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APPENDIX 9.4

VALUATION REPORT ON THE PRUDENTIAL ASSURANCE COMPANY LIMITED AS AT 31 DECEMBER 2004

Structure of the Long Term Business

1. Overview

The Prudential Assurance Company Limited (**PAC**) carries on ordinary branch and industrial branch business within its long-term fund.

The long-term business of Scottish Amicable Life Assurance Society (**SALAS**) was transferred into PAC on 1 October 1997, and the long term business of Scottish Amicable Life plc (**SAL**) was transferred into PAC on 31 December 2002. The business transferred from SAL itself included business previously transferred into SAL from M&G Life Assurance Company Limited (M&G Life) and M&G Pensions and Annuity Company Limited (M&G Pensions).

The long term business is contained within the following four sub-funds:

(a) Non-Profit Sub-Fund (**NPSF**)

(b) Scottish Amicable Insurance Fund (**SAIF**)

(c) Defined Charge Participating Sub-Fund (**DCPSF**)

(d) With-Profits Sub-Fund (**WPSF**)

2. Non-Profit Sub-Fund

The business in this sub-fund comprises:

(i) Long term sickness and accident business, namely the directly written permanent health business in respect of which the directors have determined that profits should accrue 100% to shareholders.

(ii) The linked business written directly by PAC, including linked business issued in France, in respect of which the directors have determined that profits should accrue 100% to shareholders.

(iii) The credit life business transferred into PAC from SAL on 31 December 2002 and subsequently written directly by PAC, in respect of which the directors have determined that profits should accrue 100% to shareholders

(iv) Defined Charge Participating business issued by PAC in France, and Defined Charge Participating business reassured into PAC by Prudential International Assurance plc (PIA) and Canada Life (Europe) Assurance Ltd, excluding the accumulated investment content of premiums paid, which is transferred to the DCPSF (see below).

(v) Ex-SAL business, namely the with-profits, non-participating and linked business (including internal linked funds) transferred into PAC from SAL on 31 December 2002 and any new premiums arising on those products, excluding the accumulated with-profits premiums and Prudential Protection business written between 1 January 2003 and 25 July 2004, which are invested in the WPSF (see below).

All profits in the NPSF accrue to shareholders.

3. Scottish Amicable Insurance Fund

PAC acquired the business of Scottish Amicable Life Assurance Society (**SALAS**) on 1 October 1997. As a consequence a closed sub-fund SAIF and a memorandum account within the WPSF, the Scottish Amicable Account (**SAA**), were created. SAIF contains the pensions business, annuities and traditional with-profits life business transferred from SALAS and the accumulated investment content of with-profits business in SAA.

All profits in SAIF accrue to holders of with-profits contracts in SAIF and SAA.

The accumulated investment content of linked premiums is invested in the linked funds which were transferred from SAL to the NPSF on 31 December 2002.

The WPSF provides financial support to SAIF through a memorandum account, the Scottish Amicable Capital Fund (**SACF**), some of which may be drawn upon in adverse investment conditions to support the smoothing of bonuses within SAIF. No such drawings have yet been necessary. The WPSF receives an annual charge from SAIF for providing this financial support.

4. Defined Charge Participating Sub-Fund

This fund comprises the accumulated investment content of premiums paid in respect of the Defined Charge Participating with-profits business issued in France, and the Defined Charge Participating with-profits business reassured into PAC from Prudential International Assurance plc and Canada Life (Europe) Assurance Ltd. All profits in this fund accrue to policyholders in the DCPSF.

A bonus smoothing account is maintained in the WPSF (see below) so that whenever a claim payment is made from the DCPSF any excess of the claim amount over the policy's underlying asset share is transferred from the WPSF to the DCPSF and any shortfall is transferred from the DCPSF to the WPSF. On average, it is intended that these smoothing transfers should generate neither profit nor loss to either fund.

5. With-Profits Sub-Fund

The WPSF contains all other long term business, comprising:

(i) With-profits, non-participating and linked business (other than the categories defined above) written directly by PAC.

(ii) With-profits, non-participating and linked life business transferred to SAA from SALAS, excluding the accumulated investment content of with-profits premiums, which is held in SAIF, and also excluding the accumulated investment content of linked premiums, which is invested in the linked funds transferred from SAL to the NPSF on 31 December 2002.

(iii) The accumulated with-profits premiums in respect of business transferred into the NPSF from SAL on 31 December 2002 and any new premiums arising on those products.

(iv) Reassurance of accumulating with-profits business written in Prudential (AN) Limited.

(v) Prudential Protection business written between 1 January 2003 and 25 July 2004.

Divisible profits from this business accrue to both shareholders and with-profits policyholders in the WPSF (other than with-profits policyholders in SAA who share in the profits of SAIF).

Structure of the Long Term Business – continued

Transfers not exceeding 5% of divisible profits may be made to a common contingency fund. Not less than 90% of the remainder is allocated to the with-profits policyholders, and the balance to shareholders.

Within the forms, the revenue account and other analyses of WPSF business are split into three elements:

(i) Life business which is carried out in the industrial branch. The industrial branch was closed to new business on 1 January 1995. A separate report on this fund is provided.

(ii) Pension business which is carried out in the ordinary branch.

(iii) Other ordinary branch business.

A single pool of assets is held in respect of all business in the WPSF.

6. Prudential UK Services Limited

As a result of the acquisition of SALAS a service company, Prudential UK Services Limited (formerly Craigforth Services Limited), was created to provide services to PAC and other companies within the Prudential Group.

Renewal expenses for all business transferred from SALAS are governed by the Insurance Services Agreement with Prudential UK Services Limited. This sets out a guaranteed fixed rate tariff (with annual inflation adjustments) applicable for ten years from the date of the Scheme of Transfer. Thereafter the charges revert to cost on a basis equivalent to that being charged for PAC's own business.

7. Reinsurance of linked business

Much of the linked business in PAC was transferred either from SALAS on 1 October 1997 or from SAL on 31 December 2002.

Most other property-linked business issued by PAC is linked, via reinsurance treaties, to the internal linked funds of other life assurance companies.

8. Reinsurance of pensions annuities in payment

Some annuities in payment originally written in SAL, and transferred to the NPSF on 31 December 2002, are ceded to Prudential Retirement Income Limited. Most of the non-profit and index-linked annuities in payment issued by PAC are ceded to Prudential Annuities Limited, a wholly-owned subsidiary of the WPSF or to Prudential retirement Income Limited.

ORDINARY BRANCH - life and general annuity, pensions, permanent health and supplementary sickness and linked long-term business

1. Date of investigation

The investigation relates to 31 December 2004.

2. Date of previous investigation

The previous investigation related to 31 December 2003.

3. Conformity with PRU 7.3.10R

The valuation of long term business liabilities shown in this report conforms with PRU 7.3.10R.

4. Descriptions of non-linked contracts

4. (A) Non-linked contracts in the With-Profits Sub-Fund

4. (A)(a) Accumulating with-profits contracts

4. (A)(a)(1) Products

A description of the types of contract and terms available for each category is given in Appendix 1(A)(a) (page 92).

4. (A)(a)(2) Market Value Reduction (MVR)

1. Individual pension and life assurance contracts issued in the United Kingdom, Channel Islands and Isle of Man and International Prudence Bond

Policies provide specific guarantees on the occurrence of specified events, for example in the case of Prudence Bond on death, for Prudence Savings Account and Prudential Investment Bond, on death or terminal illness, for Executive Pension Plans, Personal Pensions, grouped pension arrangements and Free Standing AVCs, on death and the selected retirement dates, and for Flexible Retirement Income Accounts, when income payments are made and on death. When these guarantees apply, the total bonuses paid are based on the overall return on the underlying assets, subject to the smoothing of returns which is inherent in all with-profits policies.

The purpose of the MVR is to avoid paying surrender or transfer values significantly in excess of the value of the underlying assets. Hence an MVR may be applied in the event of asset values falling significantly or in the event of a large number of surrenders (or switches out of the with-profits fund) taking place. An MVR may also be applied on retirement where this takes place other than on the retirement date(s) specified in the contract.

Where an MVR does apply, its first impact is to reduce or remove the terminal bonus element. Once a policy has been in force for a number of years, we would expect the level of terminal bonus to have built up such that only significant reductions in the market value of investments would cause us to apply an MVR which would reduce reversionary bonuses. For policies of a shorter duration, significant downward movements in investment markets would make it more likely that the MVR would cut into reversionary bonuses and even the underlying capital.

However, it is not our intention to apply MVRs which reduce surrender values below an amount fairly reflecting the movement in assets underlying the policy.

Our current practice in applying MVRs is to balance the reasonable expectations of those policyholders who remain invested with us against the need to treat fairly those who surrender (or part surrender) their policies or switch out of the with-profits fund.

For Flexible Retirement Income Account (FRIA) and with-profit annuities we do not apply an MVR to units cancelled to pay for income. The following paragraphs apply to contracts other than FRIA and with-profit annuities.

Our starting point is that we recognise that the risk to remaining policyholders generated by surrenders is more significant in the case of larger amounts. Therefore, at the valuation date it was our practice not to apply MVRs to full or partial surrenders or switches out of the with-profits fund where the amount involved (including any such payments in the previous 12 months) is less than £25,000. This exemption only applies to surrenders or switches from investments made 5 years or more ago. We also do not apply the MVR to regular automatic withdrawals within a certain limit. Currently, this limit is equivalent to an annual amount of 5% of the value of the units remaining in a policy (or a higher amount up to 7.5% where such withdrawals commenced before 5 September 2002). If regular automatic withdrawals exceed this limit then the whole withdrawal is treated as a partial surrender.

For amounts above £25,000 it was our practice at the valuation date to apply an MVR on surrender or partial surrender if the value of the underlying assets is less than the value of the policy including bonuses. As policies approach their maturity date (where this is applicable), the size of any MVR that would otherwise apply is gradually reduced.

We reserve the right to amend or remove the £25,000 limit and the 5% regular automatic withdrawal limit and to review the approach used to determine MVRs over the term of the policy in the light of a significant move in the investment market or in the event of a significant increase in the level of surrenders.

Any change we make in current practice would be applied without notice and would apply to policies existing at the time the change was made, as well as to subsequent new policies. However, if the regular automatic withdrawal limit were to be reduced then the new limit would apply only to regular withdrawals starting after the change was made or when the amount or frequency of existing withdrawals is altered.

4.(A)(a)(2) Market Value Reduction (MVR) continued

Over each of the last five years we have applied MVRs to withdrawals from both individual unitised pension contracts and unitised life assurance contracts.

The approach described above reflects our normal current practice. However, a different practice may be applied in exceptional cases, including cases where the policy value is exceptionally large.

2. Individual life assurance contracts issued in France or reinsured from Canada Life (Europe) Assurance Ltd

The purpose and operation of the MVR are the same as those described above for contracts issued in the United Kingdom except that as all policies are less than five years old, there is no monetary limit below which the MVR does not apply. For French business only, the surrender value may not in any event be less than the guaranteed minimum of 75% of the premium less initial charges.

3. Group pensions contracts

Where a defined contribution group arrangement or group scheme is partially or wholly terminated, it is our practice to relate the surrender value to the market value of the assets underlying the policy where this is less than the value of the policy including bonuses. Where a defined benefit group arrangement or group scheme is partially or wholly terminated, it is our practice to relate the surrender value to the asset share of the policy. In this context, partial termination is defined as the transfer of more than 20% of the fund value in any 12-month period.

We currently do not apply MVRs to individual members retiring before or after their normal retirement date. However, for individuals transferring to another pension provider or switching funds out of the with-profits fund, we may apply an MVR. For Group or Grouped Personal Pension arrangements it is currently our practice to apply the MVR as described above for individual contracts.

We reserve the right to change our current practice, in particular, in the light of a significant move in the investment market or in the event of a significant increase in the level of surrenders. Any change we make in current practice would be applied without notice and would apply to policies existing at the time the change was made, as well as to subsequent new policies.

Over each of the last five years we have applied MVRs to partial and whole terminations of grouped pension arrangements and, more recently, we have applied MVRs in some instances to individual transfers and switches from Group or Grouped Personal Pension arrangements.

4. (A)(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, other than those described in Appendix 1(A)(a).

4. (A)(c) Other non-linked contracts not fully described by the entry in column 1 of Form 51

A description of the types of contract and terms available for each category is given in Appendix 1(A)(c) (page 109).

4. (B) Non-linked contracts in the Non-Profit Sub-Fund (including contracts previously written by SAL)

4. (B)(a) Accumulating with-profits contracts

4. (B)(a)(1) Products

A description of the types of contract and terms available for each category is given in Appendix 1(B)(a) (page 114).

4. (B)(a)(2) Market Value Reduction (MVR)

An MVR may be applied in the same circumstances, and following the same principles, as those described in 4. (A)(a)(2) (page 6). However in the case of Trustee Investment Plan (Series A) an MVR may be applied on death as described in Appendix 1(B)(a) *I* (page 119).

4. (B)(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 other than those described in Appendix 1(B)(a).

4. (B)(c) Other non-linked contracts not fully described by the entry in column 1 of Form 51

Products

A description of the types of contract and terms available for each category is given in Appendix 1(B)(c) (page 121)

4. (C) Non-linked contracts in SAIF

4. (C)(a) Accumulating with-profits contracts

4. (C)(a)(1) Products

A description of the types of contract and terms available for each category is given in Appendix 1(C)(a) (page 123).

4. (C)(a)(2) Market Value Reduction (MVR)

An MVR may be applied in the same circumstances, and following the same principles, as those described in 4(A)(a)(2) (page 6).

4. (C)(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 other than those described in Appendix 1(C)(a).

4. (C)(c) Other non-linked contracts not fully described by the entry in column 1 of Form 51

Products

A description of the types of contract and terms available for each category is given in Appendix 1(C)(c) (page 125).

5. (1)(A) Linked contracts in the With-Profits Sub-Fund

A description of the types of contract and terms available for each category is given in Appendix 2(A) (page 126).

