per annum compound with effect from 6 April 2002 until further notice.

(ii) Terminal bonus, which will apply with effect from 6 April 2002 at the rates shown in ***Table 6*** (page 115), is paid as an addition to the pension payable during the year commencing on the policy anniversary occurring in the bonus year 6 April 2002 to 5 April 2003. It does not form part of the following year's pension.

(j) For group deposit administration contracts listed in 4(A)(a)(1) C (page 7) other than those in (k) and (l) below:

(i) On sums subject to a basic accumulation rate of 2.50%, a reversionary bonus at the rate of 2.25% per annum will be added on the day before the policy anniversary occurring in the year commencing on 1 April 2002 for Bond 32 and 15 March 2002 for other contracts. Sums subject to a basic accumulation rate of 4.75% will accumulate at the basic rate with no additional reversionary bonus interest.

(ii) A terminal bonus paid on amounts withdrawn to secure death benefits and retirement benefits during the years commencing 1 April 2002 for Bond 32 and 15 March 2002 for other contracts. The rate of bonus will be as shown in ***Table 8*** (page 116) dependent upon the number of complete scheme years since deposit at the time the amounts are withdrawn.

The overall effect of these bonuses is to give amounts withdrawn the average yields per annum shown in ***Table 10*** (page 117) dependent upon the duration since deposit.

(k) For CA contracts:

(i) On sums subject to a basic accumulation rate of 2.50%, reversionary bonus interest at the rate of 2.25% per annum will be added on the day before the policy anniversary occurring in the year commencing on 15 March 2002. Sums subject to a basic accumulation rate of 4.75% will accumulate at the basic rate with no additional reversionary bonus interest.

(ii) A terminal bonus paid on amounts withdrawn to secure retirement benefits during the scheme year ending between 15 March 2002 and 14 March 2003. The rate of bonus will be as shown in ***Table 9*** (page 116) dependent upon the number of complete scheme years since deposit at the time the amounts are withdrawn.

The overall effect of these bonuses is to give amounts withdrawn the average yields per annum shown in ***Table 11*** (page 117) dependent upon the duration since deposit.

15.(A) Bonuses for UK Other Long Term PAC Fund continued

(l) For CAAVC Series 1 and Series 2 policies:

(i) on sums subject to a basic accumulation rate of 2.50% standing credited to policy accounts, reversionary bonus interest at the rate of 1.75% compound. Sums subject to a basic accumulation rate of 4.75% standing credited to policy accounts will accumulate at the basic rate with no additional reversionary bonus interest.

(ii) Terminal bonus interest is paid on amounts withdrawn to secure benefits as an addition to the rate of reversionary bonus interest. During the year commencing 15 March 2002 the addition is such as to provide the overall returns per cent per annum shown in ***Tables 12*** and ***13*** (Page 117), dependent upon the duration since deposit.

AVC Deposit Fund

The rate of reversionary bonus interest for the AVC Deposit Fund has regard to the returns available from time to time on short term financial instruments and hence is subject to frequent variation.

(m) For CAAVC Series 3 and Series 4 policies:

(i) on sums subject to a basic accumulation rate of 2.50% standing credited to policy accounts, reversionary bonus interest at the rate of 2.25% compound. Sums subject to a basic accumulation rate of 4.75% standing credited to policy accounts will accumulate at the basic rate with no additional reversionary bonus interest.

(ii) From 15 March 2002 terminal bonus interest is paid on amounts withdrawn to secure benefits at the rates shown in ***Table 14*** (Page 118) dependent upon the number of complete scheme years since deposit.

The overall effect of these bonuses is to give amounts withdrawn from Series 3 and Series 4 policies the same average yields per annum as those for Series 1 and Series 2 respectively shown in ***Tables 12*** and ***13*** (Page 117), dependent upon the duration since deposit.

AVC Deposit Fund

The rate of reversionary bonus interest for the AVC Deposit Fund has regard to the returns available from time to time on short term financial instruments and hence is subject to frequent variation.

(n) For PCRS:

(i) Reversionary bonus interest at the rate of 2.25% compound will be added to sums subject to a basic accumulation rate of 2.50% standing credited to policy accounts. Sums subject to a basic accumulation rate of 4.75% will accumulate at the basic rate with no additional reversionary bonus interest.

(ii) A reversionary bonus will be added to pensions in course of payment at the rate of 2.5% compound.

(iii) During the year following the scheme revision date on or after 1 April 2002 terminal bonus interest is paid on amounts withdrawn to secure benefits at the rates shown in ***Table 14*** (Page 118) dependent upon the number of complete scheme years since deposit.

15.(A) Bonuses for UK Other Long Term PAC Fund continued

(o) For accumulating with-profits life assurance policies written by SAL and reinsured with PAC:

(i) Reversionary bonus units at the rate of 4.00% on Basic Units and 4.25% on existing Bonus Units.

(ii) Terminal bonus on policies becoming claims by death or surrender from 1 April 2002 until further notice at the following rates per cent of benefit including bonuses thereon:

Year of commencement of each tranche of premium	Rate	Year of commencement of each tranche of premium	Rate
2002	0.5	1999	1.0
2001	0.5	1998	2.0
2000	1.0	1997	7.0

Year of commencement is the year in which participation commenced. If a policy has been altered, the Appointed Actuary may, at his discretion, make an appropriate adjustment to the year of commencement. If the alteration resulted in an increase to the premium payable the benefits resulting from the increased premium will be treated as a separate policy commencing in the year of the alteration.

(p) For policies which participate in units of the Exempt With-Profits Funds written by SAL and reinsured with PAC:

(i) Reversionary bonus interest at the following rates per cent per annum:

Exempt (No 5 and No 6) Funds	4.75
Exempt (No 7 and No 8) Funds	4.625

(ii) Terminal bonus on policies becoming claims by death or vesting from 1 April 2002 until further notice at the following rates per cent of benefit including bonuses thereon:

Year of payment of premium or switch	Rate	Year of payment of premium or switch	Rate
2002	0.5	1999	5.0
2001	0.5	1998	7.0
2000	1.0	1997	15.0

(q) For Optimisa written by SAL and reinsured with PAC:

(i) A rate of reversionary bonus interest of 4.50% per annum will apply from 6 April 2002 until further notice.

(ii) Policies becoming claims by death and qualifying income withdrawals receive a terminal bonus as an addition to the rate of reversionary bonus. From 6 April 2002 until further notice, the amount payable will be sufficient to bring the total annual yield on deposits to the levels shown below, dependent upon the date of deposit of each premium.

Date of Deposit	Yield % per annum
6/4/01 – 5/4/02	6.25
6/4/00 – 5/4/01	6.25
6/4/99 – 5/4/00	6.25

15.(A) Bonuses for UK Other Long Term PAC Fund continued

Table 1

Assurances

Relevant Year	Terminal Bonus	Relevant Year	Terminal Bonus
2001	0.00	1961	1,112.80
2000	0.20	1960	1,211.80
1999	0.90	1959	1,316.00
1998	1.60	1958	1,426.00
1997	2.50	1957	1,539.70
1996	6.30	1956	1,595.30
1995	12.20	1955	1,650.10
1994	17.90	1954	1,707.00
1993	23.80	1953	1,765.80
1992	26.90	1952	1,827.10
1991	32.70	1951	1,869.00
1990	37.80	1950	1,912.10
1989	43.10	1949	1,955.60
1988	48.70	1948	2,000.50
1987	55.40	1947	2,046.00
1986	63.70	1946	2,093.70
1985	72.30	1945	2,140.70
1984	81.00	1944	2,189.80
1983	90.10	1943	2,239.90
1982	98.50	1942	2,291.90
1981	122.80	1941	2,364.20
1980	147.60	1940	2,438.80
1979	177.40	1939	2,515.10
1978	216.50	1938	2,591.20
1977	260.80	1937	2,669.70
1976	299.30	1936	2,787.30
1975	342.60	1935	2,908.80
1974	391.30	1934	3,034.40
1973	444.30	1933	3,163.80
1972	500.90	1932	3,297.00
1971	528.30	1931	3,330.90
1970	555.30	1930	3,364.80
1969	583.50	1929	3,399.10
1968	613.80	1928	3,433.60
1967	645.30	1927	3,468.70
1966	696.60	1926	3,503.80
1965	751.20	1925	3,539.20
1964	809.20	1924	3,575.30
1963	871.20	1923 and earlier years.	3,611.80
1962	938.00		

Table 2

With-Profits Individual Retirement Annuities

Relevant Year	Terminal Bonus	
	Single Premium	Other
	(1)	(2)
2001	0.60	2.90
2000	1.30	5.10
1999	2.10	7.60
1998	6.40	8.70
1997	11.50	9.50
1996	20.70	11.60
1995	31.20	15.00
1994	41.50	21.40
1993	41.60	25.00
1992	25.00	26.90
1991	26.60	31.70
1990	47.40	35.30
1989	64.90	36.10
1988	74.70	36.30
1987	89.40	37.60
1986	123.10	43.20
1985	151.70	45.50
1984	187.40	52.00
1983	218.60	59.30
1982	247.90	64.70
1981	274.80	86.00
1980	315.80	111.40
1979	357.20	142.50
1978	450.10	179.40
1977	498.00	221.90
1976	550.10	259.80
1975	583.40	299.70
1974	616.90	342.20
1973	652.70	389.90
1972	688.80	440.20
1971	717.30	487.10
1970	742.70	534.20
1969	766.50	582.60
1968	792.00	634.80
1967	818.70	690.30
1966	846.40	726.40
1965	875.50	764.90
1964	905.70	805.20
1963	937.10	847.70
1962	969.90	892.60
1961	1,004.00	940.00
1960	1,039.40	990.00
1959	1,076.50	1,043.00
1958	1,114.80	1,098.80
1957	1,154.50	1,157.60

15.(A) Bonuses for UK Other Long Term PAC Fund continued

Table 3			
With-Profits Individual Retirement Annuities (Paid-Up Policies)			
Complete number of years since policy paid-up		Complete number of years since policy paid-up	
1	2.0	11	30.0
2	4.0	12	35.0
3	6.0	13	40.0
4	8.0	14	40.0
5	10.0	15	45.0
6	12.0	16	50.0
7	14.0	17	60.0
8	16.0	18	65.0
9	18.0	19	70.0
10	20.0	20 and over	80.0

Table 4	
Overall return Unitised pensions sold by the DSF	
Period	Overall Return
1/1/02 onwards	6.75
1/1/01 - 31/12/01	5.25
1/1/00 - 31/12/00	5.75
1/1/99 - 31/12/99	9.50
1/1/98 - 31/12/98	11.00
1/1/97 - 31/12/97	13.25
1/1/96 - 31/12/96	13.50
1/1/95 - 31/12/95	13.50
1/1/94 - 31/12/94	13.50
1/1/93 - 31/12/93	13.25
1/1/92 - 31/12/92	13.00
1/1/91 - 31/12/91	12.50
1/1/90 - 31/12/90	12.25
1/1/89 - 31/12/89	12.00
1/1/88 - 31/12/88	12.00
1/5/87 - 31/12/87	13.50

Table 5	
Overall return Unitised pensions other than those sold by the DSF	
Date of deposit	Aggregate rate of reversionary plus terminal bonus interest % per annum
6/4/01 onwards	6.75
6/4/00 – 5/4/01	6.00
6/4/99 - 5/4/00	6.00
6/4/98 - 5/4/99	6.75
6/4/97 - 5/4/98	8.00
6/4/96 - 5/4/97	9.45
6/4/95 - 5/4/96	9.95
6/4/94 - 5/4/95	10.30
6/4/93 - 5/4/94	10.45
6/4/92 - 5/4/93	10.75
6/4/91 - 5/4/92	10.85
6/4/90 - 5/4/91	10.95
6/4/89 - 5/4/90	10.25
6/4/88 - 5/4/89	10.50
6/4/87 - 5/4/88	10.85

Table 6		
Terminal bonus – with-profits immediate annuities		
Policy Anniversary	Commencement date of pension	Terminal Bonus
		%
1	6/4/01 onwards	1.50
2	6/4/00 – 5/4/01	1.50
3	6/4/99 - 5/4/00	1.75
4	6/4/98 - 5/4/99	5.00
5	6/4/97 - 5/4/98	11.50
6	6/4/96 - 5/4/97	19.50
7	6/4/95 - 5/4/96	25.25
8	6/4/94 - 5/4/95	30.50
9	6/4/93 - 5/4/94	37.25
10	6/4/92 - 5/4/93	47.00
11	6/4/91 - 5/4/92	50.75

15.(A) Bonuses for UK Other Long Term PAC Fund continued

Date of deposit	Table 7 Group personal pensions etc Yield %
6/4/01 onwards	7.00
6/4/00 - 6/4/01	6.25
6/4/99 - 6/4/00	6.25
6/4/98 - 6/4/99	7.00
6/4/97 - 6/4/98	8.25
6/4/96 - 6/4/97	9.70
6/4/95 - 6/4/96	10.20
6/4/94 - 6/4/95	10.55
6/4/93 - 6/4/94	10.70
6/4/92 - 6/4/93	11.00
6/4/91 - 6/4/92	11.10
6/4/90 - 6/4/91	11.20
6/4/89 - 6/4/90	10.50
6/4/88 - 6/4/89	10.75
6/4/87 - 6/4/88	11.10

Completed Scheme Years since deposit	Table 8 Group EPP etc Terminal Bonus %	Table 9 CA defined benefit Terminal Bonus %
1	2.1	1.9
2	2.9	3.7
3	4.2	6.0
4	8.2	12.3
5	16.1	23.4
6	28.1	32.9
7	36.0	39.8
8	43.9	46.6
9	49.9	53.6
10	57.5	58.0
11	61.6	61.7
12	65.0	48.7
13	52.6	50.6
14	56.5	54.6
15	63.0	65.6
16	76.6	80.4
17	91.9	95.5
18	108.8	110.3
19	127.3	127.3
20	144.3	139.4
21	157.7	150.0
22	169.3	163.8
23	187.4	191.9
24	215.9	224.9
25	241.4	246.8
26	264.4	261.1
27	287.9	283.7
28	322.6	295.9
29	336.0	

15.(A) Bonuses for UK Other Long Term PAC Fund continued

	Table 10	Table 11	Table 12	Table 13
	Group EPP etc	**CA defined benefit**	**CAAVC Series 1**	**CAAVC Series 2**
Duration	Average yield	Average yield	Yield	Yield
	% pa	% pa	% pa	% pa
1	7.00	6.75	6.75	6.00
2	6.25	6.75	5.75	5.25
3	6.25	7.00	5.75	5.25
4	7.00	8.25	6.30	6.00
5	8.25	9.90	7.45	7.25
6	9.70	10.70	9.05	8.95
7	10.20	10.95	9.55	9.45
8	10.55	11.15	9.90	9.80
9	10.70	11.40	10.25	10.20
10	11.00	11.50	10.55	10.50
11	11.10	11.60	10.65	10.60
12	11.20	10.75	10.75	10.70
13	10.50	10.90	10.05	10.00
14	10.75	11.15	10.30	10.25
15	11.10	11.70	10.85	10.85
16	11.70	12.30	11.45	11.45
17	12.25	12.80	12.00	12.00
18	12.75	13.20	12.50	12.50
19	13.20	13.60	12.95	12.95
20	13.55	13.80	13.30	13.30
21	13.75	13.95	13.50	13.50
22	13.90	14.15	13.65	13.65
23	14.15	14.55	13.90	13.90
24	14.50	14.95	14.25	14.25
25	14.75	15.15	14.50	14.50
26	14.95	15.20	14.70	14.70
27	15.10	15.35	14.85	14.85
28	15.35	15.35	15.10	15.10
29	15.35		15.10	15.10

15.(A) Bonuses for UK Other Long Term PAC Fund continued

Table 14			
CAAVC (Series 3 and Series 4) and PCRS			
Completed scheme years since deposit	Terminal bonus		
	AVC Series 3	AVC Series 4	PCRS
	%	%	%
1	1.9	1.2	1.2
2	1.9	1.0	1.0
3	2.9	1.4	1.4
4	5.8	4.6	4.6
5	12.5	11.5	11.5
6	24.6	23.9	23.9
7	31.9	31.1	31.1
8	39.0	38.0	38.0
9	46.8	46.2	46.2
10	53.9	53.3	53.3
11	57.7	56.9	56.9
12	60.7	59.9	59.9
13	48.5	47.6	47.6
14	52.0	51.0	51.0
15	62.0	62.0	62.0
16	75.2	75.2	75.2
17	90.0	90.0	90.0
18	106.3	106.3	106.3
19	124.1	124.1	124.1
20	140.4	140.4	140.4
	AVC Series 3 and Series 4		
	(1)	(2)	
21	153.0	146.7	153.0
22	158.4	152.4	158.4
23	165.9	159.6	165.9
24	176.5	169.3	176.5
25	187.7	179.8	187.7
26	198.7	190.4	198.7
27	209.8	201.1	209.8
28	222.2	213.1	222.2
29	233.2	223.9	233.2

For AVC Series 3 and Series 4 where more than 20 complete scheme years have elapsed, the rate for the number of completed years since contributions first commenced is applied to the total accumulated contributions paid in those years. For subsequent contributions, the rates are applied separately to each year's accumulated contributions. If completed scheme years exceed 20, column (2) is used if the last scheme anniversary was before 15 March 2002. Otherwise, column (1) is used.

15. (B) Bonuses for United Kingdom - SAIF

(a) For with-profits assurances, Flexidowment (First Series), Home Purchaser (First Series), individual deferred annuities, personal pension plans and SUP (First Series):

(i) A reversionary bonus at the rates of 1.60% of the benefit assured and 2.70% of the existing reversionary bonuses.

(ii) A terminal bonus payable on policies becoming claims by death, maturity or vesting from 1 April 2002 until further notice, the rates per cent of benefit including bonuses thereon payable on maturity or vesting being as follows:

Year of entry	Rate	Year of entry	Rate	Year of entry	Rate	Year of entry	Rate
1996 & later	0	1986	31	1976	85	1966	175
1995	1	1985	32	1975	103	1965	175
1994	2	1984	33	1974	131	1964	175
1993	8	1983	33	1973	145	1963	175
1992	15	1982	34	1972	147	1962	175
1991	18	1981	39	1971	154	1961	175
1990	21	1980	42	1970	156	1960	175
1989	25	1979	48	1969	159	1959	175
1988	29	1978	57	1968	161	1958	175
1987	31	1977	69	1967	168	1957 & earlier	175

(b) For Flexidowment (Second Series):

(i) A reversionary bonus at the rates of 1.20% of the sum assured and 3.10% of the existing reversionary bonuses.

(ii) A terminal bonus payable on policies becoming claims by death or maturity from 1 April 2002 until further notice, the rates per cent of sum assured including bonuses thereon payable on maturity being as follows:

Year of Entry	Rate	Year of entry	Rate	Year of entry	Rate	Year of entry	Rate
1996 & later	0	1990	28	1984	40	1978	66
1995	3	1989	32	1983	40	1977	70
1994	5	1988	34	1982	42	1976	79
1993	8	1987	35	1981	45		
1992	19	1986	35	1980	49		
1991	23	1985	37	1979	57		

(c) Flexisave (Second Series)

(i) A reversionary bonus at the rates of 1.20% of the sum assured and 2.40% of the existing reversionary bonuses.

(ii) A terminal bonus payable on policies becoming claims by death or maturity from 1 April 2002 until further notice, the rates per cent payable on maturity being as follows:

Year of Entry	Rate	Year of Entry	Rate
1996 & later	0	1993	6
1995	3	1992	9
1994	4		

15.(B) SAIF bonuses continued

(d) For FlexiPension (First Series)

(i) A reversionary bonus at the rates of 1.00% of the benefit assured and 2.10% of the existing reversionary bonuses.

(ii) A terminal bonus payable on policies becoming claims by death or vesting from 1 April 2002 until further notice at the following specimen rates per cent of benefit including bonuses thereon:

Year of entry	Single premiums Age at vesting			Regular premiums Age at vesting		
	up to 65	70	75	up to 65	70	75
1988 & later	0	0	0	0	0	0
1987	8	6	4	15	12	10
1986	12	11	4	15	12	10
1985	20	17	10	15	12	11
1984	34	30	20	16	13	11
1983	45	38	28	17	14	12
1982	74	63	40	20	15	12
1981	76	66	45	26	21	14
1980	91	80	50	29	24	16
1979	102	97	60	41	36	28
1978	105	99	65	49	41	35
1977	130	118	75	53	46	40
1976 & earlier	130	118	75	62	55	49

(e) For SUP (Second Series) and SuperPlan Money Purchase

(i) A reversionary bonus at the rates of 1.00% of the benefit assured and 2.10% of the existing reversionary bonuses.

(ii) A terminal bonus payable on policies becoming claims by death or vesting from 1 April 2002 until further notice at the following rates per cent of benefit including bonuses thereon:

Year of entry	Single Premiums	Regular Premiums	Year of Entry	Single premiums	Regular premiums
1994 & later	0	0	1984	28	9
1993	0	4	1983	46	11
1992	4	5	1982	72	12
1991	4	8	1981	80	15
1990	5	8	1980	89	21
1989	5	8	1979	146	35
1988	6	8	1978	160	40
1987	7	8	1977	161	43
1986	10	8	1976 & earlier	161	43
1985	14	9			

(f) For Home Purchaser (Second and Third Series) and Amicable Savings Plan:

(i) Reversionary bonus units at the rate of 4.00% on Basic Units and 4.25% on existing Bonus Units.

(ii) Terminal bonus on policies becoming claims by death or surrender from 1 April 2002 until further notice at the following rates per cent of benefit including bonuses thereon:

Year of commencement of each tranche of premium	Rate	Year of commencement of each tranche of premium	Rate
2002	0.5	1996	7.0
2001	0.5	1995	8.0
2000	1.0	1994	18.0
1999	1.0	1993	21.0
1998	2.0	1992	23.0
1997	7.0	1991	26.0

15.(B) SAIF bonuses continued

Year of commencement is the year in which participation commenced. If a policy has been altered, the Appointed Actuary may, at his discretion, make an appropriate adjustment to the year of commencement. If the alteration resulted in an increase to the premium payable the benefits resulting from the increased premium will be treated as a separate policy commencing in the year of the alteration.

(g) For policies which participate in units of the Exempt With-Profits Funds:

(i) Reversionary bonus interest payable until further notice at the following rates per cent per annum:

Exempt (No 1) Fund	4.75
Exempt (No 2) Fund	4.50
Exempt (No 3) Fund	4.75
Exempt (No 4) Fund	4.75

(ii) Terminal bonus on policies becoming claims by death or vesting from 1 April 2002 until further notice at the following rates per cent of benefit including bonuses thereon:

Year of payment of premium or switch	Rate	Year of payment of premium or switch	Rate	Year of payment of premium or switch	Rate
2002	0.5	1995	25.0	1988	42.0
2001	1.0	1994	28.0	1987	42.0
2000	1.0	1993	34.0	1986	45.0
1999	5.0	1992	41.0	1985	45.0
1998	8.0	1991	41.0	1984	45.0
1997	16.0	1990	41.0		
1996	20.0	1989	41.0		

(h) For Group policies

(i) A reversionary bonus at 2.40% of the benefit including existing reversionary bonuses.

(ii) A terminal bonus payable on retirement from 1 April 2002 until further notice at the rates of

55% of attaching bonus and interim bonus for benefits (other than SuperPlan Money Purchase) which have been wholly secured by the member's own contributions, and

35% of the benefit payable (excluding the terminal bonus addition) for benefits which have not been wholly secured by the member's own contributions provided the member has been an admitted employee under the policy for at least five years and provided that no terminal bonus shall be added in respect of any special benefit secured in the five years preceding the date when the participating benefits become payable.

(iii) Terminal bonus on a group policy (other than Group Endowment Assurance Policies and SuperPlan Money Purchase) which has been made paid-up in whole or in part will be payable in full only if the period between the date premiums cease and the date on which benefits become payable is less than one year. For each complete year thereafter, the proportion of terminal bonus payable is reduced by 20%, no bonus being payable when the period is five years or more.

15. (C) Bonuses for Prudential Europe Vie

Euro Fund:

(i) A rate of reversionary bonus interest of 4.75% per annum will apply until further notice.

(ii) Policies becoming claims by death and qualifying income withdrawals receive a terminal bonus as an addition to the rate of reversionary bonus. From 1 January 2002 until further notice, the amount payable will be sufficient to bring the total annual yield on deposits to the levels shown below, dependent upon the date of deposit of each premium.