5. (1)(B) Linked contracts in the Non-Profit Sub-Fund

A description of the types of contract and terms available for each category is given in Appendix 2(B) (page 143).

5. (1)(C) Linked contracts in SAIF

A description of the types of contract and terms available for each category is given in Appendix 2(C) (page 203).

5. (2) With-profits options

With-profits options are available under the following contracts described in Appendix 2:

(A) GPP1/2/3, MPP2/3, PTP, AVC, Home Purchaser Series 2 and 3, Amicable Savings Plan;

(B) FlexiPension Series 5 to 7, MaxiPension Series 2 and Plus, OmniPension Series 2 and Plus, ExtraPension Series 2 and 3, IndePension Series 3 to 5, Section 32 Buy-Out Plan, Phased Retirement and Income Drawdown Plan, Home Purchaser Series 3, Amicable Savings Plan, Trustee Investment Plan, Personal Pension Plan Series A and Premier, Group Personal Pension Plan Series A and Premier, Free Standing AVC Plan Series A, Executive Pension Plan Series A and Premier, Personal Pension Transfer Plan Series A, Trustee Investment Plan Series A, Group Money Purchase Plan Premier, Section 32 Buy-Out Plan Series A and Premier, Company Pension Transfer Plan, Prudential Europe Vie, Prudence Bond, Prudence Managed Investment Bond, PPA, EPP2/3/4, EIB, PPP, FSAVC,GPP 4, MPP3 and SHP, Flexible Retirement Income Account, Personal Pension Scheme;

(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.

5. (4) Unit pricing methods

(i) 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.

(ii) 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.

5. (4) Unit pricing methods continued

(iii) Other business written and retained by PAC

The company operates its internal linked funds on a forward pricing basis. The daily unit prices used for the allocation of units to and deallocation of units from policies are calculated by a valuation of the internal

linked funds. The valuation point of each fund is 12 noon. The allocation and deallocation of units is carried out once the unit prices are available. The unit prices for a fund are determined using either a creation price basis or a cancellation price basis, depending on the net cash flow position of the fund.

Creation of asset units is carried out at the creation price, which is based on the purchase cost of the underlying assets plus any associated costs. Cancellation of asset units is carried out at the cancellation price, which is based on the sale value of the underlying assets of the fund less any associated costs

(v) Other

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) 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.

(ii) Linked contracts in France and Hong Kong

The funds are not subject to capital gains tax.

(iii) Prudence Bond, Prudence Managed Investment Bond and Prudence Distribution Bond

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.

(iv) Business written by PAC

In determining the price of units in the internal linked funds relating to life business the value of assets is adjusted by a provision to reflect, on a fund by fund basis, the capital gains tax on indexed gains on the assets held within the funds. On certain funds some credit has been given in respect of chargeable losses.

The provision for tax is calculated on a daily basis allowing for the movement in unrealised gains, after any indexation, and losses, using a tax rate reflecting the expected tax payable by the Company as these gains and losses are realised. For investments in non loan relationship unit trusts and OEICs, the tax rate used allows for the deemed disposal of the investments at the end of the year and the spreading of the tax payable over 7 years.

5. (5) Provisions for capital gains tax continued

The following percentages were deducted or provided for during the year:

	Realised gains/losses	Unrealised gains/losses
Equities and properties	20%	17.5% to 20%
Unit trusts and OEICS	20%	15% to 20%
Gilts and bonds	20%	20%

For those policies that are linked directly to unit trusts, a terminal deduction from benefits payable to policyholders is made in respect of any past or potential liabilities to corporation tax on chargeable gains relating to the units allocated to the policy.

(vii) Other

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

5. (6) Discounts on unit trust purchases

(i) Linked contracts in France

The company receives rebate commission of 0.6% per annum 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.

(ii) Linked contracts in Hong Kong

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

(iii) Business written by PAC

For investment in unit trusts and OEICs the Company receives a discount equal to the managers' initial charge. The internal linked funds also benefit from the rebate of the annual management charge.

All of the benefits of annual management charge rebates are passed on to policyholders.

(iv) Other

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 contracts individually to eliminate negative reserves (see 6(1)(d) (page 20)).

(ii) The mathematical reserve for accumulating with-profits business in SAIF and SAA, and for accumulating with-profits business previously written in SAL and in respect of new business on those products, 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 the duty to treat customers fairly, 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 making no allowance for future reversionary bonus interest.

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 where actuarial funding is used, the value of the units is net of the present value of future annual establishment charges, recurrent management charges or additional management charges which are used to recoup initial expenses.

In the base scenario the surrender or transfer value is taken as the accumulated fund, including terminal bonus and less a market value reduction where appropriate, 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 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 the duty to treat customers fairly, 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 making no allowance for future reversionary bonus interest.

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 and less a market value reduction where appropriate, 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.

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 5%, of the GMP. The mathematical reserve has been further increased to allow for the possibility that future investment returns will be lower than 5% p.a.

(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, where appropriate, capital gains tax.

The unit liability is based on the value at the date of valuation of the units allocated to policyholders. For contracts where actuarial funding is used, the value of the units is net of the present value of future annual establishment charges, recurrent management charges or additional management charges which are used to recoup initial expenses.

The non-unit liability for mortality and expenses is determined using 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. 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 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.

(vii) 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. Where relevant, each policyholder 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

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

(I) CA

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 and Series 2), Series 1 and Series 2 pension contracts written up to and including 26 July 2000 as increments to Flexipension (Series 1) contracts) 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. The value of the annuity guarantee at retirement is calculated assuming a mortality basis in possession of 82% PMA92/80% PFA92 (c=2004) and a valuation interest rate of 3.88% p.a. in possession. 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). The present value of the excess of the annuity guarantee over the projected fund value 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 of the excess of the annuity guarantee over the projected fund value is calculated at a zero discount rate.

For conventional 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 deferment is AM92/AF92 + 1 (for Individual Endowment/Pure Endowment) and AM92/AF92 – 3 (for FlexiPension (Series 1)), and in possession is 82% PMA92/ 80% PFA92 (c=2004). 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 4.5% in deferment, and 3.88% in possession.

The adequacy of the reserve has been verified using stochastic modelling.

In addition a separate expense reserve is held.

(ix) Exceptions to the above are as follows:

Mathematical reserves for with-profits whole life assurances issued by the Company before 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 Appendix 1(A)(c)*B* (page 109).

6. Valuation – principles and methods continued

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

When an extra premium is payable under contracts in SAA and SAIF on account of health, occupation or residence, twice the current year's extra premium is reserved.

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.

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.

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.

Individual permanent health insurance and waiver of premium benefit other than those in SAA and SAIF are valued using the claims inception and disability annuity (CIDA) gross premium method.

The mathematical reserve for group deferred annuity contracts in SAIF is the value as at 31 December 2004 of the benefit secured before the 2004 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 2004 renewal date and for refunds of premiums outstanding.

The mathematical reserve for certain minor classes of assurance, contingent reversionary annuities and sickness benefits 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.

The mathematical reserve for the option to increase the permanent health insurance benefit, described in Appendix 1(A)(c) *I* (p) (page 113), 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.

For contracts written by SAL, including new business on these contracts post transfer to PAC, the following exceptions to the general methods of valuation described in 6(1) apply:-

Investment linked contracts

For investment-linked contracts, the reserve held is the value of units allocated together with a non-unit reserve for, where appropriate, mortality, morbidity and expenses. The reserve for each policy is subject to a minimum of the surrender value.

6. Valuation – principles and methods continued

For Capital Investment Bond (Series 2), Distribution Bond and Trustee Investment Plans the value of units allocated allows for an element of the establishment and annual management charges over the period during which the establishment charge applies. For MaxiPension (Series 2), OmniPension (Series 2), FlexiPension (Series 6) and IndePension (Series 4), the value of units allocated is net of the future 1.8% per annum recurrent charge on units already purchased. The reserve in respect of capital units under other contracts is taken as the number of units allocated multiplied by a single premium assurance factor and by the unit price shown in Form 55.

On PETA Plan, transferred from M&G Life, the unit reserve in respect of the pure endowment is taken as the number of units allocated multiplied by a survival factor and by the valuation unit price as shown in Form 55. The reserve in respect of the term assurances is taken as the number of units allocated to the corresponding pure endowment multiplied by a single premium temporary assurance factor and by the valuation unit price as shown in Form 55.

Mortgage Protection Policies

For Mortgage Protection Policies sold prior to 1 August 2000, an additional reserve is held to eliminate all future negative reserves which arise under the net premium method.

For Prudential Protection policies sold from 1 August 2000 the reserve was calculated using a gross premium valuation method allowing for the repayment of financing from Swiss Re Life and Health Limited (where applicable).

For Mortgage Protection Policies transferred from M&G Life the reserve is taken as six times the monthly risk mortality premiums on the valuation date. In addition a reserve for the Critical Illness, PHI, and Waiver of Contribution Benefits is taken as six times the relevant monthly risk premiums on the valuation date.

For Mortgage Protection (Home Protect) the reserve was calculated using a gross premium valuation method.

Guaranteed Protection Plans

The reserve for Guaranteed Protection Plan policies transferred from M&G Life is taken as 75% of one year's office premium.

Loan Protection Policies

The reserve for single premium loan protection policies is the sum of the unearned premium reserve, any accrued profit commission and reserves for claims incurred but not reported and claims in payment. The unearned premium is net of initial commission but gross of all other loadings for expenses and profit. The reserve for regular premium loan protection policies is taken as three times the monthly premium For the life element of loan protection business, a reserve is held to provide for the reduction of future tax relief on commission where premiums have been rebated. A check is carried out to assess whether the unearned premium reserve will be sufficient given claims experience to date and, if necessary, a further unexpired risk reserve is held.

Group Life Cover

The reserve for Group Life Schemes transferred from M&G Life is one year's regular premium plus unearned single premiums.

Term Assurances

The reserve for Level Term Assurances transferred from M&G Life is two years' office premium.

Bonds

The reserve for Guaranteed Growth Bonds transferred from M&G Life is taken as the value of the annuity option discounted in the period prior to the maturity date using only compound interest. This reserve exceeds the guaranteed surrender value.

Mortality, Critical Illness, PHI and Waiver of Premium Benefits on Unitised Policies

The reserve for mortality on the Personal Security Plan transferred from M&G Life is taken as six times the monthly deductions being made from the unit account on the valuation date. The reserves for other life and PHI benefits are taken as nine and six times the monthly deductions respectively. The reserve for future expenses is taken as two years' valuation expenses for each regular premium policy. In determining the reserves, account is taken of excess mortality equal to 33% AIDS projection 'R6A', the premium rate guarantees and the Company's ability to increase the monthly policy fee and deductions in respect of mortality and other benefits. Additional reserves are held of 10 times the annual PHI claims in payment and 2 times the Keyman Disability Benefit claims.

The reserves for waiver of premium benefit on the Maximum Investment Plan, Flexible Investment Plan and Investment Mortgage Plan, all transferred from M&G Life, are taken as three years' office premium. Additional reserves are held of 10 times the annual waiver claims in payment.

For other waiver of premium benefits the reserves are two years' office premium. Additional reserves are held of 10 times the annual waiver claims in payment.

The reserve for the life cover on EPP 1979 series transferred from M&G Pensions is four years' office premium.

The reserve for waiver of premium benefits on the Flexible Pension Plan, Personal Pension Plan 1988 series, Personal Retirement Account and Executive Pension Plan 1979 series is taken as three years' office premium plus 10 times the annual claims in payment.

The reserve for additional life cover on the Personal Pension Plan 1988 series, Personal Retirement Account, Executive Pension Plan 1988 series, Executive Retirement Account, FSAVC Plan 1988 series and FSAVC Account, all transferred from M&G Pensions, is taken as three months' deductions from the policyholders' unit accounts.

Unit Linked Annuities

For linked life annuities transferred from M&G Pensions, the reserve is taken as the number of units payable per annum multiplied by an annuity factor and by the valuation unit price as shown in Form 55.

Extra Premiums

Where an extra premium is payable under a policy on account of health, occupation or residence, an additional reserve is held equal to two years' extra premium.

(x) 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 22).

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 duty to treat customers fairly 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 the duty to treat customers fairly. 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.

(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 and FlexiPension (Series 1) policies in SAIF; and

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

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.

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, SAA and ex-SAL, including premiums arising on ex-SAL contracts post-transfer to PAC, 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 PRU 7.3.43R.

(d) To ensure conformity with PRU 7.3.24R, 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.

Otherwise, no specific allowance is made for future bonus.

6. Valuation – principles and methods continued

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

For Prudence Managed Bond, Prudence Distribution Bond and linked benefits under Prudence Bond, the reinsurer maintains reserves for any capital gains tax liability on the sale of units.

(g) Provision is made in the bonus reserve valuation for the guaranteed accumulation rates under United Kingdom deposit administration contracts which are described in Appendix 1(A)(a) ***F*** (page 99).

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 each premium paid. The 4% guarantee may be varied or removed in respect of units purchased by future premiums for policies sold from February 1994. The guarantee applies only on the vesting date or earlier death.

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.

For contracts written by SAL, including premiums arising on ex-SAL contracts post-transfer to PAC, the following investment performance guarantees apply:

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

(ii) Some Unit Trust Assurance Plans, transferred from M&G Life, have guaranteed surrender values.

(iii) On some Investment Mortgage Plans, transferred from M&G Life, if the benefit is assigned to the lender and the associated mortgage property is repossessed, there is a guarantee that the surrender value will be at least equal to the capital that would have been repaid under a repayment mortgage.

(iv) On some 1988 Series Executive Pension plans, transferred from M&G Pensions, there is a guarantee that the transfer value will not be less than the employee's contributions.

(v) For Guaranteed Growth Bonds, transferred from M&G Life, there is a guaranteed cash option at vesting.

The guarantee in (i) is provided for by ensuring that policyholder liabilities are fully matched by the corresponding assets. No additional provision is held. A reserve of £450,000 was held in respect of investment performance guarantees under (ii) and (iii) above. Employees' contributions form only a small part of the plan benefits under (iv), and hence no additional provision is held. The cost of the maturity options in (v) has been fully reflected in the basic reserves.

6. Valuation – principles and methods continued

(h) Specific provision is made for:

certain options under which policies may be effected without evidence of health;

the Guaranteed Minimum Pension under Section 32 Buy-out contracts;

a reserve to cover the minimum fees on certain stakeholder funds; and

the cost of expenses incurred when investment linked funds invest in unit trusts.

(i) The additional reserve covers:

the expenses associated with carrying out the FSA personal pensions review and the potential costs of compensating policyholders;

the potential costs of compensating policyholders, and the associated expenses, in respect of complaints about mortgage endowment policies;

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

the £49m 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 £648m 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 1965;

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;

the reserve for extra premiums, where an extra premium is payable under a policy on account of health, occupation or residence;

the Closed Fund reserve for the Non-Profit Sub-Fund, and

general contingencies.

6. Valuation – principles and methods continued

(2) The mathematical reserves for business in the Non-Profit Sub-Fund make explicit provision for 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. The provision in Form 14 for SAIF and the With-Profits Sub-Fund 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 20% of the estimated chargeable gains at 31 December 2004.

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 £154m 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.

For critical illness and permanent health insurance, sample disability rates are given in 7(2) below.

(2) (i) **Contracts other than those in SAA, SAIF or originally issued by SAL**

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

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

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

(2) (ii) **Contracts in SAA, SAIF, business transferred from SAL and corresponding business written subsequently**

Home Purchaser (Series 2) – specimen critical illness rates per £10,000 sum assured

Age next birthday	Men		Women	
	Non Smoker	Smoker	Non Smoker	Smoker
20	2.72	4.16	2.00	3.08
25	3.80	6.14	4.70	7.58
30	5.24	8.48	9.02	14.78
35	9.02	14.78	11.72	19.46
40	19.10	31.70	16.76	27.74
45	38.72	64.46	24.68	41.24
50	53.66	89.66	37.64	62.84
55	66.26	110.72	51.86	86.78
60	86.78	144.92	68.60	114.68
65	121.70	203.60	93.44	156.44
70	138.80	232.22	127.46	213.32
75	147.26	246.26	161.84	270.74

Home Purchaser (Series 2) – specimen total permanent disability rates per £10,000 sum assured

Age next birthday	Rate
20	1.44
25	1.08
30	1.08
35	1.26
40	2.16
45	3.24
50	5.04
55	10.98
60	22.14

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

Home Purchaser (Series 3) version 2 issued on or after 29 July 1996 – specimen level top-up critical illness rates per £10,000 sum assured

Age next birthday	Men		Women	
	Non Smoker	Smoker	Non Smoker	Smoker
20	3.28	5.25	2.10	3.37
25	3.84	6.29	4.39	7.12
30	5.02	8.29	8.34	13.78
35	8.45	14.01	11.87	19.71
40	17.62	29.32	17.97	30.00
45	35.57	59.50	27.27	45.44
50	56.29	94.25	42.17	70.54
55	83.87	140.44	61.77	103.36
60	127.96	214.27	89.11	149.10
65	201.35	337.31	135.11	226.38
70	281.46	471.61	196.33	328.95
75	381.34	639.05	278.91	467.18

Home Purchaser (Series 3) other than those above and Amicable Savings Plan – specimen level critical illness rates per £10,000 sum assured

Age next birthday	Men		Women	
	Non Smoker	Smoker	Non Smoker	Smoker
20	1.95	2.99	1.44	2.21
25	2.73	4.42	3.38	5.45
30	3.77	6.10	6.49	10.64
35	6.49	10.64	8.43	14.01
40	13.75	22.82	12.06	19.97
45	27.87	46.41	17.77	29.69
50	38.63	64.55	27.10	45.24
55	47.70	79.71	37.34	62.48
60	62.48	104.34	49.39	82.57
65	87.62	146.59	67.27	112.63
70	99.93	167.19	91.77	153.59
75	106.02	177.30	116.52	194.93

Home Purchaser (Series 3) - specimen decreasing top-up critical illness rates per £10,000 sum assured

Age next Birthday	Men		Women	
	Non Smoker	Smoker	Non Smoker	Smoker
20	3.54	5.66	2.26	3.64
25	4.14	6.79	4.74	7.68
30	5.41	8.94	8.99	14.86
35	9.11	15.11	12.80	21.26
40	19.00	31.62	19.37	32.35
45	38.36	64.17	29.41	49.00
50	60.70	101.64	45.48	76.07
55	90.45	151.46	66.61	111.47
60	137.99	231.07	96.10	160.79
65	217.14	363.77	145.71	244.13
70	303.54	508.60	211.72	354.75
75	411.25	689.18	300.78	503.82

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

Home Purchaser (Series 3) & Amicable Savings Plan – specimen total and permanent disability rates per £10,000 Sum Assured

Age next birthday	Basic	Version 2 level top-up	Version 2 Decreasing top-up
20	1.04	1.22	1.32
25	0.78	0.98	1.06
30	0.78	0.86	0.92
35	0.91	0.86	0.92
40	1.56	1.22	1.32
45	2.33	2.20	2.38
50	3.63	3.67	3.96
55	7.91	8.69	9.37
60	15.94	17.87	19.27

Home Purchaser (Series 3) – specimen annual mortgage interest benefit rates per £1,200 annual benefit without critical illness, occupation classes 1, 2 and 3, deferred period 6 months

Men

Age Next Birthday	Policy Term Remaining				
	5	10	15	20	25
20	2.76	3.48	4.08	4.32	4.32
25	2.88	3.84	4.44	4.68	4.68
30	3.36	4.44	5.04	5.40	5.40
35	4.44	6.24	7.20	7.44	7.56
40	6.96	9.72	11.04	11.64	
45	11.52	16.32	18.72		
50	20.16	28.92			
55	36.36				

Women

Age Next Birthday	Policy Term Remaining				
	5	10	15	20	25
20	4.08	5.28	6.12	6.36	6.36
25	4.32	5.88	6.72	6.96	6.96
30	4.92	6.72	7.56	8.16	8.16
35	6.72	9.36	10.80	11.04	11.40
40	10.44	14.64	16.68	17.52	
45	17.16	24.48	27.96		
50	30.36	43.44			
55	54.48				

There are different rates for contracts with critical illness benefit, for occupation class 4 and for other deferred periods

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

Income Protection Plan – specimen annual morbidity rates per £10,000 sum assured

Level benefits, occupation class 1, deferred period - 13 weeks

Men

Age next birthday	Expiry Age			
	50	55	60	65
20	3.31	3.31	3.31	3.31
25	3.73	3.86	3.86	3.86
30	4.28	4.42	4.42	4.42
35	6.90	7.31	7.45	7.59
40	9.66	10.90	11.59	12.01
45	10.76	15.04	17.25	18.49
50	1.38	16.97	24.43	28.43
55		2.21	29.12	43.06
60			3.73	56.03
65				7.45

Income Protection Plan – specimen annual morbidity rates per £10,000 sum assured

Level benefits, occupation class 1, deferred period – 26 weeks

Men

Age next birthday	Expiry Age			
	50	55	60	65
20	2.62	2.62	2.62	2.62
25	2.90	2.90	2.90	2.90
30	3.31	3.31	3.45	3.45
35	4.42	4.69	4.83	4.83
40	6.07	6.90	7.45	7.73
45	6.90	10.21	11.87	12.83
50	0.55	12.14	18.35	21.80
55		0.83	23.05	35.88
60			1.66	46.51
65				3.17

Income Protection Plan – specimen annual morbidity rates per £10,000 sum assured

Level benefits, occupation class 1, deferred period – 52 weeks

Men

Age next birthday	Expiry Age			
	50	55	60	65
20	2.07	2.07	2.21	2.21
25	2.48	2.48	2.48	2.48
30	2.76	2.90	2.90	3.04
35	3.73	4.00	4.28	4.28
40	5.11	6.07	6.62	6.90
45	5.52	8.83	10.63	11.45
50		9.94	16.15	19.60
55			19.18	32.02
60				39.05

There are different rates for women, for other occupation classes and for escalating benefits.

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

Prudential Protection – specimen life and basic critical illness rates per £10,000 sum assured

Age next birthday	Men		Women	
	Non Smoker	Smoker	Non Smoker	Smoker
20	7.54	7.54	5.63	5.63
25	8.95	8.95	6.90	6.90
30	10.97	12.93	8.98	8.98
35	14.07	22.08	12.59	12.59
40	19.52	36.29	18.15	18.15
45	29.28	58.03	27.26	27.26
50	46.52	91.89	41.27	42.87
55	80.51	148.44	63.77	80.79
60	147.97	228.69	99.48	157.96
65	272.17	281.80	142.55	299.31
70	508.80	508.80	257.24	579.06
75	792.83	792.83	429.61	899.14

Prudential Protection – specimen top-up critical illness rates per £10,000 sum assured

Age next birthday	Men		Women	
	Non Smoker	Smoker	Non Smoker	Smoker
20	3.75	3.75	4.28	4.28
25	4.82	4.82	5.68	5.68
30	6.54	7.66	8.01	8.01
35	9.63	14.92	11.64	11.64
40	14.71	26.99	17.28	17.28
45	23.64	46.30	26.42	26.42
50	39.01	76.30	40.10	41.65
55	68.82	125.65	61.57	77.89
60	126.05	193.22	94.14	148.80
65	222.87	230.68	128.18	266.87
70	381.94	381.94	206.01	439.06
75	573.36	573.36	333.69	636.75

Prudential Protection Mortgage Payment Benefit – specimen rates per £1,200 annual benefit without critical illness

Male aggregate lives occupation class 1, Deferred Period 13 weeks

Age Next Birthday	Policy Term Remaining				
	5	10	15	20	25
20	4.55	6.27	7.39	8.19	8.82
25	4.06	5.76	6.89	7.70	8.33
30	4.59	6.71	8.14	9.18	9.99
35	5.89	8.87	10.92	12.43	13.62
40	7.41	11.52	14.40	16.55	
45	10.41	16.70	21.20		
50	15.40	25.50			
55	25.79				

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

Male aggregate lives occupation class 1, Deferred Period 26 weeks

Age Next Birthday	Policy Term Remaining				
	5	10	15	20	25
20	1.77	2.71	3.31	3.74	4.06
25	1.87	2.92	3.61	4.10	4.48
30	2.63	4.22	5.29	6.06	6.65
35	3.43	5.64	7.15	8.25	9.10
40	4.43	7.45	9.57	11.13	
45	6.76	11.66	15.15		
50	10.70	18.90			
55	18.01				

Male aggregate lives occupation class 1, Deferred Period 52 weeks

Age Next Birthday	Policy Term Remaining				
	5	10	15	20	25
20	1.31	2.16	2.76	3.20	3.54
25	1.40	2.36	3.05	3.56	3.96
30	2.00	3.47	4.53	5.32	5.95
35	2.65	4.68	6.19	7.32	8.23
40	3.47	6.27	8.37	9.97	
45	5.37	9.91	13.37		
50	8.60	16.23			
55	14.66				

There are different rates for women, for contracts with critical illness benefit and for other occupation classes.

Home Protect Life & Basic Annual Critical Illness Rates (per £10,000 Sum Assured)

Age next birthday	Men		Women	
	Non Smoker	Smoker	Non Smoker	Smoker
20	7.00	11.82	5.54	8.77
25	6.82	11.63	6.96	11.09
30	7.67	13.32	9.56	16.44
35	11.50	21.03	12.52	22.27
40	20.00	39.14	18.13	34.91
45	35.68	70.62	28.13	57.66
50	60.79	124.56	44.32	90.20
55	100.08	196.19	67.97	141.50
60	154.97	288.81	105.54	208.61
65	216.75	389.70	149.32	287.50

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

Home Protect Top-up Annual Critical Illness Rates (per £10,000 Sum Assured)

Age next birthday	Men		Women	
	Non Smoker	Smoker	Non Smoker	Smoker
20	2.67	3.86	2.77	3.96
25	3.56	5.44	4.85	7.52
30	5.25	8.71	7.72	13.76
35	8.61	16.13	11.58	21.59
40	15.44	32.08	17.32	34.75
45	30.69	60.79	28.31	57.62
50	49.99	105.73	42.57	84.05
55	75.74	152.36	57.71	122.07
60	122.66	215.42	97.02	174.73
65	129.49	225.82	85.54	172.56

Home Protect Mortgage Payment Benefit Rates (per £1,200 Annual Benefit) without Critical Illness

Male aggregate lives, non smokers, occupation class 1, Deferred Period 4 weeks

Age Next Birthday	Policy Term Remaining				
	5	10	15	20	25
20	5.36	6.57	7.38	7.92	8.29
25	5.36	6.57	7.38	7.92	8.29
30	7.88	10.07	11.51	12.47	13.09
35	10.83	14.47	16.87	18.43	19.47
40	14.15	19.51	22.95	25.21	26.79
45	18.68	26.59	31.82	35.49	
50	25.36	37.28	45.59		
55	37.52	56.36			
60	63.51				

Home Protect Mortgage Payment Benefit Rates (per £1,200 Annual Benefit) without Critical Illness

Male aggregate lives, non smokers, occupation class 1, Deferred Period 13 weeks

Age Next Birthday	Policy Term Remaining				
	5	10	15	20	25
20	2.33	3.08	3.58	3.92	4.14
25	2.33	3.08	3.58	3.92	4.14
30	3.32	4.60	5.44	6.00	6.36
35	4.68	6.79	8.18	9.08	9.69
40	6.29	9.41	11.40	12.72	13.63
45	9.88	15.20	18.73	21.20	
50	17.67	28.02	35.23		
55	33.41	53.80			
60	62.34				

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

Home Protect Mortgage Payment Benefit Rates (per £1,200 Annual Benefit) without Critical Illness

Male aggregate lives, non smokers, occupation class 1, Deferred Period 26 weeks

Age Next Birthday	Policy Term Remaining				
	5	10	15	20	25
20	1.82	2.55	3.03	3.36	3.57
25	1.82	2.55	3.03	3.36	3.57
30	2.01	2.94	3.55	3.96	4.22
35	2.16	3.32	4.07	4.57	4.90
40	3.39	5.34	6.59	7.41	7.98
45	6.95	11.24	14.08	16.07	
50	12.72	21.17	27.05		
55	23.52	39.49			
60	42.58				

There are different rates for women, for smokers and for other occupational classes.