Date of Deposit	Yield % per annum
1/1/02 onwards	7.56
1/1/01-31/12/01	7.76

15. (D) Bonuses for Hong Kong

(a) For assurance policies other than cash bonus assurances

(i) A reversionary bonus at the following rates:

	Per cent of sum assured	Per cent of existing bonus
First series	4.00	4.00
Second series	2.25	2.25
Better Life	3.10	4.50

The bonus for Better Life applies only to policies which have been in force for at least 3 years on the date that the bonus would be applied.

(ii) A terminal bonus payable for Better Life policies becoming claims in the year commencing on the policy anniversary between 1 April 2002 and 31 March 2003 and which have been in force for at least 3 years at the date of claim, at the following rates per cent of the participating sum assured and attaching reversionary bonus at the date of claim :

Curtate duration in force (years)	Per cent of sum assured and existing bonuses	Curtate duration in force (years)	Per cent of sum assured and existing bonuses
3	3.75	9	17.04
4	7.52	10	18.51
5	9.81	11	19.90
6	12.12	12	21.51
7	14.44	13	23.15
8	15.95		

(b) For cash bonus assurances:

(i) PRU Life Premier and PRU Life Plus

Cash bonuses will be added on the policy anniversary in the twelve month period commencing on 1 April 2002 at the following rates per 1,000 sum assured:

Age at issue	16-19	20-24	25-39	40-44	45-49	50-54	55-59	60-64	65-70
Bonus on:									
First anniversary	0.90	0.90	0.90	0.90	1.10	1.30	1.40	1.50	1.50
Second anniversary	1.30	1.30	1.30	1.30	1.50	1.90	2.10	2.30	2.50
Third anniversary	1.50	1.60	1.60	1.60	2.00	2.40	2.60	2.90	3.10
Fourth anniversary	1.80	1.90	2.00	2.10	2.50	2.90	3.20	3.50	3.80

Bonuses added on the first and second anniversaries are not payable to policyholders until the third anniversary.

(ii) PRU Life Best Start

Cash bonuses will be added on the policy anniversary in the twelve month period commencing on 1 April 2002 at the following rates per 1,000 sum assured:

Age at issue	1	2-3	4-5	6	7	8	9	10	11	12
Bonus on:										
First anniversary	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Second anniversary	1.2	1.3	1.3	1.3	1.3	1.3	1.4	1.4	1.4	1.5
Third anniversary	1.5	1.6	1.6	1.7	1.7	1.8	1.8	1.9	1.9	2.0
Fourth anniversary	1.8	1.9	2.0	2.0	2.1	2.2	2.2	2.3	2.4	2.6

Bonuses added on the first and second anniversaries are not payable to policyholders until the third anniversary.

15. (D) Bonuses for Hong Kong continued

(iii) PRUflexilife

Cash bonuses will be added to policies reaching their third policy anniversary in the twelve month period commencing on 1 April 2002 at the following rates per 1,000 sum assured:

Age at issue	15-19	20-24	25-29	30-34	35-39	40-44	45-49	50-55
Bonus								
Third anniversary	0.50	0.60	0.75	0.90	1.20	1.50	1.90	2.40
Fourth anniversary	0.70	0.09	1.10	1.40	1.80	2.20	2.70	3.40

(c) For group pension CA policies:

(i) Benefits secured by policies subject to a guaranteed rate of 5% (other than those in (iii) below) will accumulate at the guaranteed rate with no additional reversionary bonus.

(ii) For policies subject to a guaranteed rate of 3% or to a capital guarantee, a terminal bonus on claims from 1 April 2002 until further notice, the effect of which is to accumulate members' accounts at the rates per cent per annum shown in the following table:

During the policy year ending on the anniversary Falling in the period	3% guarantee	Capital guarantee
1/4/02 until further notice	4.5	3.0
1/4/01 - 31/3/02	4.5	3.5
1/4/00 - 31/3/01	6.5	6.5
1/4/99 - 31/3/00	3.0	2.5
1/4/98 - 31/3/99	3.0	3.5
1/4/97 - 31/3/98	8.0	9.0
1/4/96 - 31/3/97	7.5	8.5

(iii)Benefits secured by HKD Guaranteed Fund policies subject to a guaranteed rate of 5% will accumulate at the guaranteed rate with no additional reversionary bonus.

(d) For PruSaver Plan policies:

PruSaver Fund:

(i) Income bonus of 2.5% per annum will apply from 1 March 2002 until further notice.

(ii) Terminal bonus interest is paid as an addition to the rate of income bonus on policies becoming claims by death. From 1 March 2002 until further notice the addition will be such that the aggregate rate of income bonus and terminal bonus interest is 5.70% per annum.

(e) For PruSaver Plan II policies:

PruSaver II Fund:

(i) Income bonus of 1.95% per annum will apply from 1 March 2002 until further notice.

(ii) Terminal bonus interest is paid as an addition to the rate of income bonus on policies becoming claims by death. From 1 March 2002 until further notice the addition will be such that the aggregate rate of income bonus and terminal bonus interest is 4.90% per annum.

15. (D) Bonus distribution policy

The following bonuses are declared out of the profits of the calendar year ending on the date of the valuation:

(1) Reversionary bonuses for all with-profits policies other than accumulating with-profits policies and the with-profits option under compulsory purchase and personal pension annuities;

(2) Reversionary bonuses for CA, CAAVC, EPP, PCRS, MPP1 and PTB(32) and

(3) Terminal bonuses for all with-profits assurance policies other than accumulating with-profits policies, policies transferred from SALAS and those issued in Hong Kong.

All other bonuses are declared in anticipation out of the profits of the calendar year immediately following the date of the valuation.

15. (E) Bonus allocation

The bonuses vest immediately on allotment except that:

(a) Reversionary bonuses vest on the policy anniversary for the following categories of business:

United Kingdom individual retirement annuity policies in the Other Long Term PAC Fund and Hong Kong individual policies.

(b) Reversionary bonuses vest on the day next preceding the commencement of the premium year for the following contracts:

CA, CAAVC, EPP, PCRS, MPP1/2, Bond 32.

(c) Reversionary bonuses for policies transferred from SALAS apply only to policies on which a full year's premiums fell due in 2001. Other policies receive a proportionate bonus.

(d) Terminal and final bonuses on annuity policies vest as follows:

(i) for individual retirement annuity policies and group pension annuity policies, terminal and final bonuses vest on commencement of the annuity or pension. Terminal bonus also vests on death in the case of individual retirement annuity policies;

(ii) for individual accumulating with-profits pensions business contracts, PPA, EPP2/3/4, EIB and PPP, terminal bonus (in respect of with-profits benefits) is paid on policies becoming claims by death or vesting, or on realisation of units in order to meet charges or, where applicable, to switch into other linked funds; for some policies terminal bonus also vests on attainment of selected retirement age.

(iii) for PUS policies final bonus vests on members reaching normal pension age; and

(iv) for CA, CAAVC, EPP, PCRS, MPP1/2, Bond 32, GPP2/3/4, PTP, PTB32 and Unitised Group, terminal bonus vests on the date an amount is withdrawn to secure benefits arising on death or retirement. For GPP1, terminal bonus vests on claims by death or on reaching the terminal bonus addition date.

16. Interim bonus payments

For business transferred from SALAS, policies becoming claims by death or survival are granted interim reversionary bonus additions in respect of each year or fraction of a year for which premiums became due on or after 1 January 2002 at rates determined by the Company which may be varied at any time. Current interim rates are at the levels set out in paragraph 15 above.

For business other than that transferred from SALAS, except where the facility exists to vary bonuses at any time, bonuses are declared annually; thus there is no interim bonus declaration having effect before the date of the next investigation.

17. Changes in long term business

See Form 46.

With minor exceptions, only contracts and not benefits, have been counted.

18. New business

See Form 47.

19. Assets covering long term liabilities

(1) See Forms 48 and 49. The yields shown for land and buildings in line 11 of Form 48 are net of expected outgo on maintenance costs and leases. This treatment is consistent with that adopted on Form 57. However, it should be noted that in Form 40 all investment expenses, including outgo on property maintenance costs and leases, are shown as expenses.

(2) Changes in the amounts reported on Form 48 at 31 December 2001 which would result from the exercise of rights or obligations under derivative contracts, or contracts having the effect of derivative contracts (assuming that options would be exercised only if it would be prudent to do so) are as follows:

For Scottish Amicable Insurance Fund

Form 48	Column 1	Column 2	Column 3
	£000	£000	%
Line 12	63,902	3,415	0.00
Line 13	60,585	7,016	0.07
Line 16	(236,627)	(4,321)	0.02
Line 18	139,723	4021	(0.37)
Line 19	(27,583)	-	-

For the Other Long Term PAC Fund

Form 48	Column 1	Column 2	Column 3
	£000	£000	%
Line 12	658,401	32,795	(0.06)
Line 13	311,288	36,047	0.12
Line 16	(754,356)	(12,590)	0.01
Line 18	(47,952)	(713)	0.05
Line 19	(178,934)	-	-

For Europe

Form 48	Column 1	Column 2	Column 3
	£000	£000	%
Line 16	5,451	85	(0.20)
Line 18	(5,474)	(106)	(0.11)
Line 19	20	-	-

(3) Corresponding changes which would result from the exercise of all rights or obligations under derivative contracts, or contracts having the effect of derivative contracts, are as follows:

For Scottish Amicable Insurance Fund

Form 48	Column 1	Column 2	Column 3
	£000	£000	%
Line 12	63,902	3,415	0.00
Line 13	60,585	7,016	0.07
Line 16	(236,873)	(4,343)	0.02
Line 18	142,526	4,102	(0.38)
Line 19	(27,618)	-	-

19. Assets covering long term liabilities continued

For the Other Long Term PAC Fund

Form 48	Column 1	Column 2	Column 3
	£000	£000	%
Line 12	658,401	32,795	(0.06)
Line 13	311,288	36,047	0.12
Line 16	(757,811)	(12,641)	0.01
Line 18	(32,984)	(488)	0.04
Line 19	(178,006)	-	-

For Europe

Form 48	Column 1	Column 2	Column 3
	£000	£000	%
Line 16	5,451	85	(0.20)
Line 18	(5,474)	(106)	(0.11)
Line 19	20	-	-

(4) The maximum changes to the amounts if the conditions in (2) and (3) above had applied at any time during the year are as follows:

For Scottish Amicable Insurance Fund

Form 48	Column 1	
	Conditions noted in (2)	Conditions noted in (3)
	£000	£000
Line 12	73,441	73,441
Line 13	63,513	63,513
Line 16	(574,951)	(573,587)
Line 18	567,333	565,285
Line 19	2,014	(6,988)

For the Other Long Term PAC Fund

Form 48	Column 1	
	Conditions noted in (2)	Conditions noted in (3)
	£000	£000
Line 12	15,423	15,423
Line 13	311,181	311,181
Line 16	(1,914,667)	(1,922,569)
Line 18	1,913,669	1,916,881
Line 19	(46,900)	(33,396)

For Europe

Form 48	Column 1	
	Conditions noted in (2)	Conditions noted in (3)
	£000	£000
Line 16	748	748
Line 18	(938)	(938)
Line 19	(39)	(39)

20. Valuation summaries

(1) Within the Other Long Term PAC Fund, surplus is determined separately for:

(i) life and general annuity business (other than that written in France or designated linked) referred to as "Other" in the headings to the forms,

(ii) pensions business (other than that designated linked)

(iii) linked business (other than that written in France) and temporary assurance (other than that written direct) associated with consumer credit agreements and

(2) There were no deposit back arrangements.

(3) Where, because the liability is wholly reinsured, the entries in columns 8 and 9 of Form 55 have been omitted in accordance with paragraph 4 of the instructions for the completion of that form, the provisions of rule 2.3 of IPRU (INS) have been complied with in accordance with published guidance in relation to the liabilities so insured.

21. Matching rectangle

(1) See Form 57.

(2) Yields have been adjusted to allow for potential default on fixed interest securities (other than approved securities).

The default allowance is determined from data supplied by our investment manager, which itself is based upon research carried out by one of the major rating agencies. This analysis, based on actual default experience over a 30 year period, produces mean default rates according to credit quality and term to redemption. Volatility is also analysed and standard deviations of the rates for each credit quality are provided.