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) Annuities are generally valued using a percentage of the 92 series (year of birth) tables for annuitants and pensioners. In order to allow for mortality improvement, the CMIR 17 mortality improvement factors are applied up to and including 2004. Future improvement factors are applied from 2005. In the WPSF, future improvement factors for males are in line with 100% of the CMI medium cohort projections, subject to a floor of 2% p.a. For females, future improvement factors are in line with 100% of the CMI medium cohort projections. In SAIF and the NPSF, future improvement factors for males are in line with 100% of the CMI medium cohort projections, subject to a floor of 1.25% p.a. For females, future improvement factors are in line with 75% of the CMI medium cohort projections, subject to a floor of 0.75% p.a. 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) Allowance is made where appropriate for the impact of AIDS on mortality and morbidity. No other allowance is made for any possible detrimental impact of significant changes in the incidence of disease or developments in medical science on the company's mortality and morbidity experience.

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 business originally written by SAL and corresponding policies issued subsequently, the provision is made by modifying the mortality table used to calculate the mathematical reserves. For other business, provision is made by including £2.4m in the additional reserves. 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.

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

(6) For the purpose of calculating the resilience requirement under PRU 4.2.10R, the most onerous scenario for the firm overall for assets invested in the United Kingdom and in other territories apart from the USA is a combination of:

(1) a fall in equity vales of 10% and a fall in real estate values of 20%

(2) a fall in equity earnings of 10% with no change in dividends, and a fall of 10% in rental income,

(3) an immediate rise of 95 basis points in the annual yield obtainable on fixed interest securities

(4) a 25% rise in the real yield on index-linked bonds.

By sub-fund, the above scenario is the most onerous for the WPSF, DCPSF and NPSF. For SAIF the most onerous scenario is as above except that (3) is replaced by an immediate *fall* of 95 basis points in the annual yield obtainable on fixed interest securities and (4) is replaced by a 25% *fall* in the real yield on index-linked bonds.

(7) For the purpose of calculating the resilience requirement under PRU 4.2.10R, the most onerous scenario for assets invested in the USA is the same as that in (6) except that equity values fall by 22%.

(8) (a) The resulting resilience capital requirement is:

WPSF: £3,000 million
SAIF: £275 million
DCPSF: £52 million
NPSF: Nil

(b) The long term liabilities excluding any provision for mismatching fell by £850 million in SAIF, by £1,300 million in the WPSF, by £29,625,000 in the DCPSF and by £92million in the NPSF. The Form 14 provision for the prospective liability for tax on unrealised capital gains fell by £100 million in SAIF and by £600 million in the WPSF.

(c) The assets allocated to the long term liabilities, including those backing the mismatching provision, fell by £1,225 million in SAIF, by £4,900 million in the With-Profits Sub-Fund, by £81,332,000 in the DCPSF and by £88million in the Non-Profit Sub-Fund from the values shown in Form 13.

(9) Liabilities in each currency other than sterling 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 the duty to treat customers fairly.

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) For SAIF, SAA and ex-SAL products, including new business on ex-SAL products, an explicit expense reserve is held where required.

For SAIF and Non-Profit Sub-Fund immediate annuity business, investment management expenses are allowed for via a reduction in valuation interest rate.

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

For business other than SAIF, SAA, ex-SAL (including new business arising on ex-SAL products) and accumulating with-profits:

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

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$17.50 per policy per annum, escalating at 3% per annum.

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

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) All future premiums valued are computed in accordance with PRU 7.3.38R.

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. 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.

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

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

(i) Prudence Bond, Prudence Managed Bond and Prudence Distribution Bond:

Fall in start unit value 20%

	% p.a.
Valuation rate of interest	3.20
Fund growth (before adjustment to allow for fund charge)	4.00

The fund charge (net of investment expenses of 0.275% per annum) varies depending on the funds chosen and the contractual terms of the individual policy.

Inflation	3.50

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

Renewal expenses per annum (net of tax relief at 20%) at 31 December 2004:

per policy benefit	£42.34 p.a.

(ii) Guaranteed Equity Bond:

	% p.a.
Valuation rate of interest	3.20
Inflation	3.50

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

Expenses net of tax:

Renewal	£12 p.a.
Claim	£46

9. Valuation of linked business continued

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

Fall in start unit value 20%

	% p.a.
Valuation rate of interest	4.00
Fund growth (before adjustment to allow for fund charge and loyalty bonus where applicable)	5.00
Fund charge (net of investment expenses of 0.25% p.a.)	
EPP,PPP, PPA, EIB and FSAVC	0.75
Inflation	3.50

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

Persistency:	100.00

Renewal expenses per annum at 31 December 2004:

	PPA and PPP	EPP and EIB
Single premium		
per policy benefit	£58.00 p.a.	£178.80 p.a.
Regular premium - premium paying		
per policy benefit	£87.75 p.a.	£322.35 p.a.
Regular premium - non-premium paying		
per policy benefit	£58.00 p.a.	£178.80 p.a.

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.

9. Valuation of linked business continued

(iv) AVC, GPP1/2/3/4, PTP and MPP2:

Fall in start unit value 20%

	% p.a.
Valuation rate of interest	4.00
Fund growth (before adjustment to allow for fund charge)	5.00
Fund charges (net of investment expenses):	
AVC, GPP1/2, PTP, MPP2	0.50
GPP3 reassured to:	
Prudential Pensions Limited	0.75
Barclays Global Investors Pensions Management Limited	0.80
Merrill Lynch Pensions Limited	0.75
London & Manchester (Managed Funds) Limited	1.00
GPP4 reassured to:	
Prudential Pensions Limited	0.25
Barclays Global Investors Pensions Management Limited	0.15
Deutsche Asset Management (Life and Pensions) Limited	0.275
Inflation	3.50
Mortality	Nil
Total renewal expenses applicable at 31 December 2004:	£ 3,387,778 p.a.

(v) Stakeholder pensions:

Fall in start unit value 20%

	% p.a.
Valuation rate of interest	4.00
Fund growth (before adjustment to allow for fund charge)	5.00
Fund charge (net of investment expenses):	0.15 to 0.75
Inflation	3.50
Mortality	AM92 Ult - 3
Total renewal expenses applicable at 31 December 2004:	£ 2,140,325 p.a.

9. Valuation of linked business continued

(vi) Flexible Retirement Income Account

	% p.a.
Valuation rate of interest	4.00
Fund growth (before adjustment to allow for fund charge)	5.00
Fund charge (net of investment expenses)	0.80
Inflation	3.50

Mortality:	Men	102% PMA92 (U=2004) medium cohort improvement table with a 2% floor (x-0.5)
	Women	84% PFA92 (U=2004) medium cohort improvement table (x-0.5)

Renewal expenses per annum at 31 December 2004:

per cent of premium	0.25
FLA per policy benefit	£300 p.a.
Pension Contract per policy benefit	£455 p.a.

(vii) Life contracts described in Appendix 2(B)2 (page 160)

Fall in start unit value	20%

	% p.a.
Valuation rate of interest	3.20
Fund growth (before adjustment to allow for fund charge)	
For all contracts except Prudence Inheritance Bond	4.00
For Prudence Inheritance Bond	0.75
Inflation	3.50

Mortality:

For all contracts except Home Purchaser Series 3 –
AM92 or AF92 Ult both rated up 1 year
+ allowance for 33% AIDS mortality R6A for men and women.

For Home Purchaser Series 3 –
85% AM80 Ult or 85% AF80 Ult.

Renewal expenses (net of tax relief at 20%) in addition to commission:

For regular premium business	£14.76 p.a.
For Bonus Bond	£5.90 p.a.
For other single premium business	£8.86 p.a.

Termination expenses (net of tax relief at 20%):	£50.18

9. Valuation of linked business continued

(vii) Pensions contracts described in Appendix 2(B)2

Fall in start unit value	20%
	% p.a.
Valuation rate of interest	4.00
Fund growth (before adjustment to allow for fund charge)	5.00
Inflation	3.50

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	£45.51 p.a.
For single premium personal pension business	£28.29 p.a.
For regular premium company pension business	£98.40 p.a.
For single premium company pension business	£59.04 p.a.

Termination expenses:

Personal Pensions	£123.00
Company Pensions	£156.21

(B) Contracts in SAIF

Fall in start unit value	20%
	% p.a.
Valuation rate of interest	4.00
Fund growth (before adjustment to allow for fund charge)	5.00
Inflation	3.50

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	£35.78 p.a.
For single premium personal pension business	£21.44 p.a.
For regular premium company pension business	£93.34 p.a.
For single premium company pension business	£53.32 p.a.

Termination expenses:

Personal Pensions	£118.06
Company Pensions	£98.97

(C) Contracts in SAA

Fall in start unit value	20%
	% p.a.
Valuation rate of interest	3.20
Fund growth (before adjustment to allow for fund charge)	4.00
Inflation	3.50

Mortality:

For all contracts except Home Purchaser Series 2 & 3 –
AM92 or AF92 Ult both rated up 1 year
+ allowance for 33% AIDS mortality R6A for men and women.

For Home Purchaser Series 2 & 3 –
85% AM80 Ult or 85% AF80 Ult.

Renewal expenses (net of tax relief at 20%) in addition to commission:

For single premium business	£9.66 p.a.
For regular premium business	£15.77 p.a.

Termination expenses (net of tax relief at 20%): £40.85

(D) Contracts in Prudential Europe Vie	% p.a.
Valuation rate of interest	4.00
Fund growth (before adjustment to allow for fund charge)	4.50
Fund charges	1.40
Inflation	3.50

Mortality: TD88/90 (males) or TV88/90 (females), each rated down by 3 years.

Policy servicing is outsourced to a third party. Renewal expenses per policy are those in the servicing tariff plus an allowance for the Company's overheads. Specimen expenses are €124 in 2005, €112 in 2006, €60 in 2010 and €49 from 2014 onwards.

(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, and contracts formerly written by SAL (including new business on these contracts post transfer) , expense inflation is allowed for in the valuation at the rate of 3.5% 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, and contracts formerly written by SAL (including new business on these contracts post transfer), no explicit provision has been made for future expense inflation, except for property-linked business for which details are given in section 9 above.

10. Expenses continued

(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 and in the provision for the FSA personal pensions review	251
1% of reserves on non-premium paying with-profits deferred annuities	20
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	122
Margin in property yield to cover maintenance costs and leases (OB proportion)	153
Margin between the risk-adjusted yield on assets in the WPSF and DCPSF (0.15%) and NPSF (0.1%) and that required to support the valuation interest rates to cover fund management expenses	75
Total	626

(3) The cost of continuing to transact new business in the With-Profits Sub-Fund and Defined Charge Participating Sub-Fund 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. A Closed Fund Reserve of £36.4m is held in the Non-Profit Sub-Fund to cover any strain from writing new business in the 12 months following the valuation date plus other costs likely to be incurred in the event of closure to new business twelve months after the valuation date.

(4) As explained above, the closed fund reserve held in the Non-Profit Sub-Fund covers the cost of closure to new business if closure occurred twelve months after the valuation date. In the other sub-funds that are open to new business, the estimated cost of closure has been compared with the explicit margins and the portion of implicit margins not being utilised for other purposes from the in force business. As the costs are covered by the margins, no additional reserve is required.

11. Currency matching

All liabilities in respect of the deposits received from reinsurers, as shown in Form 14, are payable in sterling and are matched by sterling assets.

Of the mathematical reserves (other than liabilities for property linked benefits):

(a) 96.7% (equivalent to £61,825m) are payable in sterling. These are matched by £58,853m in sterling assets and the remainder in other currencies.

(b) 2.1% (equivalent to £1,329m) are payable in US dollars. These are all matched by US dollar assets.

(c) The remainder are payable in other currencies. All except those in Maltese currency, for which the mathematical reserves are £9m, are matched by assets in the same currency.

12. Reinsurance

(1) No premiums were paid in 2004 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 2004.

(1) (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 certain contracts issued in relation to members of the BBC and United News and Media GPP sections of the Prudential (Flexible) Personal Pension Scheme where the member has chosen to invest in BGIPM's funds, on a 100% quota share basis. The liability is not covered by first charges on any assets.

(e) The net premiums payable under the treaty during 2004 were £125,000.

(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.

(2) (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, MPP3 and stakeholder pensions (with the exception of business covered under the above treaty), where the member has chosen to invest in BGIPM's funds, on a 100% quota share basis. The liability reassured is not covered by first charges on any assets.

(e) The net premiums payable under the treaty during 2004 were £26,818,000.

(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

(3) (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, MPP3 and stakeholder pensions, where the member has chosen to invest in DAML&P's funds, on a 100% quota share basis. The current liability reassured is £0.8m and is not covered by first charges on any assets.

(e) The net premiums payable under the treaty during 2004 were £4,903,000.

(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.

(4) (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 2004 were £5,573,000.

(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.

(5) (a) **F&C Asset Management (formerly London and Manchester (Managed Funds) 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 GPP3, where the member has chosen to invest in the L&MMF fund, on a 100% quota share basis. The current liability reassured is £0.2m and is not covered by first charges on any assets.

(e) The premiums payable under the treaty during 2004 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.

12. Reinsurance continued

(6) (a) **GE Insurance Solutions (formerly 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) Waiver of premium benefit on GPP3 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) The premiums payable under the treaty during 2004 were £1,000.

(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.

(7) (a) **General Cologne Reinsurance (Singapore branch)**

(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 Reducing Term Assurance Plan and Term Life Plan in surplus form on a risk premium basis.

(e) The premiums payable under the treaty during 2004 were £74,000.

(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.

(8) (a) **General Cologne Reinsurance (Singapore branch)**

(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 2004 were £1,330,000.

(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

(9) (a) **General Reinsurance Life UK Limited (formerly Cologne Life Reinsurance Company Limited), Swiss Re Life and Health Limited and Munich Reinsurance Company UK Life Branch**

(b) The reinsurers are authorised to carry out business in the United Kingdom.

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

(d) Mortality, critical illness, mortgage interest benefit, PHI and waiver of premium risks under unit linked and non-profit business is reassured under a co-insurance reassurance agreement to achieve:

70% quota share basis for death and critical illness benefits for Home Purchaser, Amicable Savings Plans and all unit linked Pensions (death benefit only).

75% quota share basis for all other contracts and all benefits covered in the treaty.

The Company's normal retention and automatic cover granted by the reinsurer are:

	Company's Normal Retention	Automatic Cover
Mortality Benefits (per life)	25% up to £200,000 Nil above £200,000	£1,250,000
Critical Illness Benefits (per life)	25% up to £200,000 Nil above £200,000	£250,000
Mortgage Interest Benefit (per life per annum)	25% up to £20,000 Nil above £20,000	£20,000 per annum
Waiver of Premium (per life per annum)	25% up to £20,000 Nil above £20,000	£8,000 per annum
PHI (per life per annum)	25% up to £20,000 Nil above £20,000	£30,000 per annum
Lump Sum Waiver of Premium (per life)	25% up to £200,000 Nil above £200,000	The lump sum equivalent of £8,000 per annum

(e) The premiums payable under this treaty during 2004 were £3,588,000.

(f) There is no deposit back arrangement.

(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

(10) (a) **Merrill Lynch Pensions Ltd (formerly 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. The current liability reassured is £1.4m and is not covered by first charges on any assets.

(e) The premiums payable under the treaty during 2004 were £218,000.

(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.

(11) (a) **Merrill Lynch Pensions Ltd**

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

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

(d) Linked benefits under pension policies which invest in the Company's Merrill Lynch UK Enhanced Index Fund on a 100% quota share basis.

(e) The premiums payable under the treaty during 2004 were £156,000.

(f) There is no deposit back arrangement.

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

(h) The treaty is open to new business

(12) (a) **Munich Reinsurance Company UK Life Branch**

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

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

(d) Death, critical illness and temporary disability benefits on certain Mortgage Protection policies. Reinsurance is on a risk premium basis. The Company reinsures 66.67% of each policy, with a maximum retention of £50,000 initial retained sum insured per life, for death and critical illness benefits, and £7,500 per annum initial retained benefit reinsured per life for temporary disability benefits.

(e) The premiums payable under the treaty during 2004 were £1,638,000.

(f) There is no deposit back arrangement.

(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

(13) (a) **Munich Reinsurance Company UK Life Branch**

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

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

(d) Death, critical illness and temporary disability benefits on certain Mortgage Protection policies other than those covered in the treaty described in 12.(2)(12) above. Reinsurance is on a risk premium basis. The Company reinsures 66.67% of each policy, with a maximum retention of £50,000 initial retained sum insured per life for death and critical illness benefits, and £7,500 per annum initial retained benefit reinsured per life for temporary disability benefits.

(e) No premium was paid during the year.

(f) There is no deposit back arrangement.

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

(h) The treaty is open to new business.

(14) (a) **Munich Reinsurance Company UK Life Branch**

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

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

(d) Death and critical illness benefits on certain Loan Protection policies. Reinsurance is on a risk premium basis. The Company reinsures 50% of each policy, with no maximum retention.

(e) No premium was paid during the year.

(f) There is no deposit back arrangement.

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

(h) The treaty is open to new business.

(15) (a) **Munich Reinsurance Company UK Life Branch**

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

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

(d) Death and critical illness benefits on certain Loan Protection policies other than those covered in the treaty described in 12.(2) (14) above. Reinsurance is on a risk premium basis. The Company reinsures 20% of each policy, with a maximum retention of £20,000 initial retained sum insured per life.

(e) No premium was paid during the year.

(f) There is no deposit back arrangement.

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

(h) The treaty is closed to new business.

12. Reinsurance continued

(16) (a) **Munich Reinsurance Company UK Life Branch**

(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 2004 were £12,846,000.

(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.

(17) (a) **Reinsurance Group of America inc.**

(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 Mortgage group life assurance in surplus form on a risk premium basis.

(e) No premium was paid during the year.

(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.

(18) (a) **Investment Solutions Ltd (formerly Schroder Pensions Limited)**

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

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

(d) Linked benefits under pension policies which invest in the Schroder Global Index Fund on a 100% quota share basis.

(e) The premiums payable under the treaty during 2004 were £351,000.

(f) There is no deposit back arrangement.

(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

(19) (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 2004 were £233,000.

(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.

(20) (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 (5 treaties).

(e) The premiums payable under the treaties during 2004 were £270,000.

(f) There were no deposit back arrangements.

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

(h) 4 of the 5 treaties are closed to new business

(21) (a) **Swiss Re Life & Health Limited**

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

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

(d) Prudential Protection business with a policy proposal date prior to 31 December 2002, an acceptance date in 2002 and a policy issue date prior to 31 March 2003 on a quota share basis. This arrangement is linked to a financial reinsurance arrangement described in 12.(3)(i) below. The Company's normal retention and automatic cover granted by the reinsurer are:

	Company's Normal Retention	Automatic Cover
Mortality Benefits only (per life)	10% up to £50,000 Nil above £50,000	£1,250,000
Mortality and Critical Illness Benefits (per life)	10% up to £50,000 Nil above £50,000	£250,000
Mortgage Payment Benefits (per life per annum)	25% up to £5,000 Nil above £5,000	£12,000 per annum
Waiver of Premium Benefits (per life per annum)	25% up to £5,000 Nil above £5,000	£10,000 per annum

12. Reinsurance continued

(e) The premiums due under this treaty and the treaties described in sections (22) and (23) during 2004 were £19,349,000.

(f) There is no deposit back arrangement.

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

(h) The treaty is closed to new business.

(22) (a) **Swiss Re Life and Health Limited**

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

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

(d) Prudential Protection business not covered by the above treaty, with a policy proposal date in the range 6 May 2002 to 30 June 2003 and a policy issue date in the range 1 January 2003 to 31 December 2003, on a quota share basis. This arrangement is linked to a financial reinsurance arrangement described in 12.(3)(ii) below for some of the business. The Company's normal retention and automatic cover granted by the reinsurer are:

For lives underwritten on or before 02/05/2003:

	Company's Normal Retention	Automatic Cover
Mortality Benefits only (per life)	10% up to £50,000 Nil above £50,000	£1,250,000
Mortality plus Accelerated Critical Illness and Stand Alone Critical Illness Benefits (per life)	10% up to £50,000 Nil above £50,000	£250,000
Mortgage Payment Benefits (per life per annum)	25% up to £5,000 Nil above £5,000	£12,000 per annum
WOP Benefits (per life per annum)	25% up to £5,000 Nil above £5,000	£10,000 per annum

For lives underwritten after 02/05/2003:

	Company's Normal Retention	Automatic Cover
Mortality Benefits only (per life)	10% up to £50,000 Nil above £50,000	£1,300,000 for ages up to 60 £750,000 for ages 61 to 70 £150,000 for ages 71 and over
Mortality plus Accelerated Critical Illness and Stand Alone Critical Illness Benefits (per life)	10% up to £50,000 Nil above £50,000	£300,000
Mortgage Payment Benefits (per life per annum)	25% up to £5,000 Nil above £5,000	£15,000 per annum
WOP Benefits (per life per annum)	25% up to £5,000 Nil above £5,000	£15,000 per annum

12. Reinsurance continued

(e) The premiums due under this treaty and the treaties described in sections (21) and (23) during 2004 were £19,349,000.

(f) There is no deposit back arrangement.

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

(h) The treaty is closed to new business.

(23) (a) **Swiss Re Life & Health Limited**

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

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

(d) Prudential Protection business with a policy proposal date from 1 July 2003 or a "policy issue" date from 1 January 2004, on a quota share basis. The Company's normal retention and automatic cover granted by the reinsurer are:

	Company's Normal Retention	Automatic Cover
Mortality Benefits only (per life)	10% up to £50,000 Nil above £50,000	£1,300,000 for ages up to 60 £750,000 for ages 61 to 70 £150,000 for ages 71 and over
Mortality plus Accelerated Critical Illness and Stand Alone Critical Illness Benefits (per life)	10% up to £50,000 Nil above £50,000	£300,000
Mortgage Payment Benefits (per life per annum)	25% up to £5,000 Nil above £5,000	£15,000 per annum
Waiver of Premium Benefits (per life per annum)	25% up to £5,000 Nil above £5,000	£15,000 per annum

Also covers business issued exclusively through Direct Life and Pensions.

(e) The premiums due under this treaty and the treaties described in sections (21) and (22) during 2004 were £19,349,000.

(f) There is no deposit back arrangement.

(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

(24) (a) **Swiss Re Life & Health Limited**

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

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

(d) Unit-linked business and non-profit business transferred from M&G Life, on both a quota share and risk premium basis.

On Guaranteed Protection Plan, 50% of all liabilities are reinsured by quota share and the excess of the remaining life cover over the retention agreed from time to time (currently £20,000) is reinsured by risk premium.

A number of Group Life Cover and Loan Protection policies are reinsured by quota share.

For Variable Investment Plan, Maximum Investment Plan and Investment Mortgage Plan issued before March 1988, the sum at risk in excess of the retention agreed from time to time (currently £20,000) is reinsured by risk premium.

For Flexible Investment Plan issued after February 1988 and before February 1994, and Investment Mortgage Plan issued after February 1988, the sum at risk in excess of the retention agreed from time to time (currently £50,000) is reinsured by risk premium. For Flexible Investment Plan issued after January 1994, the sum at risk in excess of the retention agreed from time to time (currently £25,000 per policy held) is reinsured by risk premium.

For Maximum Investment Plan and Investment Mortgage Plan issued before March 1988, the excess waiver of premium benefit over the retention agreed from time to time (currently £2,500 per annum) is reinsured by risk premium.

For Flexible Investment Plan issued after February 1988 and before February 1994, and Investment Mortgage Plan issued after February 1988, the excess waiver of premium benefit over the retention agreed from time to time (currently £5,000 per annum) is reinsured by risk premium. For Flexible Investment Plan issued after January 1994, the excess waiver of premium benefit over the retention agreed from time to time (currently £5,000 per annum per policy held) is reinsured by risk premium.

(e) The premiums payable under the treaty during 2004 were £884,000.

(f) There is no deposit back arrangement.

(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

(25) (a) **Swiss Re Life & Health Limited**

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

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

(d) Affinity group life business introduced via Century Life plc on a quota share basis.

(e) The premiums payable under the treaty during 2004 were £203,000.

(f) There is no deposit back arrangement.

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

(h) The treaty is open to new business.

(26) (a) **Swiss Re Life & Health Limited**

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

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

(d) Mortality and Waiver of Premium risks on linked and non-profit business transferred from M&G Pensions, on a risk premium basis.

For the linked deferred annuities with additional life cover, the excess life cover over the retention agreed from time to time (currently £25,000 per policy held) is reinsured by risk premium.

For waiver of premium options, the excess benefit over the retention agreed from time to time (currently £2,500 per annum on policies issued before 1 July 1988 and £5,000 per annum on policies issued thereafter) is reinsured by risk premium.

For term assurances, the excess life cover over the retention agreed from time to time (currently £25,000) is reinsured by risk premium.

For group life assurances, the excess life cover on each life over the retention agreed from time to time (currently £25,000) is reinsured by risk premium.

(e) The premiums payable under the treaty during 2004 were £88,000.

(f) There is no deposit back arrangement.

(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

(27) (a) **Swiss Re Life & Health Limited**

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

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

(d) Mortality and PHI risk on Personal Security Plan.

For permanent health insurance, the excess benefit over the retention agreed from time to time (currently £5,000 per annum per case) is reinsured by risk premium.

For keyman disability benefit, the excess benefit over the retention agreed from time to time (currently £25,000 per case) is reinsured by risk premium.

(e) The premiums payable under this treaty and the treaty described in section (28) during 2004 were £1,999,000.

(f) There is no deposit back arrangement.

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

(h) The treaty is open to new business.

(28) (a) **Swiss Re Life and Health Limited**

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

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

(d) Mortality and critical illness risks on Personal Security Plan on a risk premium basis.

The sum at risk on death or permanent total disability in excess of the retention agreed from time to time (currently £50,000) is reinsured by risk premium. In addition, the accidental death benefits are wholly reinsured.

(e) The premiums payable under this treaty and the treaty described in section (27) during 2004 were £1,999,000.

(f) There is no deposit back arrangement.

(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

(29) (a) **Swiss Re Life & Health Limited**

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

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

(d) Some unit linked bond business on a quota share basis.
For certain Flexible Bonds linked to the Extra Yield fund, 89% of all unit-linked liabilities are reinsured by quota share.

For Managed Income Bonds linked to Managed Income (Series A) units, 90% of all unit-linked liabilities are reinsured by quota share.

For Managed Income Bonds linked to Managed Income (Series B) units, 25% of all unit-linked liabilities are reinsured by quota share.

(e) The premiums payable under the treaty during 2004 were £167,000.

(f) There is no deposit back arrangement.

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

(h) The treaty is closed to new business.

(30) (a) **Swiss Re Life & Health Limited**

(b) The reinsurer is authorised to carry out business in the United Kingdom

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

(d) Waiver of Premium on Stakeholder and Premier Personal Pensions (Group and Individual) on a quota share plus surplus basis (maximum retention of £5,000 per annum).

(e) No premium was paid during the year.

(f) There is no deposit back arrangement.

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

(h) The treaty is open to new business.

(31) (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 (individual risks) in surplus form on reviewable terms.

(e) The premiums payable under the treaty during 2004 were £8,000.

(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.