In the event of default it may be possible to recover some capital, especially if the loan is secured. The allowance for recovery (or partial recovery) of the loan varies according to the level of security and the following recovery rates are assumed:

First Mortgage Debenture/Senior Secured	75%
Senior Unsecured	45%
Subordinated Debt	20%
Preference Shares	0%

To calculate the overall default provision, the corporate bond portfolio is broken down according to credit rating and level of security. The default rate for each group is assumed to be the appropriate mean default rate plus two standard deviations, reduced by the expected recovery. The derived default rates for each group are set out below:

Default rates - basis points per annum:

Seniority	AAA	AA	A	BBB	BB and lower
First Mortgage Debenture/Senior Secured	4.5	7.0	11.5	30.0	193.0
Senior Unsecured	10.3	16.4	25.9	66.2	420.0
Subordinated	14.8	23.4	37.4	96.2	613.0
Preference	18.0	29.0	46.0	121.0	765.0

Based on the composition of the corporate bond portfolio and the assumed default rates in the table above, the weighted average default rate was calculated to be 59.3 basis points at 31 December 2001. For the statutory valuation a further 25% margin was added to this and the default assumption, after rounding up, taken to be 75 basis points.

21. Matching rectangle continued

(3) In SAIF, equities were divided into high, medium and low yielding stocks. Land was split into high and low yielding.

In the Other Long Term PAC Fund, United Kingdom equities were divided into high, medium and low yielding stocks. Overseas equities were divided into high and low yielding stocks. Land was considered in total.

In the Europe sub-fund, equities were considered in total.

Dividend and rental income were limited where necessary as described in 7(8)(b) (page 91). For land and buildings, the restriction on rental income was applied after deducting from the expected gross income the expected outgo on maintenance costs and leases.

The gross and net risk-adjusted yields in columns 2 and 6 to the extent that they relate to UK equities (line 16) are the same. The gross valuation interest rates shown in line 31 are consistent with this treatment.

22. Valuation results

Within the Other Long Term PAC Fund, surplus is determined separately for:

(i) life and general annuity business (other than that written in France or designated linked) referred to as "Other" in the headings to the forms,

(ii) pensions business (other than that designated linked)

(iii) linked business (other than that written in France) and temporary assurance (other than that written direct) associated with consumer credit agreements and

23. Required minimum margin

See Form 60.

ORDINARY BRANCH - long term sickness and accident business

1. Date of investigation

The investigation relates to 31 December 2001.

2. Date of previous investigation

The previous investigation related to 31 December 2000.

3. Conformity with rule 5.6

The valuation of long term business liabilities shown in this report conforms with rule 5.6 of IPRU (INS).

4. Description of non-linked contracts

(a) Accumulating with-profits

There are no accumulating with-profits contracts.

(b) Non-linked contracts with benefits determined on the basis of interest accrued

No non-linked contracts provide for benefits to be determined on the basis of interest accrued in respect of premiums paid.

(c) Other non-linked contracts not fully described by the entry in column 1 of Form 51

The permanent health and supplementary sickness business comprises disability lump sum benefits and disability income benefits (including waiver of premium benefits).

On payment of an additional premium, individual permanent health insurance policies issued in the United Kingdom between January 1982 and July 1988 carry an option to increase the original benefit by up to 25% (subject to the total benefit being no greater than 75% of earnings) on every fifth policy anniversary without medical evidence. This option cannot be exercised whilst incapacitated or within 10 years of the termination date of the policy.

Some individual permanent health insurance policies issued in the United Kingdom before 1991 provide for claims in payment to increase in line with the retail prices index subject to a maximum of 5% per annum.

Medical insurance is a rider attached to assurances issued in Hong Kong which reimburses hospital costs. The plan has three different levels of benefit including ward, semi-private and private accommodation. It is renewable yearly at non-guaranteed rates up to age 75.

5. Unit linked contracts

As described in paragraph 4 (c) above, some individual permanent health insurance claims in payment are linked to the retail prices index. The net liability for such claims is reported on Form 54.

6. Valuation principles and methods

(1) (a) There are no derivative contracts in the long term sickness and accident business investment portfolio.

(b) No contracts participate in profits.

(c) Critical illness and United Kingdom individual supplementary sickness and supplementary accident benefits are valued using the unmodified net premium method. Individual permanent health insurance and waiver of premium benefit are valued using the claims inception and disability annuity (CIDA) gross premium method. For all other business, the mathematical reserve is based on the premiums paid and where appropriate an addition for the claims in payment.

(d) To ensure conformity with rule 5.15 of IPRU (INS), policies where negative reserves could arise have been valued individually, and the mathematical reserves increased to zero where necessary. The total amount involved is trivial and consequently no adjustment has been made in respect of outstanding premiums.

(e) No contracts participate in profits.

(f) The fund shown in Form 58 relates to assets at book value. No provision for any prospective liability for tax on unrealised capital gains has been included in the mathematical reserves shown in Form 58.

A provision is made in Form 14, however, and this provision is deemed to cover any prospective liability for tax on unrealised capital gains in respect of long term sickness and accident business, which in any event will be small. See section 6(2) of the Valuation Report for the ordinary branch (life and general annuity, pensions and linked long term business) (page 88).

(g) There are no linked, accumulating with-profits or deposit administration contracts.

(h) The mathematical reserve for the option to increase the permanent health insurance benefit, described in 4(c) above, is an accumulation of the premiums attributable to that option in the period prior to the relevant option date, with this reserve being released:

(i) immediately, if the option is not exercised, or

(ii) during the remaining term of the contract if the option is exercised.

The additional reserve as at 31 December 2001 includes a provision in respect of AIDS and a provision for early premium cessation.

7. Interest and mortality bases, resilience etc

(1) The rates of interest and tables of mortality and disability assumed in the valuation are shown in Forms 51 for all products which are valued by the net premium or CIDA methods, except for critical illness for which sample disability rates are given in 7(2) below.

(2) Supplementary accident benefits attached to United Kingdom individual life business have been valued using an accident table based on 1978 published population accident statistics.

For critical illness business, sample disability rates per mille are:

Age	Men	Women
20	0.7	0.5
25	0.8	0.9
30	1.0	1.6
35	1.6	2.2
40	3.1	3.2
45	5.8	4.7
50	9.2	7.1
55	13.8	10.8
60	21.4	16.1
65	33.7	24.8

7. LTSA interest and mortality bases, resilience etc continued

(3) The mortality and disability tables used are based on experience relevant to the State of the commitment.

(4) Not applicable.

(5) The additional reserve includes a provision of £0.3m for AIDS. This has been assessed using one third of the additional mortality derived from the assumptions underlying Projection R6A of the Institute of Actuaries Working Party Bulletin No. 5. Individual permanent health policies issued in the United Kingdom from June 1989 have contained a provision that excludes the payment of benefit if the policyholder is infected with HIV, and hence no additional reserve for AIDS is held in respect of these policies. For the waiver of premium benefit attached to personal pensions policies, this exclusion applied in respect of premiums commencing to be payable after June 1990.

(6) The scenarios are those described in section 7(6) of the Valuation Report for the ordinary branch (life, annuity, pensions and linked long term business) (page 90).

(7) The mean terms of both the liabilities and the assets are relatively short and well matched. Hence no reserve is necessary under rule 5.17(a) of IPRU (INS).

(8) Not applicable.

(9) Not applicable.

8. Valuation of non-linked business

(a) The proportion of office premiums implicitly or explicitly reserved for expenses and profits is shown in Form 51 wherever such provision is made.

(b) For individual permanent health policies issued in the United Kingdom after 1981 and waiver of premium riders attaching to retirement annuities and to personal pension scheme contracts in the United Kingdom, premiums cease one year before the policy benefits cease. No specific provision is made for expenses in the final year.

There are no other policies under which premiums cease before the termination of the contract.

(c) Where a prospective method of valuation has not been used, the mathematical reserve (other than for claims in course of payment) has been taken as a proportion of:

(i) the revenue premiums,

(ii) the premiums in force on the valuation date, or

(iii) the accumulated premiums paid.

(d) Not applicable.

9. Valuation of linked business

The basis for calculating the net liability for individual permanent health insurance claims in payment linked to the retail prices index is shown in columns 2 and 3 of Form 54.

10. Expenses

(1) No allowance has been made for future expense inflation.

(2) The amount arising in the next twelve months to meet expenses is included in the amount reported in the life, annuity, pensions and linked long term section of this report.

(3) No separate provision is deemed necessary for this class of business.

(4) No separate provision is deemed necessary for this class of business.

11. Currency matching

All the mathematical reserves shown in Form 51 are covered by assets in the same currency.

12. Reinsurance

(1) No facultative reinsurance premiums were paid in 2001.

(2) The following reinsurance treaties were in force at 31 December 2001:

(i) (a) **Swiss Reinsurance Life & Health Ltd**

(b) The reinsurer is authorised to carry on insurance business in the United Kingdom.

(c) The reinsurer and the company are not connected.

(d) United Kingdom permanent health insurance business in surplus form on reviewable terms, Hong Kong permanent health insurance on original terms, Hong Kong group accident and critical illness benefits on a quota share basis and other Hong Kong business on a risk premium basis.

(e) The premiums payable under the treaties during 2001 were £318,000.

(f) There were no deposit-back arrangements.

(g) The net liability includes no allowance for the refund of any reinsurance commission.

(h) The treaties are open to new business.

(ii) (a) **GE Frankona Reinsurance**

(b) The reinsurer is authorised to carry on insurance business in the United Kingdom.

(c) The reinsurer and the Company are not connected.

(d) United Kingdom permanent health insurance business in surplus form on an original terms basis and United Kingdom critical illness insurance issued from 4 July 2000 in surplus form on an original terms basis.

(e) No premiums were payable under the treaty during 2001.

(f) There were no deposit-back arrangements.

(g) The net liability includes no allowance for the refund of any reinsurance commission.

(h) The treaty is open to new business.

(iii) (a) **GeneralCologne Reinsurance**

(b) The reinsurer is authorised to carry on insurance business in the United Kingdom.

(c) The reinsurer and the Company are not connected.

(d) Hong Kong Lady Prudence Plan and Surgical Cash Plan on a quota share basis.

(e) The premiums payable under the treaty during 2001 were £214,000.

(f) There were no deposit back arrangements.

(g) The net liability includes no allowance for the refund of any reinsurance commission.

(h) The treaty is open to new business.

12. Reinsurance continued

(iv) (a) **European Specialist Reinsurance (Ireland) Ltd**

(b) The reinsurer is not authorised to carry on insurance business in the United Kingdom.

(c) The reinsurer and the company are not connected.

(d) Hong Kong accident, dismemberment and hospitalisation benefits sold direct on a quota share basis.

(e) The premiums payable under the treaties during 2001 were £1,564,000.

(f) There were no deposit-back arrangements.

(g) The net liability includes no allowance for the refund of any reinsurance commission.

(h) The treaties are open to new business.

(3) No financing agreements were in force at 31 December 2001.

13 to 16.

No contracts participate in profits.

17. Changes in long term business

See Form 46.

18. New business

See Form 47.

19. Assets covering long term liabilities

See Forms 48 and 49 and the Valuation Report for the ordinary branch (life, annuity, pensions and linked long term business).

20. Valuation summaries

The surplus for long term sickness and accident business is determined separately.

Separate Forms 51 have been prepared.

21. Matching rectangle

All liabilities and matching assets are included in the balancing Form 57. See the life, annuity, pensions and linked long term section of this report.

22. Valuation results

The surplus for long term sickness and accident business is determined separately.

A separate Form 58 has been prepared.

23. Required minimum margin

See Forms 60 and 61.

INDUSTRIAL BRANCH

The industrial branch was closed to new business on 1 January 1995.

1. Date of investigation

The investigation relates to 31 December 2001.

2. Date of previous investigation

The previous investigation related to 31 December 2000.

3. Conformity with rule 5.6

The valuation of long term business liabilities shown in this report conforms with rule 5.6 IPRU (INS).

4. Descriptions of non-linked contracts

(a) Accumulating with-profits

There are no accumulating with-profits contracts.

(b) Non-linked contracts with benefits determined on the basis of interest accrued

No non-linked policies provide for benefits to be determined on the basis of interest accrued in respect of premiums paid.

(c) Other non-linked contracts not fully described by the entry in column 1 of Form 51

Guaranteed paid-up policy values are provided under the Financial Services and Markets Act (Consequential Amendments and Savings) (Industrial Assurance) Order 2001.

A proportionate paid-up policy value is guaranteed for policies issued prior to April 1979.

By concession, policies under which premiums have been paid for 40 years or more are deemed to be fully paid, irrespective of the premium-paying term specified in the policy.