12. Reinsurance continued

(32) (a) **Swiss Re Life & Health Limited**

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

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

(d) Prudential Protection business sold through Egg Insure with a policy proposal date after to 21 June 2004, in surplus form on a risk premium basis. The Company's normal retention and automatic cover granted by the reinsurer are:

	Company's Normal Retention	Automatic Cover
Prudence Family Cover (per life)	10% up to £50,000 Nil above £50,000	£1,300,000
Mortgage Protection Plan (per life)	10% up to £50,000 Nil above £50,000	£1,300,000
Mortgage Protection with Critical Illness (per life)	25% up to £50,000 Nil above £50,000	£300,000
Prudence Critical Illness Cover (per life)	25% up to £50,000 Nil above £50,000	£300,000

(e) The premiums due under this treaty during 2004 were £45,000.

(f) There is no deposit back arrangement.

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

(h) The treaty is open to new business.

(33) (a) **Swiss Re Life & Health Limited**

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

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

(d) All group life assurance and widows death in service schemes including any individual policies arising out of continuation options available on such schemes.

(e) The premiums due under this treaty during 2004 were £360,000.

(f) There is no deposit back arrangement.

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

(h) The treaty is closed to new business.

12. Reinsurance continued

(34) (a) **Swiss Re Life & Health Limited**

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

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

(d) All Group PHI schemes and any policies arising from continuation options effected under such schemes on a quota share basis.

(e) The premiums due under this treaty during 2004 were £2,000.

(f) There is no deposit back arrangement.

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

(h) The treaty is closed to new business.

(35) (a) **Swiss Re Life & Health Limited**

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

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

(d) Prufund protection plan mortality risk and other similar plans and attaching guaranteed insurability options.

(e) The premiums due under this treaty during 2004 were £1,000.

(f) There is no deposit back arrangement.

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

(h) The treaty is closed to new business.

(36) (a) **Swiss Re Life & Health Limited**

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

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

(d) HK Group life and disability under the ‘PruBenefits’ scheme on a quota share risk premium basis.

(e) The premiums due under this treaty during 2004 were £1,000.

(f) There is no deposit back arrangement.

(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

(37) (a) **Swiss Reinsurance Company, Zurich**

(b) The reinsurer is not authorised to carry on business in the United Kingdom.

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

(d) All Individual Life assurance policies written by the Company on direct application in Hong Kong reinsured on a risk premium basis.

(e) The premiums due under this treaty during 2004 were £6,028,000.

(f) There is no deposit back arrangement.

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

(h) The treaty is open to new business.

(38) (a) Threadneedle Pensions Limited

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

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

(d) Reinsurance policy covering linked benefits in a private sector AVC scheme

(e) The net premiums due under this treaty during 2004 were £193,000.

(f) There is no deposit back arrangement.

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

(h) The treaty is open to new business

(39) (a) **Prudential (AN) 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. This is to a member of the Prudential Group and is not covered by first charges on any assets.

(e) The premiums payable under the treaty during 2004 were £17,684,000.

(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

(40) (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 pensions annuities in payment on a 100% quota share basis. This is to a member of the Prudential Group and is not covered by first charges on any assets. However the reinsurer is a wholly owned subsidiary of the With-Profits Sub-Fund.

(e) The premiums payable under the treaty during 2004 were £347,438,000.

(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.

(41) (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. The current liability reassured is £515m. This is to a member of the Prudential Group and is not covered by first charges on any assets.

(e) The premiums payable under the treaty during 2004 were £486,552,000.

(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.

(42) (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. The current liability reassured is £536m. This is to a member of the Prudential Group and is not covered by first charges on any assets.

(e) The premiums payable under the treaty during 2004 were £130,864,000.

(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

(43) (a) **Prudential Retirement Income Limited**

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

(c) The reinsurer is a connected company.

(d) Annuity liabilities, transferred from SAL, in respect of annuity policies in force at 30 September 2000. Under the terms of the agreement Prudential Retirement Income Limited will meet the liability of the Company to pay the benefits due under the reassured policies. The Company retains responsibility for the administration of the reassured policies.

(e) No premium was paid during the year.

(f) There is no deposit back arrangement.

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

(h) The treaty is closed to new business.

(44) (a) **Prudential Retirement Income Limited**

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

(c) The reinsurer is a connected company.

(d) Annuity liabilities for relevant annuities issued by PAC from 25 November 2004.. Under the terms of the agreement Prudential Retirement Income Limited will meet the liability of the Company to pay the benefits due under the reassured policies.

(e) The premiums payable under the treaty during 2004 were £83,538,000.

(f) There is no deposit back arrangement.

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

(h) The treaty is open to new business.

(45) (a) **Prudential Retirement Income Limited**

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

(c) The reinsurer is a connected company.

(d) Annuity liabilities for relevant annuities vested during the period from 1 July 2004 to 25 November 2004. Under the terms of the agreement Prudential Retirement Income Limited will meet the liability of the Company to pay the benefits due under the reassured policies.

(e) The premiums payable under the treaty during 2004 were £336,611,000.

(f) There is no deposit back arrangement.

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

(h) The treaty is closed to new business.

12. Reinsurance continued

(3) The Company has the following financing arrangements:

(1) with Swiss Re Life & Health Limited in respect of acquisition costs incurred in writing Prudential Protection contracts with a policy proposal date prior to 31 December 2002, an acceptance date in 2002 and a policy issue date prior to 31 March 2003. The treaty is not open to new business. This arrangement is associated with reinsurance treaty 12 (2) (21)

(a) The payments to the reinsurer in respect of an individual policy are a proportion of the difference between the office premium and the reinsurance premium net of an allowance for renewal expenses for the time that the policy remains in force. If a policy lapses within the initial commission period the Company pays the reinsurer the amount of the indemnity commission that can be clawed back at that time. If a policy lapses outside of the initial commission period or becomes a mortality or morbidity claim at any time then payments to the reinsurer cease. The total amount paid to the reinsurer in respect of an individual policy is independent of the amount originally advanced by the reinsurer and depends on how long each policy remains in force. There is therefore no undischarged obligation.

(b) Allowance has been made for the repayment of this financing in calculating the level of the reserves required for these contracts.

(2) With Swiss Re Life & Health Limited in respect of acquisition costs incurred by the Company in writing certain Prudential Protection contracts with a policy proposal date in the range 6 May 2002 to 30 June 2003, a policy issue date in the range 1 January 2003 to 31 December 2003. The treaty is not open to new business. This arrangement is associated with reinsurance treaty 12 (2) (22)

(a) The payments to the reinsurer in respect of an individual policy are a proportion of the difference between the office premium and the reinsurance premium net of an allowance for renewal expenses for the time that the policy remains in force. If a policy lapses within the initial commission period the Company pays the reinsurer the amount of the indemnity commission that can be clawed back at that time. If a policy lapses outside of the initial commission period or becomes a mortality or morbidity claim at any time then payments to the reinsurer cease. The total amount paid to the reinsurer in respect of an individual policy is independent of the amount originally advanced by the reinsurer and depends on how long each policy remains in force. There is therefore no undischarged obligation.

(b) Allowance has been made for the repayment of this financing in calculating the level of the reserves required for these contracts.

13. With-profits funds

The Company maintains three separate with-profits funds – the With-Profits Sub-Fund, SAIF and the Defined Charge Participating Sub-Fund. Within a number of the forms the With-Profits Sub-Fund is split into three elements – Industrial Branch, Ordinary Branch (Pensions) and Ordinary Branch (Other).

(1) (a) The forms are included in Appendix 9.3. For the with-profits funds none of the investment income in line 12 relates to linked assets.

(b) The forms are included in Appendix 9.1. The change in the value of non-linked assets is as follows:
(i) With-Profits Sub-Fund – an increase of £4,311,882,000
(ii) SAIF – an increase of £829,932,000
(iii) Defined Charge Participating Sub-Fund – an increase of £48,653,000

(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 With-Profits Guides.

100% of profits 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 With-Profits Sub-Fund for the capital support provided by SACF.

The whole of the profit from with-profits business in the Defined Charge Participating Sub-Fund is distributed to eligible policyholders in that sub-fund.

After deduction of 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 With-Profits Sub-Fund is available for distribution to eligible policyholders in that Fund.

The remainder of the divisible profits of the With-Profits Sub-Fund and the profits of the Non-Profit Sub-Fund are available, at the discretion of the Directors, to be transferred to the Profit and Loss Account. 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 in which assets, liabilities, income and expenses are determined and allocated between funds is 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 in SAIF from linked and non-linked business.

With-profits policyholders in the Defined Charge Participating Sub-Fund participate only in profits from with-profits business in the Defined Charge Participating Sub-Fund.

Other with-profits policyholders participate in profits in the With-Profits Sub-Fund.

The linked business in which policyholders participate in profits is included in the With-Profits Sub-Fund Forms 40 and is separately identified in Form 53. It comprises:

(i) group contracts other than stakeholder pensions, GPP4 and MPP3 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.

14. Distribution of profits continued

(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 (i.e. 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. The table below shows the investments backing with-profits business held by the three with-profits funds at the end of 2003 and 2004.

	WPSF		SAIF		DCPSF	
	2004 %	2003 %	2004 %	2003 %	2004 %	2003 %
Fixed interest	29	31	34	38	17	31
Property	18	17	15	14	5	6
Equity shares	48	48	46	45	64	47
Other investments	5	4	5	3	14	16
Total	100	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 it, is 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 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.

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.

14. Distribution of profits continued

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 policies of the same duration in the WPSF do not change by more than 10% from one year to the next. For SAIF and SAA policies, total payouts, in normal circumstances, on policies of the same duration may go up or down by a maximum of 15% for single premium policies and up or down by 7% about the long-term trend for annual premium policies.

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.

Surrender values for all with-profits policies have close regard to asset shares. For conventional business, a small margin is targeted relative to asset shares in order to protect the interests of continuing policyholders while avoiding frequent changes in surrender basis. For accumulating with-profits business, a discontinuance charge may be made and a market value reduction (MVR) may be applied to ensure that neither the security of the fund nor the return to continuing policyholders is affected by paying surrender values significantly in excess of the value of the underlying assets. It is not the Company's practice to apply MVRs which reduce surrender values below an amount fairly reflecting the value of the assets underlying the policy.

(f) All profits from SAIF and the Defined Charge Participating Sub-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 With-Profits Sub-Fund.

(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 2004 provided that the following bonuses be added to policies that were entitled to participate.

15. (A) Bonuses for United Kingdom With-Profits Sub-Fund (excluding SAA)

(a) For with-profits assurance policies:

(i) A reversionary bonus at the rates of 1.00% of the sum assured and 2.00% of the existing reversionary bonuses.

(ii) A terminal bonus payable on policies becoming claims by death or maturity between 1 April 2005 and 31 March 2006 inclusive, at the rates per cent of sum assured shown in ***Table 1*** (page 72).

(b) For PruFund Investment Plan

The current quarterly growth rates, which have remianed unchanged since the product was launched on 14 September 2004, are:

For the Growth Fund, 6.60% per annum before charges

and

For the Growth and Income Fund, 6.25% per annum before charges.

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

With-Profits Savings Fund:

(i) Reversionary bonus interest at 1.25% per annum will apply daily from 1 March 2005 until further notice.

(ii) Bonus units of

- 2.00% per annum applied monthly for accounts of at least £6,000 or
- 1.00% per annum applied monthly for accounts of less than £6,000

will apply from 1 March 2005 until further notice. The account value of £6,000 excludes terminal bonus and any market value adjustment. The Company has discretion to vary eligibility for bonus units and the threshold for an increased rate of bonus units at any time.

15.(A) Bonuses for UK With-Profits Sub-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 2005 until further notice the addition is such as to provide the following overall returns:

Period	Overall Return % per annum					
	Accounts less than £4,000		Accounts of at least £4,000 and less than £6,000		Accounts of at least £6,000	
	Premiums paid before January 2002	Premiums paid after December 2001	Premiums paid before January 2002	Premiums paid after December 2001	Premiums paid before January 2002	Premiums paid after December 2001
1/3/05 onwards	3.50	4.25	3.50	4.25	4.50	5.25
1/3/04 – 29/2/05	2.50	3.60	3.50	4.60	4.50	5.60
1/3/03 – 29/2/04	2.25	3.90	3.25	4.90	4.25	5.90
1/3/02 - 28/2/03	2.25	4.00	3.25	5.00	4.25	6.00
1/3/01 - 28/2/02	2.50	4.00	3.50	5.00	4.50	6.00
6/4/00 - 28/2/01	2.75		3.75		4.75	
6/4/99 - 5/4/00	3.25		4.25		5.25	
6/4/98 - 5/4/99	3.75		4.75		5.75	
6/4/97 - 5/4/98	9.25		10.25		11.25	
6/4/96 - 5/4/97	11.00		12.00		13.00	
6/4/95 - 5/4/96	10.25		11.25		12.50	
1/7/94 - 5/4/95	10.25		11.25		12.50	

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 and are treated as premiums for the purpose of determining the overall return. 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 Appendix 1(A)(a) E (page 98).