Premiums are not collected for policies, other than Family Income Plans, which were issued before 1 January 1974, and on which all premiums due as at 2 August 1993 were paid and which were participating policies on the next premium due date following 2 August 1993. The uncollected premiums are deducted from claim payments as described in the note following the terminal bonus table on page 139.

5. Linked contracts

There are no linked contracts.

6. Valuation principles and methods

(1) The mathematical reserve is the difference between the present value of the benefits and the present value of the future valuation net premiums, both calculated with provision for the immediate payment of claims. The net premiums are calculated at an age that is one half a year less than that attained on the next birthday after entry.

For policies which are deemed to be fully paid, or under which premiums are not collected as described in 4(c) above, the mathematical reserve is the present value of the benefits.

Where the Company has accepted liability for future payments of Life Assurance Premium Relief on policies which were in the course of issue and subsequently not allowed as eligible following the Finance Act 1984, provision for the full liability is made explicitly in the mathematical reserves.

In particular, the following principles have been observed:

(a) In determining the long term liabilities, allowance has been made for derivative contracts and contracts or assets having the effect of derivative contracts, by adjusting the existing assets attributed to the long term business to reflect the underlying investment exposure.

(b) Due regard has been paid to the reasonable expectations of policyholders as follows:

For the declaration of annual reversionary bonuses on conventional with-profits business, by adopting a valuation interest rate which is less, by an amount which makes implicit provision for the emergence of appropriate future reversionary bonuses, than that element of the total future investment return which, it is anticipated, will be utilised in the declaration of reversionary bonuses.

For all business, the mathematical reserve is not less than any surrender value which a policyholder might reasonably expect to receive, excluding any element relating to terminal bonus.

(c) Where the net premium method has been used it has not been modified.

(d) Those policies where negative reserves could arise have been valued in groups which have a common year of entry, age at entry and policy term, and any resulting negative mathematical reserves have been increased to zero.

(e) No specific reserve is made for future bonuses.

(f) The fund shown in Form 58 relates to assets at book value. No provision for any prospective liability for tax on unrealised capital gains has been included in the mathematical reserves shown in Form 58. However, a provision is made in Form 14 as described in 6(2) below.

(g) The additional reserve covers:

a provision in respect of outstanding premiums under contracts where the mathematical reserve has been increased to zero in order to ensure that such outstanding premiums do not result in the contract being treated as an asset;

a provision for AIDS;

a provision in respect of future expenses likely to be incurred in fulfilling existing contracts;

a provision for late notified movements; and

contingencies for which provision is not otherwise made.

(2) The funds have been brought into Form 58 at book value. No provision has been made in the valuation for mismatching and the prospective liability for tax on unrealised capital gains. The provision in Form 14 for the prospective liability for tax on unrealised capital gains is based on all industrial branch business and all UK ordinary branch business (excluding SAIF and property-linked) combined, and has been assessed by providing an amount equal to 22% of the estimated chargeable gains at 31 December 2001.

7. Interest and mortality bases, resilience etc

(1) The rates of interest and table of mortality assumed in the valuation are shown in Form 51. The valuation interest rates make implicit provision for £6m per annum of investment management expenses that relate to maintenance and lease costs on property assets. The yields on property shown in Forms 48 and 57 are net of these costs.

(2) No unpublished mortality tables have been used.

(3) All policies were issued in the UK, Channel Islands or Isle of Man. The mortality table used is based on relevant UK experience.

(4) There are no annuity contracts.

(5) The additional reserve includes a provision of £0.2m for AIDS. This has been assessed using one third of the additional mortality derived from the assumptions underlying Projection R6A of the Institute of Actuaries Working Party Bulletin No 5.

(6) The scenarios are those described in section 7(6) of the Valuation Report for the ordinary branch (life, annuity, pensions and linked long term business) (page 90).

(7) No additional provision is considered necessary under rule 5.17(a) IPRU (INS) as the business is primarily with-profits.

(8) A provision under rule 5.17(b) of IPRU (INS) covering both the industrial and ordinary branches has been made in Form 9. Details are given in section 7(8) of the Valuation Report for the ordinary branch (life, annuity, pensions and linked long term business) (page 90).

(9) There are no liabilities denominated in currencies other than sterling.

8. Valuation of non-linked business

(a) The proportion of office premiums implicitly or explicitly reserved for expenses and profits is shown in Form 51 wherever such provision is made.

(b) No specific reserve is held for expenses after premiums have ceased because the additional reserve includes a provision to cover the excess of all future expenses over those covered by the margin in the interest rate.

(c) A prospective valuation has been used for all business except for extra premiums, for which the mathematical reserves have been taken as one year's premium (£36,000).

(d) All future premiums to be valued have been calculated in accordance with rule 5.9(1) of IPRU (INS).

9. Valuation of linked business

There are no linked contracts.

10. Expenses

(1) Provision in respect of the future expenses likely to be incurred in fulfilling existing contracts is made both implicitly, through the margins between office and net premiums, and explicitly within the additional reserve. The provision allows for expense inflation of 4% p.a.

(2) The valuation provides for expenses in the next twelve months in respect of business in force on the valuation date as follows:

Source	Grossed up amount £m
Explicit provision for expenses	21
Where a net premium valuation method is used the excess of office over net premiums for non-profit contracts plus 30% of the excess for with-profits contracts	10
Margin in property yield reported on Form 57 for maintenance costs and leases	6
0.125% of equity and bond assets allocated on Form 57	2
Total	39

10. Expenses continued

(3) Not applicable.

(4) Not applicable.

11. Currency matching

All the mathematical reserves shown in Form 51 are covered by sterling assets.

12. Reinsurance

No business is reinsured.

13. With-profits funds

See the Valuation Report for the ordinary branch (life, annuity, pensions, ISA and linked long term business).

14. Distribution of profits

(1) The Articles of Association of the Company from time to time define the basis on which any distribution of profits may be made. All policies are with-profits unless converted into paid-up policies for reduced amounts.

The Directors determine the divisible profits available after any creation or augmentation of contingency funds. The whole of the profits relating to increases in sum assured which arise in terms of paragraph 5(1) of The Industrial Assurance (Life Assurance Premium Relief) Regulations 1977 are attributable to policyholders, as is not less than 90% of the balance of the divisible profits. The remainder of the divisible profits may be transferred to the profit and loss account. Advertisements may have referred to the proportion of profits allocated to with-profits policyholders.

(2) The Industrial Branch sub-fund is part of the Other Long Term PAC Fund and its with-profits policyholders participate in the profits arising in that fund subject to the exceptions listed in paragraph 14(2) of the Valuation Report for the ordinary branch (life and general annuity, pensions, ISA and linked long term business) (page 105). The main aims of the Company in relation to the distribution of profits and to the setting of surrender bases are the same as those described in that report. However, the means of achieving these aims are somewhat different.

For contracts issued prior to July 1988 the Company has given an undertaking that the percentage of industrial branch to ordinary branch bonuses for policies becoming claims by death or maturity after the same duration in force, will not be reduced below 90% unless there is a significant change in circumstances, in which event the agreement of the FSA will be required. The only exception to this is that, to avoid collecting premiums where it would be uneconomic, payment of premiums due since 2 August 1993 on contracts issued before 1974 has been deferred until these contracts become claims. Such uncollected premiums (net of LAPR) will be recovered without interest from the terminal bonuses payable when a claim arises, reducing the total bonuses paid to less than 90% of the corresponding ordinary branch bonuses.

For contracts issued since July 1988, the sum assured, bonus rates and the surrender value for an industrial branch policy are identical to those for an ordinary branch policy for the same amount of premium but payable monthly rather than four-weekly. It is the Company's intention to maintain these common bonus rates and surrender values except in the event of a significant change in external circumstances.

(3) The methods used are described in (2) above.

15. Bonuses

All bonuses are declared out of the profits of the calendar year ending on the date of the valuation.

The bonus declaration following the valuation at 31 December 2001 provided that the following bonuses be added to policies that were entitled to participate.

(a) For policies issued from 1 July 1988:

Reversionary and terminal bonuses at the same rates as are applicable to ordinary branch United Kingdom with-profits assurance policies.

(b) For policies issued before 1 July 1988 other than those in (c) below:

(i) A reversionary bonus at the rates of 1.50% of the sum assured and 2.80% of the existing reversionary bonuses.

(ii) A terminal bonus payable on policies becoming claims by death or maturity between 1 April 2002 and 31 March 2003 inclusive at the following rates per cent of sum assured:

Relevant year	Terminal bonus	Relevant year	Terminal bonus	Relevant year	Terminal bonus
1988	44.80	1955	1,555.50	1922	3,315.60
1987	52.60	1954	1,608.10	1921	3,334.80
1986	62.20	1953	1,662.60	1920	3,353.30
1985	72.30	1952	1,717.80	1919	3,372.00
1984	82.70	1951	1,755.40	1918	3,381.50
1983	93.70	1950	1,794.20	1917	3,391.00
1982	105.40	1949	1,833.30	1916	3,400.40
1981	131.40	1948	1,873.70	1915	3,410.00
1980	157.90	1947	1,913.90	1914	3,419.50
1979	188.90	1946	1,956.60	1913	3,428.60
1978	228.00	1945	2,000.60	1912	3,438.30
1977	271.80	1944	2,047.00	1911	3,447.80
1976	310.30	1943	2,094.20	1910	3,457.10
1975	352.30	1942	2,143.50	1909	3,478.50
1974	394.50	1941	2,211.90	1908	3,488.90
1973	438.00	1940	2,282.80	1907	3,497.80
1972	484.00	1939	2,355.80	1906	3,510.70
1971	511.50	1938	2,428.90	1905	3,518.20
1970	538.90	1937	2,503.80	1904	3,525.00
1969	566.60	1936	2,614.70	1903	3,535.20
1968	595.70	1935	2,729.20	1902	3,544.30
1967	625.20	1934	2,847.40	1901	3,557.80
1966	669.00	1933	2,968.90	1900	3,570.10
1965	714.80	1932	3,094.00	1899	3,570.10
1964	763.30	1931	3,127.70	1898	3,558.90
1963	814.30	1930	3,161.60	1897	3,558.90
1962	897.30	1929	3,195.50	1896	3,568.00
1961	1,053.50	1928	3,230.10	1895	3,580.30
1960	1,144.30	1927	3,264.80	1894	3,580.30
1959	1,241.80	1926	3,299.60	1893	3,580.30
1958	1,345.10	1925	3,334.80	1892	3,580.30
1957	1,452.10	1924	3,370.80		
1956	1,504.70	1923	3,408.20		

For policies, other than Family Income Plans, issued before 1 January 1974 whereunder all premiums due as at 2 August 1993 were paid and which were participating policies on the next premium due date following 2 August 1993, the terminal bonuses calculated using these rates are reduced by the uncollected premiums (net of LAPR) that would have been payable up to the fortieth policy anniversary, or date of claim if earlier. The reduction is restricted to the total unadjusted terminal bonus attaching to the policy.

15. IB bonuses continued

*(c) **For policies which were paid-up policies for the full sum assured on 31 March 1968 and which become claims by death or maturity between 1 April 2002 and 31 March 2003 inclusive:***

an additional bonus at the rate of 3,580% of the paid-up policy sum assured.

16. Interim bonus payments

Except where the facility exists to vary bonuses at any time, bonuses are declared annually so there is no interim bonus declaration.

17. Changes in long term business

See Form 46A and note 46A01.

18. New business

There is no new business.

19. Assets covering long term liabilities

See Forms 48 and 49 and the Valuation Report for the ordinary branch (life, annuity, pensions and linked long term business).

20. Valuation summaries

Surplus is not determined separately for any part of the fund. See Form 51.

21. Matching rectangle

See Form 57 and the Valuation Report for the ordinary branch (life, annuity, pensions and linked long term business).

22. Valuation results

Surplus is not determined separately for any part of the fund. See Form 58.

23. Required minimum margin

See Forms 60 and 61.

Long term insurance business : Summary of changes in ordinary long term business

Name of insurer **The Prudential Assurance Company Limited**

Global business

United Kingdom business

Non-linked

Financial year ended **31st December 2001**

	Company registration number	GL/UK/CM	Period ended day	month	year	Units	UK/OS	NL/LN
R46	15454	GL	31	12	2001	£000	UK	NL

		Life assurance and general annuity		Pensions business		Permanent health		Other business	
		No of contracts	Annual premiums	No of contracts	Annual premiums	No of contracts	Annual premiums	No of contracts	Annual premiums
		1	2	3	4	5	6	7	8
In force at beginning of year	11	3760693	997952	2855009	753310	11956	5356	1364	1750
New business and increases	12	312062	13934	68052	44705	1369	684	187	55
Net transfers and other alterations 'on'	13	2986	6430	56688	6369		3365		
Total 'on' (12+13)	19	315048	20364	124740	51074	1369	4049	187	55
Deaths	21	14575	3154	20032	1409	7	2		
Other insured events	22	314	326				2		
Maturities	23	127109	40207	42910	14221		35		
Surrenders	24	93841	34887	47471	13488		65	2	
Forfeitures	25	26376	7279	10091	4089	860	361		
Conversions to paid-up policies for reduced benefits	26		10769		54674		9		
Net transfers, expiries and other alterations 'off'	27	40479	7207	6010	10625	748	444		154
Total 'off' (21 to 27)	29	302694	103829	126514	98506	1615	918	2	154
In force at end of year (11+19-29)	39	3773047	914487	2853235	705878	11710	8487	1549	1651

Long term insurance business : Summary of changes in ordinary long term business

Name of insurer **The Prudential Assurance Company Limited**

Global business

United Kingdom business

Linked

Financial year ended **31st December 2001**

	Company registration number	GL/UK/CM	Period ended day	month	year	Units	UK/OS	NL/LN
R46	15454	GL	31	12	2001	£000	UK	LN

		Life assurance and general annuity		Pensions business		Permanent health		Other business	
		No of contracts 1	Annual premiums 2	No of contracts 3	Annual premiums 4	No of contracts 5	Annual premiums 6	No of contracts 7	Annual premiums 8
In force at beginning of year	11	179542	63336	289826	77651		461		
New business and increases	12	1022	152	1513	1932		40		
Net transfers and other alterations 'on'	13	213	520	4217	1056	1733	930		
Total 'on' (12+13)	19	1235	672	5730	2988	1733	970		
Deaths	21	1177	114	547	134				
Other insured events	22	113	98			4	2		
Maturities	23	961	448	4968	1394				
Surrenders	24	11597	4332	6235	2839	99	50		
Forfeitures	25	1001	682	24	9	98	43		
Conversions to paid-up policies for reduced benefits	26		79		5771				
Net transfers, expiries and other alterations 'off'	27	420	926	429	3753	1	48		
Total 'off' (21 to 27)	29	15269	6679	12203	13900	202	143		
In force at end of year (11+19-29)	39	165508	57329	283353	66739	1531	1288		

Long term insurance business : Summary of changes in ordinary long term business

Name of insurer **The Prudential Assurance Company Limited**

Global business

Overseas business

Non-linked

Financial year ended **31st December 2001**

	Company registration number	GL/UK/CM	Period ended day	month	year	Units	UK/OS	NL/LN
R46	15454	GL	31	12	2001	£000	OS	NL

		Life assurance and general annuity		Pensions business		Permanent health		Other business	
		No of contracts 1	Annual premiums 2	No of contracts 3	Annual premiums 4	No of contracts 5	Annual premiums 6	No of contracts 7	Annual premiums 8
In force at beginning of year	11	215624	117063			1053	13331		2873
New business and increases	12	61062	36206			46913	14896	56178	1571
Net transfers and other alterations 'on'	13	374	2581			1	214		56
Total 'on' (12+13)	19	61436	38787			46914	15110	56178	1627
Deaths	21	290	115						
Other insured events	22								
Maturities	23	944	535						
Surrenders	24	4581	2142						
Forfeitures	25	7725	4649			219	692		167
Conversions to paid-up policies for reduced benefits	26		647						
Net transfers, expiries and other alterations 'off'	27	318	6130			2	239		2
Total 'off' (21 to 27)	29	13858	14218			221	931		169
In force at end of year (11+19-29)	39	263202	141632			47746	27510	56178	4331

Long term insurance business : Summary of changes in ordinary long term business

Name of insurer **The Prudential Assurance Company Limited**

Global business

Overseas business

Linked

Financial year ended **31st December 2001**

	Company registration number	GL/UK/CM	Period ended day	month	year	Units	UK/OS	NL/LN
R46	15454	GL	31	12	2001	£000	OS	LN

		Life assurance and general annuity		Pensions business		Permanent health		Other business	
		No of contracts	Annual premiums	No of contracts	Annual premiums	No of contracts	Annual premiums	No of contracts	Annual premiums
		1	2	3	4	5	6	7	8
In force at beginning of year	11	49608	33428						
New business and increases	12	26951	16782						
Net transfers and other alterations 'on'	13	30	760						
Total 'on' (12+13)	19	26981	17542						
Deaths	21	20	14						
Other insured events	22								
Maturities	23								
Surrenders	24	1788	277						
Forfeitures	25	3286	1509						
Conversions to paid-up policies for reduced benefits	26								
Net transfers, expiries and other alterations 'off'	27		2405						
Total 'off' (21 to 27)	29	5094	4205						
In force at end of year (11+19-29)	39	71495	46765						

Long term insurance business : Summary of changes in industrial assurance business

Name of insurer **The Prudential Assurance Company Limited**

Global business

United Kingdom business

Financial year ended **31st December 2001**

	Company registration number	Period ended day	month	year	Units	UK/NI
R46A	15454	31	12	2001	£000	UK

			Paying		Paid up
			No of policies 1	Annual premiums 2	No of policies 3
In force at beginning of year		11	837066	72283	3211841
Taken up during year	Weekly business	12			
	Monthly business	13			
Converted to paid-up policies during year		14			52933
Total 'on'		19			52933
Discontinued during year by	Deaths	21	21071		76827
	Maturities	22	103892		24218
	Surrenders for cash	23	8051		13431
	Terminations by return of premiums	24			
	Conversions to paid-up policies for full sums assured	25	51385		
	Conversions to paid-up policies for reduced sums assured	26	1548		
	Forfeitures without grant of paid-up policy or cash surrender	27			
Total 'off'		29	185947		114476
In force at end of year		31	651119	54742	3150298

Returns under the Accounts and Statements Rules

Form 47
(Sheet 1)

Long term insurance business : Analysis of new ordinary long term business

Name of insurer **The Prudential Assurance Company Limited**

Global business

Financial year ended **31st December 2001**

	Company registration number	GL/UK/CM	Period ended day	month	year	Units
R47	15454	GL	31	12	2001	£000

Type of insurance	Single premium contracts			Regular premium contracts		
	No of contracts	Premiums	Sums assured, annuities per annum or other measures of benefit	No of contracts	Annual premiums	Sums assured, annuities per annum or other measures of benefit
1	2	3	4	5	6	7
UK DIRECT WRITTEN INSURANCE BUSINESS						
Life Assurance & General Annuity Insurance Business						
Accumulating With-Profits Policies						
Whole life assurance	49652	2180671	2180671	5544	5646	5646
Endowment assurance					325	2196
Sub total: Accumulating With-Profits Policies	**49652**	**2180671**	**2180671**	**5544**	**5971**	**7842**
Non-Linked With-Profits Policies						
Whole life assurance				946	424	5200
Endowment assurance				607	1274	11011
Sub total: Non-Linked With-Profits Policies				**1553**	**1698**	**16211**
Non-Linked Non-Profit Policies						
Term assurance	30312	3947	206083	221903	3771	418953
Endowment assurance		401	401			
Annuity in payment	103	2691	297 pa			
Sub total: Non-Linked Non-Profit Policies	**30415**	**7039**	**206484** **297 pa**	**221903**	**3771**	**418953**
Index Linked Contracts						
Endowment assurance	417	3386	3394			

Form 47
(Sheet 2)

Long term insurance business : Analysis of new ordinary long term business

Name of insurer **The Prudential Assurance Company Limited**

Global business

Financial year ended **31st December 2001**

	Company registration number	GL/UK/CM	Period ended day	month	year	Units
R47	15454	GL	31	12	2001	£000

Type of insurance	Single premium contracts			Regular premium contracts		
	No of contracts	Premiums	Sums assured, annuities per annum or other measures of benefit	No of contracts	Annual premiums	Sums assured, annuities per annum or other measures of benefit
1	2	3	4	5	6	7
Sub total: Index Linked Contracts	417	3386	3394			
Other Linked Contracts						
Whole life assurance	605	21703	21712			
Endowment assurance					152	1436
Permanent health insurance						36
Sub total: Other Linked Contracts	605	21703	21712		152	1472
Total: Life Assurance & General Annuity Insurance Business	81089	2212799	2412261 297 pa	229000	11592	444478

Long term insurance business : Analysis of new ordinary long term business

Name of insurer **The Prudential Assurance Company Limited**

Global business

Financial year ended **31st December 2001**

	Company registration number	GL/UK/CM	Period ended day	month	year	Units
R47	15454	GL	31	12	2001	£000

Type of insurance	Single premium contracts			Regular premium contracts		
	No of contracts	Premiums	Sums assured, annuities per annum or other measures of benefit	No of contracts	Annual premiums	Sums assured, annuities per annum or other measures of benefit
1	2	3	4	5	6	7
Pension Insurance Business						
Accumulating With-Profits Policies						
Pure endowment	2854	261698	261698	2493	27429	53397
Group pure endowment					104	2990
Group pension		89785	89785	44	129119	129119
Flexible annuity	94	405	327 pa			
Sub total: Accumulating With-Profits Policies	**2948**	**351888**	**351483** **327 pa**	**2537**	**156652**	**185506**
Non-Linked With-Profits Policies						
Deferred annuity		7512	875 pa		1831	1668 pa
Annuity in payment	1809	156465	9275 pa			
Sub total: Non-Linked With-Profits Policies	**1809**	**163977**	**10150 pa**		**1831**	**1668 pa**
Non-Linked Non-Profit Policies						
Term assurance				339	121	47319
Annuity in payment	39867	589024	53255 pa			
Waiver of premium				34		
Sub total: Non-Linked Non-Profit Policies	**39867**	**589024**	**53255 pa**	**373**	**121**	**47319**

Returns under the Accounts and Statements Rules

Form 47
(Sheet 4)

Long term insurance business : Analysis of new ordinary long term business

Name of insurer **The Prudential Assurance Company Limited**

Global business

Financial year ended **31st December 2001**

	Company registration number	GL/UK/CM	Period ended day	month	year	Units
R47	15454	GL	31	12	2001	£000

Type of insurance	Single premium contracts			Regular premium contracts		
	No of contracts	Premiums	Sums assured, annuities per annum or other measures of benefit	No of contracts	Annual premiums	Sums assured, annuities per annum or other measures of benefit
1	2	3	4	5	6	7
Index Linked Contracts						
Annuity in payment	643	3623	599 pa			
Sub total: Index Linked Contracts	**643**	**3623**	**599 pa**			
Other Linked Contracts						
Group whole life assurance		17	17			
Pure endowment	496	40386	40386	265	1932	21750
Group pure endowment					29	707
Flexible annuity	109	20580	929 pa			
Group pension		20193	20193			
Group pension (stakeholder)		2160	2160	29	2700	2700
Sub total: Other Linked Contracts	**605**	**83336**	**62756** **929 pa**	**294**	**4661**	**25157**
Total: Pension Insurance Business	**45872**	**1191848**	**414239** **65260 pa**	**3204**	**163265**	**257982** **1668 pa**

Returns under the Accounts and Statements Rules

Form 47
(Sheet 5)

Long term insurance business : Analysis of new ordinary long term business

Name of insurer **The Prudential Assurance Company Limited**

Global business

Financial year ended **31st December 2001**

	Company registration number	GL/UK/CM	Period ended day	month	year	Units
R47	15454	GL	31	12	2001	£000

Type of insurance	Single premium contracts			Regular premium contracts		
	No of contracts	Premiums	Sums assured, annuities per annum or other measures of benefit	No of contracts	Annual premiums	Sums assured, annuities per annum or other measures of benefit
1	2	3	4	5	6	7
Permanent Health Insurance Business						
Non-Linked Non-Profit Policies						
Permanent health insurance				8	45	1528 pa
Critical illness				1361	528	79596
Waiver of premium					137	3720 pa
Sub total: Non-Linked Non-Profit Policies				**1369**	**710**	**79596** **5248 pa**
Total: Permanent Health Insurance Business				**1369**	**710**	**79596** **5248 pa**
Total: UK Direct Written Insurance Business	**126961**	**3404647**	**2826500** **65557 pa**	**233573**	**175567**	**782056** **6916 pa**