(d) For with-profits Prudence Bond & With Profits Bond contracts:

(i) The following rates of reversionary bonus interest will apply from 1 March 2005 until further notice:

Optimum return: 3.25% per annum
Optimum bonus: 4.00% 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 2005 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			
For other than top-ups to Pre 1/1/02 business	Optimum return		Optimum bonus	
	With initial charge	No initial charge	With initial charge	No initial charge
1/3/05 onwards	5.00	4.70	4.70	4.40
1/10/04 - 28/02/05	5.30	5.00	5.00	4.70
1/3/03 - 29/2/04	6.00	5.70	5.75	5.45
1/10/02 - 28/02/03	5.35	5.05	5.55	5.25
1/3/02 - 30/9/02	5.60	5.30	5.80	5.50
1/3/01 - 28/2/02	4.35	4.05	5.10	4.80
6/4/00 - 28/2/01	4.35			
6/4/99 - 5/4/00	4.50			
6/4/98 - 5/4/99	4.70			
6/4/97 - 5/4/98	5.00			
6/4/96 - 5/4/97	6.00			
6/4/95 - 5/4/96	6.50			
6/4/94 - 5/4/95	7.00			
6/4/93 - 5/4/94	7.10			
6/4/92 - 5/4/93	7.75			
6/4/91 - 5/4/92	7.80			

15.(A) Bonuses for UK With-Profits Sub-Fund continued

Date of Deposit	Yield % per annum	
For top-ups to Pre 1/1/02 business	Optimum return	Optimum bonus
1/3/05 onwards	5.10	4.80
1/3/04 - 28/2/05	5.40	5.10
1/3/03 - 29/2/04	6.10	5.85
1/10/02 - 28/02/03	5.45	5.65

(e) For Prudence Prospects Bond contracts:

(i) The following rates of reversionary bonus interest will apply from 1 March 2005 until further notice:

Optimum return: 2.85% per annum
Optimum bonus: 3.60% 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 2005 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
1/3/05 onwards	4.30	4.00
1/3/04 – 28/2/05	4.60	4.30
1/3/03 – 29/2/04	5.30	5.05

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

(i) A reversionary bonus on benefits not yet commenced at the rates of 0.25% of the basic annuity and 0.50% of the existing reversionary bonuses.

(ii) A terminal bonus payable on annuities commencing between 1 April 2005 and 31 March 2006 inclusive, at the rates per cent of basic annuity shown in columns 1 and 2 of ***Table 2*** (page 72) for single and regular premium business respectively.

(iii) An additional terminal bonus for paid-up policies, specimen rates per cent for which are shown in ***Table 3*** (page 73). 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.

(v) A final bonus payable on annuities commencing from 1 April 2005 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	57	59	4	5
55	50	53	3	4
60	44	46	2	3
65	38	39	0	0
70	32	31	0	0
75	26	22	0	0

15.(A) Bonuses for UK With-Profits Sub-Fund continued

(g) For non-group accumulating with-profits pensions contracts sold direct to customers listed in Appendix 1(A)(a) G *(page 101):*

Cash Accumulation Funds:

(i) A rate of reversionary bonus interest of 3.25% per annum will apply from 1 April 2005 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 2005 until further notice the addition is such as to provide the overall returns per cent per annum shown in ***Table 4*** (page 73).

Deposit Funds:

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

(h) For non-group accumulating with-profits pensions contracts sold other than direct to customers listed in Appendix 1(A)(a) H (page 102), GPP3, GPP4 and MPP3:

With-Profits, Long Term With-Profits, With-Profits Investment and Flexible Pensions With-Profits Fund 2:

(i) Reversionary bonus interest of 3.25% per annum will apply from 6 April 2005 (GPP3, GPP4 and MPP3) or 1 March 2005 (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 2005 until further notice (GPP3, GPP4 and MPP3) or 1 March 2005 until further notice (other contracts) the addition is such as to provide the overall returns per cent per annum shown in ***Table 5*** (page 74).

Short Term With-Profits Fund:

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

(i) For group accumulating with-profits pensions contracts listed in Appendix 1(A)(a) I (excluding GPP3, GPP4, MPP3 and WPIA) (page 103):

Pensions With-Profits Fund 1, Pensions With-Profits Fund GMP1, Long Term Accumulation Fund and Long Term Accumulation (Series B) Fund:

(i) Reversionary bonus interest of 3.50% per annum will apply with effect from 6 April 2005 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 2.50%.

(ii) Terminal bonus interest is payable for policies becoming claims by death or reaching terminal bonus date. From 6 April 2005 until further notice the addition is such as to provide the overall returns per cent per annum shown in ***Table 8*** (page 75), dependent upon the date of deposit of each premium, except for units designated to cover GMP, for which all yields will be 1% lower.

(j) For WPIA

With-Profits Investment Account Fund:

(i) Reversionary bonus interest of 3.50% per annum will apply with effect from 6 April 2005 until further notice.

(ii) Terminal bonus interest is payable for policies becoming claims by death or reaching terminal bonus date. From 6 April 2005 until further notice the addition is such as to provide the overall returns per cent per annum shown in ***Table 7*** (page 75), dependent upon the date of deposit of each premium.

15.(A) Bonuses for UK With-Profits Sub-Fund continued

(k) For Company Pension Transfer Plan:

Pensions With-Profits Fund 3 and Pensions With-Profits Fund GMP3:

(i) Reversionary bonus interest of 3.25% per annum will apply with effect from 1 April 2005 until further notice except for units designated to cover GMP in the Exempt With-Profit fund D2 for which the rate will be 3.00%.

(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 with effect from 1 April 2005 until further notice will be such that the aggregate rate of reversionary plus terminal bonus interest is as follows:

Date of deposit	Overall return % per annum
1/4/05 onwards	6.00
15/6/04-31/3/05	6.00
15/6/03-31/3/04	6.50

For units designated to cover GMP the yields will be 0.25% lower.

(l) For Flexible Retirement Income Account

Flexible Retirement With-Profits Fund:

(i) Reversionary bonus interest of 2.75% per annum will apply from 6 April 2005 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 with effect from 6 April 2005 until further notice will be such that the aggregate rate of reversionary plus terminal bonus interest is as follows:

Date of deposit	Overall return % per annum
1/1/05 onwards	6.20
1/1/04 – 31/12/04	7.35
1/1/03 – 31/12/03	8.05
1/1/02 – 31/12/02	5.95
1/1/01 – 31/12/01	4.37

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

(i) A reversionary bonus on pensions in payment of 2.75% per annum compound with effect from 6 April 2005 until further notice.

(ii) Terminal bonus, which will apply with effect from 6 April 2005 at the rates shown in ***Table 6*** (page 74), is paid as an addition to the pension payable during the year commencing on the policy anniversary occurring in the bonus year 6 April 2005 to 5 April 2006. It does not form part of the following year's pension.

15.(A) Bonuses for UK With-Profits Sub-Fund continued

(n) For group non-unitised AWP contracts listed in Appendix 1(A)(a) F (page 99) other than those in (o), (p), (q) and (r) below:

(i) Reversionary bonus interest will be added on the day before the policy anniversary occurring in the year commencing on 1 April 2005 for Bond 32 and 15 March 2005 for other contracts. On sums subject to a basic accumulation rate of 0.01% the rate will be 2.99% per annum and on sums subject to a basic accumulation rate of 2.50% the rate will be 0.50% per annum. Sums subject to a basic accumulation rate of 4.75% will accumulate at the basic rate with no additional reversionary bonus.

(ii) A terminal bonus paid on amounts withdrawn to secure death or retirement benefits during the years commencing 1 April 2005 for Bond 32 and 15 March 2005 for other contracts. The rate of bonus will be as shown in ***Table 9*** (page 75) 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 76) dependent upon the duration since deposit.

Deposit Fund

MPP1 may also invest in the Deposit Fund. The reversionary bonus rate 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.

(o) For CA contracts:

(i) Reversionary bonus interest will be added on the day before the policy anniversary occurring in the year commencing on 15 March 2005. On sums subject to a basic accumulation rate of 0.01% the rate will be 2.74% per annum and on sums subject to a basic accumulation rate of 2.50% the rate will be 0.25% per annum. Sums subject to a basic accumulation rate of 4.75% will accumulate at the basic rate with no additional reversionary bonus.

(ii) A terminal bonus paid on amounts withdrawn to secure death or retirement benefits during the scheme year ending between 15 March 2005 and 14 March 2006. The rate of bonus will be as shown in ***Table 10*** (page 75) 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 12*** (page 76) dependent upon the duration since deposit.

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

(i) On sums subject to a basic accumulation rate of 0.01%, a reversionary bonus interest at 2.99% per annum will be added. On sums subject to a basic accumulation rate of 2.50% standing credited to policy accounts, reversionary bonus at the rate of 0.50% 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.

(ii) Terminal bonus interest is paid on amounts withdrawn to secure death or retirement benefits as an addition to the rate of reversionary bonus interest. During the year commencing 15 March 2005 the addition is such as to provide the overall returns per cent per annum shown in ***Tables 13*** and ***14*** (Page 76), dependent upon the duration since deposit.

AVC Deposit Fund

The reversionary bonus rate 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.

15.(A) Bonuses for UK With-Profits Sub-Fund continued

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

(i) On sums subject to a basic accumulation rate of 0.01%, a reversionary bonus interest at 2.99% per annum will be added. On sums subject to a basic accumulation rate of 2.50% standing credited to policy accounts, reversionary bonus at the rate of 0.50% 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.

(ii) From 15 March 2005 terminal bonus is paid on amounts withdrawn to secure death or retirement benefits at the rates shown in ***Table 15*** (Page 77) 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 13*** and ***14*** (Page 76), 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.

(r) For PCRS:

(i) On sums subject to a basic accumulation rate of 0.01%, a reversionary bonus interest at 2.99% per annum will be added. On sums subject to a basic accumulation rate of 2.50% standing credited to policy accounts, reversionary bonus at the rate of 0.50% 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.

(ii) A reversionary bonus will be added to pensions in course of payment at the rate of 2.0% compound.

(iii) During the year following the scheme revision date on or after 1 April 2005 terminal bonus interest is paid on amounts withdrawn to secure benefits at the rates shown in ***Table 15*** (Page 77) dependent upon the number of complete scheme years since deposit.

(s) For accumulating with-profits life assurance contracts listed in Appendix 1(B)(a)2 A (page 116):

(i) Reversionary bonus units at the rate of 3.00% on Basic Units and 3.00% on existing Bonus Units.

(ii) Terminal bonus on policies becoming claims by death or surrender from 1 April 2005 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	Year of commencement of each tranche of premium	Rate
2005	3	2002	7	1999	7
2004	7	2001	7	1998	7
2003	7	2000	7	1997	22

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.

15.(A) Bonuses for UK With-Profits Sub-Fund continued

(t) For policies which participate in units of the Exempt With-Profits Funds listed in Appendix 1(B)(a)2 B to J (page 116):

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

Exempt (No 5 and No 6) Funds	3.375
Exempt (Nos 7, 8, 9 and 10) Funds	3.250

(ii) Terminal bonus on policies becoming claims by death or vesting from 1 April 2005 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
2005	3	2002	10	1999	2
2004	7	2001	4	1998	5
2003	10	2000	0	1997	7

15.(A) Bonuses for UK With-Profits Sub-Fund continued

Table 1			
Assurances			
Relevant Year	Terminal Bonus	Relevant Year	Terminal Bonus
2004	0.00	1964	766.30
2003	0.00	1963	845.20
2002	0.00	1962	931.40
2001	0.00	1961	1,028.50
2000	0.00	1960	1,133.90
1999	2.20	1959	1,256.70
1998	5.90	1958	1,358.20
1997	9.10	1957	1,444.60
1996	12.50	1956	1,537.90
1995	13.40	1955	1,635.20
1994	18.30	1954	1,668.70
1993	22.50	1953	1,703.30
1992	28.80	1952	1,739.90
1991	32.50	1951	1,778.60
1990	36.30	1950	1,816.70
1989	41.20	1949	1,856.00
1988	45.60	1948	1,895.20
1987	49.00	1947	1,937.50
1986	50.70	1946	1,980.30
1985	52.20	1945	1,995.20
1984	62.20	1944	2,026.40
1983	71.10	1943	2,029.50
1982	79.70	1942	2,063.60
1981	92.60	1941	2,096.70
1980	105.90	1940	2,224.80
1979	132.10	1939	2,366.20
1978	162.90	1938	2,513.80
1977	198.90	1937	2,632.10
1976	239.80	1936	2,790.80
1975	286.20	1935	2,956.20
1974	327.00	1934	2,985.40
1973	371.70	1933	3,015.10
1972	419.30	1932	3,044.80
1971	461.10	1931	3,075.00
1970	504.40	1930	3,105.20
1969	537.40	1929	3,135.90
1968	571.90	1928	3,166.80
1967	608.30	1927	3,198.30
1966	646.10	1926	3,229.90
1965	686.90	1925	3,261.60
		1924	3,294.10
		1923 and earlier years.	3,327.00

Table 2		
With-Profits Individual Retirement Annuities		
Relevant Year	Terminal Bonus	
	Single Premium	Other
	(1)	(2)
2004	0.00	3.80
2003	2.80	6.90
2002	7.10	10.10
2001	7.10	11.80
2000	6.30	13.20
1999	6.40	12.70
1998	5.40	11.70
1997	4.40	11.10
1996	5.40	10.50
1995	13.60	8.70
1994	22.70	14.10
1993	31.50	18.30
1992	18.60	20.40
1991	12.60	21.30
1990	12.70	22.80
1989	28.30	23.20
1988	43.00	20.50
1987	61.40	20.10
1986	76.00	18.30
1985	66.50	17.50
1984	79.00	26.00
1983	126.30	34.30
1982	161.20	38.50
1981	192.80	43.90
1980	196.00	51.50
1979	237.90	72.30
1978	288.20	95.80
1977	301.60	122.60
1976	316.90	154.80
1975	334.10	192.30
1974	346.20	239.70
1973	355.90	290.10
1972	363.90	344.10
1971	374.00	405.60
1970	386.30	475.00
1969	400.20	500.80
1968	415.30	528.80
1967	431.30	558.50
1966	448.10	589.80
1965	466.30	623.50
1964	485.10	659.00
1963	504.90	696.50
1962	525.70	736.30
1961	547.30	778.40
1960	569.90	822.90
1959	593.90	870.40
1958	618.80	920.70
1957	644.80	973.80