Form 47
(Sheet 6)

Long term insurance business : Analysis of new ordinary long term business

Name of insurer **The Prudential Assurance Company Limited**

Global business

Financial year ended **31st December 2001**

	Company registration number	GL/UK/CM	Period ended day	month	year	Units
R47	15454	GL	31	12	2001	£000

Type of insurance	Single premium contracts			Regular premium contracts		
	No of contracts	Premiums	Sums assured, annuities per annum or other measures of benefit	No of contracts	Annual premiums	Sums assured, annuities per annum or other measures of benefit
1	2	3	4	5	6	7
UK REINSURANCE ACCEPTED						
Life Assurance & General Annuity Insurance Business						
Accumulating With-Profits Policies						
Endowment assurance				2995	2494	66458
Sub total: Accumulating With-Profits Policies				**2995**	**2494**	**66458**
Total: Life Assurance & General Annuity Insurance Business				**2995**	**2494**	**66458**

Form 47
(Sheet 7)

Long term insurance business : Analysis of new ordinary long term business

Name of insurer **The Prudential Assurance Company Limited**

Global business

Financial year ended **31st December 2001**

	Company registration number	GL/UK/CM	Period ended day	month	year	Units
R47	15454	GL	31	12	2001	£000

Type of insurance	Single premium contracts			Regular premium contracts		
	No of contracts	Premiums	Sums assured, annuities per annum or other measures of benefit	No of contracts	Annual premiums	Sums assured, annuities per annum or other measures of benefit
1	2	3	4	5	6	7
Pension Insurance Business						
Accumulating With-Profits Policies						
Group whole life assurance	313	25495	25495			
Pure endowment assurance	7434	101597	101597	13129	15325	319840
Group pure endowment		1009	1009	69	2710	65646
Sub total: Accumulating With-Profits Policies	**7747**	**128101**	**128101**	**13198**	**18035**	**385486**
Total: Pension Insurance Business	**7747**	**128101**	**128101**	**13198**	**18035**	**385486**

Form 47
(Sheet 8)

Long term insurance business : Analysis of new ordinary long term business

Name of insurer **The Prudential Assurance Company Limited**

Global business

Financial year ended **31st December 2001**

	Company registration number	GL/UK/CM	Period ended day	month	year	Units
R47	15454	GL	31	12	2001	£000

Type of insurance	Single premium contracts			Regular premium contracts		
	No of contracts	Premiums	Sums assured, annuities per annum or other measures of benefit	No of contracts	Annual premiums	Sums assured, annuities per annum or other measures of benefit
1	2	3	4	5	6	7
Permanent Health Insurance Business						
Non-Linked Non-Profit Policies						
Permanent health insurance					14	18297
Sub total: Non-Linked Non-Profit Policies					**14**	**18297**
Total: Permanent Health Insurance Business					**14**	**18297**

Returns under the Accounts and Statements Rules

Form 47
(Sheet 9)

Long term insurance business : Analysis of new ordinary long term business

Name of insurer **The Prudential Assurance Company Limited**

Global business

Financial year ended **31st December 2001**

	Company registration number	GL/UK/CM	Period ended day	month	year	Units
R47	15454	GL	31	12	2001	£000

Type of insurance	Single premium contracts			Regular premium contracts		
	No of contracts	Premiums	Sums assured, annuities per annum or other measures of benefit	No of contracts	Annual premiums	Sums assured, annuities per annum or other measures of benefit
1	2	3	4	5	6	7
Other Insurance Business						
Accumulating With-Profits Policies						
Whole life assurance	110	106	102	77	55	53
Sub total: Accumulating With-Profits Policies	110	106	102	77	55	53
Total: Other Insurance Business	110	106	102	77	55	53
Total: UK Reinsurance Accepted	7857	128207	128203	16270	20598	470294

Form 47
(Sheet 10)

Long term insurance business : Analysis of new ordinary long term business

Name of insurer **The Prudential Assurance Company Limited**

Global business

Financial year ended **31st December 2001**

	Company registration number	GL/UK/CM	Period ended day	month	year	Units
R47	15454	GL	31	12	2001	£000

Type of insurance	Single premium contracts			Regular premium contracts		
	No of contracts	Premiums	Sums assured, annuities per annum or other measures of benefit	No of contracts	Annual premiums	Sums assured, annuities per annum or other measures of benefit
1	2	3	4	5	6	7
OVERSEAS DIRECT WRITTEN INSURANCE BUSINESS						
Life Assurance & General Annuity Insurance Business						
Accumulating With-Profits Policies						
Pure endowment insurance	3	4	4	50	155	155
Group pension		859	859			
Whole life assurance	6502	105968	106138			
Sub total: Accumulating With-Profits Policies	**6505**	**106831**	**107001**	**50**	**155**	**155**
Non-Linked With-Profits Policies						
Whole life assurance	2508	13307	109535	44553	30245	1591053
Endowment insurance				75	53	749
Deferred annuity		2	4 pa	3	21	57 pa
Sub total: Non-Linked With-Profits Policies	**2508**	**13309**	**109535** **4 pa**	**44631**	**30319**	**1591802** **57 pa**
Non-Linked Non-Profit Policies						
Term assurance	10	11	572	7187	2809	1123517
Critical illness assurance					2882	846650
Annuity in payment	170	11458	484 pa			
Group life				269	226	352107
Total permanent and disability benefit		1	572		41	108432

Form 47
(Sheet 11)

Long term insurance business : Analysis of new ordinary long term business

Name of insurer **The Prudential Assurance Company Limited**

Global business

Financial year ended **31st December 2001**

	Company registration number	GL/UK/CM	Period ended day	month	year	Units
R47	15454	GL	31	12	2001	£000

Type of insurance	Single premium contracts			Regular premium contracts		
	No of contracts	Premiums	Sums assured, annuities per annum or other measures of benefit	No of contracts	Annual premiums	Sums assured, annuities per annum or other measures of benefit
1	2	3	4	5	6	7
Sub total: Non-Linked Non-Profit Policies	**180**	**11470**	**1144** **484 pa**	**7456**	**5958**	**2430706**
Other Linked Contracts						
Whole life assurance		11406	11406	26951	14312	1133552
Critical illness assurance					1568	485700
Term assurance					895	480630
Total & permanent disability benefit					7	8947
Sub total: Other Linked Contracts		**11406**	**11406**	**26951**	**16782**	**2108829**
Total: Life Assurance & General Annuity Insurance Business	**9193**	**143016**	**229086** **488 pa**	**79088**	**53214**	**6131492** **57 pa**

Form 47
(Sheet 12)

Long term insurance business : Analysis of new ordinary long term business

Name of insurer **The Prudential Assurance Company Limited**

Global business

Financial year ended **31st December 2001**

	Company registration number	GL/UK/CM	Period ended day	month	year	Units
R47	15454	GL	31	12	2001	£000

Type of insurance	Single premium contracts			Regular premium contracts		
	No of contracts	Premiums	Sums assured, annuities per annum or other measures of benefit	No of contracts	Annual premiums	Sums assured, annuities per annum or other measures of benefit
1	2	3	4	5	6	7
Permanent Health Insurance Business						
Non-Linked Non-Profit Policies						
Permanent health assurance				46913	14896	5127956 1101893 pa
Group permanent health					48	90972
Sub total: Non-Linked Non-Profit Policies				**46913**	**14944**	**5218928** **1101893 pa**
Total: Permanent Health Insurance Business				**46913**	**14944**	**5218928** **1101893 pa**

Long term insurance business : Analysis of new ordinary long term business

Name of insurer **The Prudential Assurance Company Limited**

Global business

Financial year ended **31st December 2001**

	Company registration number	GL/UK/CM	Period ended day	month	year	Units
R47	15454	GL	31	12	2001	£000

Type of insurance	Single premium contracts			Regular premium contracts		
	No of contracts	Premiums	Sums assured, annuities per annum or other measures of benefit	No of contracts	Annual premiums	Sums assured, annuities per annum or other measures of benefit
1	2	3	4	5	6	7
Other Insurance Business						
Non-Linked Non-Profit Policies						
Supplementary accident				56178	1571	600928
Group supplementary accident					19	20722
Sub total: Non-Linked Non-Profit Policies				56178	1590	621650
Total: Other Insurance Business				56178	1590	621650
Total: Overseas Direct Written Insurance Business	9193	143016	229086 488 pa	182179	69748	11972070 1101950 pa

Long term insurance business : Expected income from admissible assets not held to match liabilities in respect of linked benefits

Name of insurer **The Prudential Assurance Company Limited**

Global business

Financial year ended **31st December 2001**

Category of assets **Total Long Term Business Assets**

	Company registration number	GL/UK/CM	Period ended day	month	year	Units	Category of assets
R48	15454	GL	31	12	2001	£000	10

Type of asset			Value of admissible assets as shown on Form 13 1	Expected income from admissible assets 2	Yield % 3
Land and buildings		11	9825516	643998	6.55
Fixed interest securities	Approved securities	12	3626312	206962	5.30
	Other	13	18198679	1219781	6.59
Variable interest and variable yield securities (excluding items shown at line 16)	Approved securities	14	20249	568	2.52
	Other	15	1298499	65747	4.62
Equity shares and holdings in collective investment schemes		16	39666861	953537	3.52
Loans secured by mortgages		17	4262	262	6.16
All other assets	Producing income	18	3417189	128773	3.77
	Not producing income	19	1064876		
Total (11 to 19)		29	77122443	3219628	4.70

Long term insurance business : Expected income from admissible assets not held to match liabilities in respect of linked benefits

Name of insurer **The Prudential Assurance Company Limited**

Global business

Financial year ended **31st December 2001**

Category of assets **Scottish Amicable Insurance Fund**

	Company registration number	GL/UK/CM	Period ended day	month	year	Units	Category of assets
R48	15454	GL	31	12	2001	£000	11

Type of asset			Value of admissible assets as shown on Form 13 1	Expected income from admissible assets 2	Yield % 3
Land and buildings		11	1481963	105473	7.12
Fixed interest securities	Approved securities	12	1051697	61508	5.39
	Other	13	4247935	285976	6.62
Variable interest and variable yield securities (excluding items shown at line 16)	Approved securities	14			
	Other	15	291360	14586	4.46
Equity shares and holdings in collective investment schemes		16	6632774	157972	3.52
Loans secured by mortgages		17	150		
All other assets	Producing income	18	399885	15774	3.97
	Not producing income	19	152826		
Total (11 to 19)		29	14258590	641289	4.95

Long term insurance business : Expected income from admissible assets not held to match liabilities in respect of linked benefits

Name of insurer **The Prudential Assurance Company Limited**

Global business

Financial year ended **31st December 2001**

Category of assets **Other Long Term PAC Funds**

	Company registration number	GL/UK/CM	Period ended day	month	year	Units	Category of assets
R48	15454	GL	31	12	2001	£000	12

Type of asset			Value of admissible assets as shown on Form 13 1	Expected income from admissible assets 2	Yield % 3
Land and buildings		11	8343553	538525	6.45
Fixed interest securities	Approved securities	12	2568159	145142	5.26
	Other	13	13949516	933742	6.58
Variable interest and variable yield securities (excluding items shown at line 16)	Approved securities	14	20249	568	2.52
	Other	15	1007139	51161	4.67
Equity shares and holdings in collective investment schemes		16	33017530	795178	3.52
Loans secured by mortgages		17	4112	262	6.38
All other assets	Producing income	18	3011557	112910	3.75
	Not producing income	19	901796		
Total (11 to 19)		29	62823611	2577488	4.64

Long term insurance business : Expected income from admissible assets not held to match liabilities in respect of linked benefits

Name of insurer **The Prudential Assurance Company Limited**

Global business

Financial year ended **31st December 2001**

Category of assets **Ordinary Branch (Europe)**

	Company registration number	GL/UK/CM	Period ended day	month	year	Units	Category of assets
R48	15454	GL	31	12	2001	£000	13

Type of asset			Value of admissible assets as shown on Form 13 1	Expected income from admissible assets 2	Yield % 3
Land and buildings		11			
Fixed interest securities	Approved securities	12	6456	312	4.57
	Other	13	1228	63	5.17
Variable interest and variable yield securities (excluding items shown at line 16)	Approved securities	14			
	Other	15			
Equity shares and holdings in collective investment schemes		16	16557	387	2.34
Loans secured by mortgages		17			
All other assets	Producing income	18	5747	89	1.90
	Not producing income	19	10254		
Total (11 to 19)		29	40242	851	2.13

Long term insurance business : Analysis of admissible fixed interest and variable interest and variable yield securities not held to match liabilities in respect of linked benefits

Name of insurer **The Prudential Assurance Company Limited**

Global business

Financial year ended **31st December 2001**

Category of assets **Total Long Term Business Assets**

	Company registration number	GL/UK/CM	Period ended day	month	year	Units	Category of assets
R49	15454	GL	31	12	2001	£000	10

Redemption period in years			Value of admissible assets as shown on Form 13 1	Gross redemption yield % 2	Value of admissible higher yielding assets 3		Value of admissible assets as shown on Form 13 4	Gross redemption yield % 5	Value of admissible higher yielding assets 6
One year or less	11	Fixed interest approved securities	236195	4.28	4366	Variable interest and variable yield approved securities excluding equities			
More than one year but not more than five years	12		945399	5.16	4878		206	2.59	
More than five years but not more than ten years	13		714981	5.51	1203		5212	2.18	
More than ten years but not more than fifteen years	14		226618	5.88	18392		4864	2.51	
More than fifteen years but not more than twenty years	15		392627	5.51	132		2300	2.34	
More than twenty years but not more than twenty five years	16		340325	5.33	1293		1722	2.25	
More than twenty five years	17		770167	5.29	8182		5945	2.98	
Irredeemable	18								
Total (11 to 18)	19		3626312	5.30	38446		20249	2.52	
One year or less	21	Other fixed interest securities	277355	5.05	19054	Other variable interest and variable yield securities excluding equities	6994	3.33	
More than one year but not more than five years	22		3251218	6.12	192408		93546	4.82	18913
More than five years but not more than ten years	23		7576065	6.93	779019		317124	4.23	
More than ten years but not more than fifteen years	24		1823373	6.56	73478		328482	4.52	47001
More than fifteen years but not more than twenty years	25		1254208	6.79	78677		28896	4.62	260
More than twenty years but not more than twenty five years	26		1009172	6.62	30582		22469	5.56	855
More than twenty five years	27		2644248	6.50	168187		500988	4.88	36303
Irredeemable	28		363040	4.80	3720				
Total (21 to 28)	29		18198679	6.59	1345125		1298499	4.62	103332

Long term insurance business : Analysis of admissible fixed interest and variable interest and variable yield securities not held to match liabilities in respect of linked benefits

Name of insurer **The Prudential Assurance Company Limited**

Global business

Financial year ended **31st December 2001**

Category of assets **Scottish Amicable Insurance Fund**

	Company registration number	GL/UK/CM	Period ended day	month	year	Units	Category of assets
R49	15454	GL	31	12	2001	£000	11

Redemption period in years			Value of admissible assets as shown on Form 13 1	Gross redemption yield % 2	Value of admissible higher yielding assets 3		Value of admissible assets as shown on Form 13 4	Gross redemption yield % 5	Value of admissible higher yielding assets 6
One year or less	11	Fixed interest approved securities	21692	4.50		Variable interest and variable yield approved securities excluding equities			
More than one year but not more than five years	12		187064	5.40	4878				
More than five years but not more than ten years	13		158131	5.56	1203				
More than ten years but not more than fifteen years	14		43254	6.48	4278				
More than fifteen years but not more than twenty years	15		94361	5.61	132				
More than twenty years but not more than twenty five years	16		65423	5.31	1293				
More than twenty five years	17		481772	5.23	702				
Irredeemable	18								
Total (11 to 18)	19		1051697	5.39	12486				
One year or less	21	Other fixed interest securities	14471	4.60	995	Other variable interest and variable yield securities excluding equities	551	1.99	
More than one year but not more than five years	22		740849	5.97	49890		24777	4.69	4977
More than five years but not more than ten years	23		1632875	6.94	152531		70144	4.32	
More than ten years but not more than fifteen years	24		415422	6.78	18129		53027	4.57	3754
More than fifteen years but not more than twenty years	25		387033	6.78	30804		6532	4.95	
More than twenty years but not more than twenty five years	26		316276	6.67	13812		4960	5.85	
More than twenty five years	27		690570	6.32	44885		131369	4.39	12006
Irredeemable	28		50439	7.36	1076				
Total (21 to 28)	29		4247935	6.62	312122		291360	4.46	20737

Long term insurance business : Analysis of admissible fixed interest and variable interest and variable yield securities not held to match liabilities in respect of linked benefits

Name of insurer **The Prudential Assurance Company Limited**

Global business

Financial year ended **31st December 2001**

Category of assets **Other Long Term PAC Funds**

	Company registration number	GL/UK/CM	Period ended day	month	year	Units	Category of assets
R49	15454	GL	31	12	2001	£000	12

Redemption period in years			Value of admissible assets as shown on Form 13 1	Gross redemption yield % 2	Value of admissible higher yielding assets 3		Value of admissible assets as shown on Form 13 4	Gross redemption yield % 5	Value of admissible higher yielding assets 6
One year or less	11	Fixed interest approved securities	214503	4.26	4366	Variable interest and variable yield approved securities excluding equities			
More than one year but not more than five years	12		754937	5.10			206	2.59	
More than five years but not more than ten years	13		554099	5.50			5212	2.18	
More than ten years but not more than fifteen years	14		183364	5.74	14114		4864	2.51	
More than fifteen years but not more than twenty years	15		298266	5.48			2300	2.34	
More than twenty years but not more than twenty five years	16		274902	5.33			1722	2.25	
More than twenty five years	17		288088	5.40	7480		5945	2.98	
Irredeemable	18								
Total (11 to 18)	19		2568159	5.26	25960		20249	2.52	
One year or less	21	Other fixed interest securities	262884	5.08	18059	Other variable interest and variable yield securities excluding equities	6443	3.44	
More than one year but not more than five years	22		2510369	6.16	142518		68769	4.87	13936
More than five years but not more than ten years	23		5943190	6.93	626488		246980	4.21	
More than ten years but not more than fifteen years	24		1406723	6.50	55349		275455	4.51	43247
More than fifteen years but not more than twenty years	25		867175	6.79	47873		22364	4.52	260
More than twenty years but not more than twenty five years	26		692896	6.59	16770		17509	5.48	855
More than twenty five years	27		1953678	6.56	123302		369619	5.05	24297
Irredeemable	28		312601	4.39	2644				
Total (21 to 28)	29		13949516	6.58	1033003		1007139	4.67	82595

Long term insurance business : Analysis of admissible fixed interest and variable interest and variable yield securities not held to match liabilities in respect of linked benefits

Name of insurer **The Prudential Assurance Company Limited**

Global business

Financial year ended **31st December 2001**

Category of assets **Ordinary Branch (Europe)**

	Company registration number	GL/UK/CM	Period ended day	month	year	Units	Category of assets
R49	15454	GL	31	12	2001	£000	13

Redemption period in years			Value of admissible assets as shown on Form 13 1	Gross redemption yield % 2	Value of admissible higher yielding assets 3		Value of admissible assets as shown on Form 13 4	Gross redemption yield % 5	Value of admissible higher yielding assets 6
One year or less	11	Fixed interest approved securities				Variable interest and variable yield approved securities excluding equities			
More than one year but not more than five years	12		3398	4.39					
More than five years but not more than ten years	13		2751	4.68					
More than ten years but not more than fifteen years	14								
More than fifteen years but not more than twenty years	15								
More than twenty years but not more than twenty five years	16								
More than twenty five years	17		307	5.56					
Irredeemable	18								
Total (11 to 18)	19		6456	4.57					
One year or less	21	Other fixed interest securities				Other variable interest and variable yield securities excluding equities			
More than one year but not more than five years	22								
More than five years but not more than ten years	23								
More than ten years but not more than fifteen years	24		1228	5.17					
More than fifteen years but not more than twenty years	25								
More than twenty years but not more than twenty five years	26								
More than twenty five years	27								
Irredeemable	28								
Total (21 to 28)	29		1228	5.17					

Form 51
(Sheet 1)

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

Name of insurer **The Prudential Assurance Company Limited**

Global business

United Kingdom business

Financial year ended **31st December 2001**

Type of business **Life Assurance & General Annuity Insurance Business**

Category of surplus **Other**

	Company registration number	GL/UK/CM	Period ended day	month	year	Units	UK/OS	Type of business	Category of surplus
R51	15454	GL	31	12	2001	£000	UK	L&GA	11

Type of insurance or name of contract	Valuation basis		No of contracts	Amount of sums assured or annuities per annum, including vested reversionary bonuses	Amount of annual premiums		Proportion of office premiums reserved for expenses and profits	Value of sums assured or annuities per annum, including vested reversionary bonuses	Value of annual premiums		Amount of mathematical reserves
	Rate of interest	Mortality or morbidity table			Office premiums	Net premiums			Office premiums	Net premiums	
1	2	3	4	5	6	7	8	9	10	11	12
DIRECT WRITTEN INSURANCE BUSINESS											
With-Profits Policies											
Whole life assurance	3.00	A	105356	573303	17170	10087	0.413	371203	119459	71914	299289
Endowment assurance	3.00	A	651657	4362890	189082	130686	0.309	3823067	819587	562914	3260153
Low cost endowment assurance	3.00	A	251190	5431920	137263	96002	0.301	2506402	1127246	789709	1716693
Additional reserves								139987			139987
Miscellaneous annuities			59	97 pa				250			250
Sub total: With-Profits Policies			**1008262**	**10368113** **97 pa**	**343515**	**236775**		**6840909**	**2066292**	**1424537**	**5416372**
Non-Profit Policies											
Whole life assurance	3.00	A	106652	193180	1497	1340	0.105	115029	19527	17974	97055
Endowment assurance	3.00	A	88116	164773	481	439	0.087	136549	2259	2085	134464
Prudence Family Cover	3.00	A	107895	4272288	13704	6818	0.502	83235	130633	69161	14074
MPCIC	3.00	M	1951	95862	566	326	0.424	4853	7879	4635	218
Other level temporary assurance	3.00	A	293358	4168026	17435	8135	0.533	84552	90079	47026	37526
Miscellaneous assurances			147069	3935383	14076	6531	0.536	86934	101229	52317	34617
Miscellaneous group assurances			120	4499	42			174			174
LAPR reserve					99			670			670

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

Name of insurer **The Prudential Assurance Company Limited**

Global business

United Kingdom business

Financial year ended **31st December 2001**

Type of business **Life Assurance & General Annuity Insurance Business**

Category of surplus **Other**

	Company registration number	GL/UK/CM	Period ended day	month	year	Units	UK/OS	Type of business	Category of surplus
R51	15454	GL	31	12	2001	£000	UK	L&GA	11

Type of insurance or name of contract	Valuation basis: Rate of interest	Valuation basis: Mortality or morbidity table	No of contracts	Amount of sums assured or annuities per annum, including vested reversionary bonuses	Amount of annual premiums: Office premiums	Amount of annual premiums: Net premiums	Proportion of office premiums reserved for expenses and profits	Value of sums assured or annuities per annum, including vested reversionary bonuses	Value of annual premiums: Office premiums	Value of annual premiums: Net premiums	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9	10	11	12
Extra premiums					1980			1984			1984
Whole life assurance - SAA	3.00	B	3236	11823	189	165	0.127	7319	2060	1790	5529
Endowment assurance - SAA	3.00	B	1634	5882	147	135	0.082	5456	349	319	5137
Term assurance - SAA	3.00	B	22024	658642	2474	1346	0.456	16950	18888	9984	6966
Miscellaneous assurances - SAA			20579	587116	3383	1363	0.597	15671	23315	9218	6453
Annuities in payment	5.00	I (d)	6599	3149 pa				25617			25617
Annuities in payment	5.00	H (e)	3537	2317 pa				17047			17047
Group deferred annuities	4.00	E, H	1174	490 pa				8400			8400
Miscellaneous annuities			435	124 pa				2031			2031
Additional reserves								12468			12468
Sub total: Non-Profit Policies			**804379**	**14097474** **6080 pa**	**56073**	**26598**		**624939**	**396218**	**214509**	**410430**
Sub total: Direct Written Insurance Business			**1812641**	**24465587** **6177 pa**	**399588**	**263373**		**7465848**	**2462510**	**1639046**	**5826802**
REASSURANCE ACCEPTED											
Non-Profit Policies											
Miscellaneous assurances			23	1131	2	1	0.500	422	21	19	403