15.(A) Bonuses for UK With-Profits Sub-Fund continued

Table 3									
Additional TB With-Profits Individual Retirement Annuities (Paid-Up Policies)									
Complete number of years since policy paid-up	Issue year								
	1998 & later	1994	1989	1984	1979	1974	1969	1964	1959
1	0	0	0	0	0	0	0	0	0
2	0	0	0	0	0	0	0	0	0
3	0	0	0	0	0	0	2	0	16
4	0	0	0	0	0	0	5	0	16
5	0	0	7	4	0	0	5	5	18
6	0	0	11	4	0	0	5	5	20
7	0	0	11	5	0	0	10	6	22
8		0	21	7	1	2	10	6	22
9		0	22	9	6	16	14	6	26
10		0	29	9	6	16	14	6	28
11		0	30	11	10	20	20	6	30
12			42	15	15	21	24	15	33
13			51	15	19	24	24	15	35
14			51	20	23	28	24	15	38
15			51	24	28	28	27	15	41
20				43	71	88	66	45	41
25					97	115	121	70	96
30 and over						115	121	134	134

Table 4					
Terminal bonus - Unitised pensions sold by the DSF					
Period	Overall Return		Period	Overall Return	
	Premiums paid before January 2002	Premiums paid after December 2001		Premiums paid before January 2002	Premiums paid after December 2001
1/1/05 onwards	4.75	6.25	1/1/95 - 31/12/95	13.75	
1/1/04 - 31/12/04	4.75	6.50	1/1/94 - 31/12/94	13.75	
1/1/03 - 31/12/03	4.75	7.50	1/1/93 - 31/12/93	13.50	
1/1/02 - 31/12/02	5.00	8.00	1/1/92 - 31/12/92	13.00	
1/1/01 - 31/12/01	5.50		1/1/91 - 31/12/91	11.50	
1/1/00 - 31/12/00	5.75		1/1/90 - 31/12/90	11.50	
1/1/99 - 31/12/99	6.25		1/1/89 - 31/12/89	11.50	
1/1/98 - 31/12/98	8.00		1/1/88 - 31/12/88	12.00	
1/1/97 - 31/12/97	11.00		1/5/87 - 31/12/87	12.00	
1/1/96 - 31/12/96	14.00				

15.(A) Bonuses for UK With-Profits Sub-Fund continued

Table 5		
Overall return **Unitised pensions other than those sold by the DSF**		
Date of deposit		Aggregate rate of reversionary plus
GPP3, GPP4 and MPP3 contracts	Other contracts	terminal bonus interest % per annum
6/4/05 - 5/4/06	1/3/05 onwards	6.25
6/4/04 - 5/4/05	1/3/04 - 28/2/05	6.25
6/4/03 - 5/4/04	1/3/03 - 29/2/04	6.65
6/4/02 - 5/4/03	1/3/02 - 28/2/03	6.85
6/4/01 - 5/4/02	1/3/01 - 28/2/02	4.90
6/4/00 - 5/4/01	6/4/00 - 28/2/01	4.95
6/4/99 - 5/4/00	6/4/99 - 5/4/00	5.00
6/4/98 - 5/4/99	6/4/98 - 5/4/99	5.30
6/4/97 - 5/4/98	6/4/97 - 5/4/98	5.75
6/4/96 - 5/4/97	6/4/96 - 5/4/97	6.70
6/4/95 - 5/4/96	6/4/95 - 5/4/96	7.30
6/4/94 - 5/4/95	6/4/94 - 5/4/95	7.80
6/4/93 - 5/4/94	6/4/93 - 5/4/94	8.10
6/4/92 - 5/4/93	6/4/92 - 5/4/93	8.55
6/4/91 - 5/4/92	6/4/91 - 5/4/92	8.80
6/4/90 - 5/4/91	6/4/90 - 5/4/91	9.05
6/4/89 - 5/4/90	6/4/89 - 5/4/90	8.50
6/4/88 - 5/4/89	6/4/88 - 5/4/89	8.90
6/4/87 - 5/4/88	6/4/87 - 5/4/88	9.25

Table 6		
Terminal bonus – with-profits immediate annuities		
Policy Anniversary	Commencement date of pension	Terminal Bonus
		%
1	6/4/04 onwards	4.25
2	6/4/03 – 5/4/04	10.00
3	6/4/02 – 5/4/03	10.75
4	6/4/01 – 5/4/02	4.50
5	6/4/00 – 5/4/01	3.75
6	6/4/99 - 5/4/00	2.75
7	6/4/98 - 5/4/99	1.00
8	6/4/97 - 5/4/98	2.00
9	6/4/96 - 5/4/97	12.25
10	6/4/95 - 5/4/96	20.00
11	6/4/94 - 5/4/95	26.50
12	6/4/93 - 5/4/94	26.75
13	6/4/92 - 5/4/93	42.50
14	6/4/91 - 5/4/92	40.50

15.(A) Bonuses for UK With-Profits Sub-Fund continued

Date of deposit	Table 7 WPIA Yield	Table 8 Group personal Pensions etc Yield
	%	%
6/4/05 onwards	6.60	6.25
6/4/04 - 5/4/05	6.60	6.25
6/4/03 - 5/4/04	6.95	6.75
6/4/02 - 5/4/03	7.20	7.00
6/4/01 - 5/4/02	5.25	5.05
6/4/00 - 6/4/01	5.30	5.10
6/4/99 - 6/4/00	5.35	5.20
6/4/98 - 6/4/99	5.65	5.50
6/4/97 - 6/4/98	6.05	5.95
6/4/96 - 6/4/97	7.00	6.90
6/4/95 - 6/4/96	7.60	7.50
6/4/94 - 6/4/95	8.10	8.00
6/4/93 - 6/4/94	8.35	8.30
6/4/92 - 6/4/93	8.80	8.75
6/4/91 - 6/4/92	9.05	9.00
6/4/90 - 6/4/91	9.30	9.25
6/4/89 - 6/4/90	8.75	8.70
6/4/88 - 6/4/89	9.15	9.10
6/4/87 - 6/4/88	9.50	9.45

Completed Scheme Years since deposit	Table 9 Group EPP Etc Terminal Bonus	Table 10 CA defined benefit Terminal Bonus
	%	%
1	3.16	3.16
2	7.41	7.81
3	11.97	2.45
4	7.03	2.50
5	7.60	2.58
6	8.44	2.88
7	10.58	6.93
8	14.14	18.22
9	23.33	19.42
10	23.58	25.13
11	30.81	30.24
12	36.03	38.35
13	43.63	41.89
14	47.65	45.18
15	51.42	32.78
16	37.78	35.58
17	43.30	38.88
18	48.54	47.47
19	60.02	62.09
20	75.61	75.35
21	89.28	87.76
22	101.57	103.98
23	117.71	114.92
24	127.45	121.94
25	137.72	134.58
26	151.82	158.77
27	178.78	187.15
28	199.14	211.38
29	224.85	220.12
30	242.61	241.49
31	276.08	247.61
32	282.99	

15.(A) Bonuses for UK With-Profits Sub-Fund continued

	Table 11	Table 12	Table 13	Table 14
	Group EPP etc	**CA defined benefit**	**CAAVC Series 1**	**CAAVC Series 2**
Duration	Average yield	Average yield	Yield	Yield
	% pa	% pa	% pa	% pa
1	6.25	6.00	6.25	5.50
2	6.75	6.75	6.60	5.75
3	7.00	4.00	6.85	6.00
4	5.05	4.20	4.85	4.05
5	5.10	4.35	4.80	4.15
6	5.20	4.55	4.85	4.50
7	5.50	5.30	5.10	4.80
8	5.95	6.75	5.50	5.25
9	6.90	7.40	6.55	6.45
10	7.50	7.85	7.15	7.05
11	8.00	8.20	7.60	7.50
12	8.30	8.75	7.90	7.80
13	8.75	9.00	8.35	8.25
14	9.00	9.25	8.60	8.50
15	9.25	8.70	9.00	9.00
16	8.70	9.00	8.45	8.45
17	9.10	9.30	8.85	8.85
18	9.45	9.80	9.20	9.20
19	10.00	10.45	9.75	9.75
20	10.60	10.95	10.35	10.35
21	11.05	11.35	10.80	10.80
22	11.40	11.80	11.15	11.15
23	11.80	12.05	11.55	11.55
24	12.00	12.20	11.75	11.75
25	12.20	12.45	11.95	11.95
26	12.45	12.85	12.20	12.20
27	12.85	13.25	12.60	12.60
28	13.10	13.55	12.85	12.85
29	13.40	13.60	13.15	13.15
30	13.55	13.80	13.30	13.30
31	13.85	13.80	13.60	13.60
32	13.85	-	13.60	13.60

15.(A) Bonuses for UK With-Profits Sub-Fund continued

Table 15

CAAVC (Series 3 and Series 4) and PCRS

Completed scheme years since deposit	Terminal bonus		
	AVC Series 3	AVC Series 4	PCRS
	%	%	%
1	3.16	2.43	2.43
2	7.11	5.41	5.41
3	11.50	8.86	8.86
4	6.22	3.02	3.02
5	6.07	2.82	2.82
6	6.42	4.31	4.31
7	8.06	5.92	5.92
8	10.97	8.89	8.89
9	20.74	19.73	19.73
10	20.90	19.77	19.77
11	27.22	25.93	25.93
12	32.13	30.67	30.67
13	39.35	37.69	37.69
14	43.06	41.23	41.23
15	49.59	49.59	49.59
16	36.24	36.24	36.24
17	42.03	42.03	42.03
18	47.23	47.23	47.23
19	58.28	58.28	58.28
20	73.36	73.36	73.36
21	86.46	86.46	86.46
22	98.16	98.16	98.16
23	113.58	113.58	113.58
	AVC Series 3 and Series 4		
	(1)	(2)	
24	122.66	118.12	122.66
25	127.44	122.82	127.44
26	133.45	128.48	133.45
27	142.89	137.03	142.89
28	152.39	145.92	152.39
29	162.78	155.75	162.78
30	172.56	165.19	172.56
31	183.84	176.04	183.84
32	193.27	185.30	193.27

For AVC Series 3 and Series 4 and PCRS where more than 23 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 23, column (2) is used if the last scheme anniversary was before 15 March 2005. Otherwise, column (1) is used.

15. (B) Bonuses for United Kingdom – SAA and 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 0.80% of the benefit assured and 1.50% of the existing reversionary bonuses.

(ii) A terminal bonus payable on policies becoming claims by death, maturity or vesting from 1 April 2005 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	30	1976	85	1966	176
1995	10	1985	30	1975	94	1965	176
1994	11	1984	34	1974	128	1964	176
1993	15	1983	34	1973	144	1963	176
1992	17	1982	35	1972	147	1962	176
1991	20	1981	36	1971	155	1961	176
1990	24	1980	42	1970	159	1960	176
1989	28	1979	48	1969	161	1959	176
1988	30	1978	60	1968	163	1958	176
1987	30	1977	73	1967	176	1957 & earlier	176

(b) For Flexidowment (Second Series):

(i) A reversionary bonus at the rates of 0.70% of the sum assured and 1.70% of the existing reversionary bonuses.

(ii) A terminal bonus payable on policies becoming claims by death or maturity from 1 April 2005 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	21	1990	43	1984	49	1978	71
1995	21	1989	46	1983	49	1977	78
1994	24	1988	48	1982	49	1976	87
1993	36	1987	48	1981	50		
1992	38	1986	48	1980	54		
1991	41	1985	48	1979	62		

(c) Flexisave (Second Series)

(i) A reversionary bonus at the rates of 0.70% of the sum assured and 1.30% of the existing reversionary bonuses.

(ii) A terminal bonus payable on policies becoming claims by death or maturity from 1 April 2005 until further notice, the rate payable on maturity being as follows:

Year of Entry	Rate	Year of Entry	Rate
			%
1996 & later	4	1993	6
1995	6	1992	6
1994	6	1991	6

15.(B) SAA and SAIF bonuses continued

(d) For FlexiPension (First Series)

(i) A reversionary bonus at the rates of 0.40% of the benefit assured and 1.00% of the existing reversionary bonuses.

(ii) A terminal bonus payable on policies becoming claims by death or vesting from 1 April 2005 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
1989 & later	3	2	1	3	2	1
1988	3	2	1	3	2	1
1987	3	2	1	3	2	1
1986	3	2	1	3	2	1
1985	9	8	7	4	3	2
1984	22	18	15	6	5	4
1983	29	28	24	9	7	4
1982	55	52	42	12	10	7
1981	78	70	54	18	15	7
1980	87	83	60	21	18	12
1979	105	89	75	42	39	17
1978	125	108	90	52	39	20
1977	138	120	105	60	50	20
1976 & earlier	156	127	115	69	50	20

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

(i) A reversionary bonus at the rates of 0.40% of the benefit assured and 1.00% of the existing reversionary bonuses.

(ii) A terminal bonus payable on policies becoming claims by death or vesting from 1 April 2005 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	2	1	1984	17	1
1993	2	1	1983	25	2
1992	2	1	1982	52	6
1991	2	1	1981	67	11
1990	2	1	1980	76	17
1989	2	1	1979	143	26
1988	3	1	1978	143	33
1987	4	1	1977	146	39
1986	5	1	1976 & earlier	146	39
1985	13	1			

15.(B) SAA and SAIF bonuses continued

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

(i) Reversionary bonus units at the rate of 2.00% on Basic Units and 2.00% on existing Bonus Units.

(ii) Terminal bonus on policies becoming claims by death or maturity from 1 April 2005 until further notice at the following rates per cent of benefit including bonuses thereon:

Commencement year of of each tranche of premium	Rate	Commencement year of of each tranche of premium	Rate	Commencement year of of each tranche of premium	Rate
2005	3	2000	7	1995	25
2004	7	1999	7	1994	30
2003	7	1998	7	1993	33
2002	7	1997	22	1992	35
2001	7	1996	22	1991	38

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	2.25
Exempt (No 2) Fund	2.00
Exempt (No 3) Fund	2.25
Exempt (No 4) Fund	2.25

(ii) Terminal bonus on policies becoming claims by death or vesting from 1 April 2005 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
2005	3	1997	20	1989	36
2004	13	1996	24	1988	36
2003	21	1995	30	1987	31
2002	21	1994	30	1986	38
2001	11	1993	38	1985	41
2000	10	1992	48	1984	41
1999	10	1991	44		
1998	11	1990	41		

15.(B) SAA and SAIF bonuses continued

(h) For Group policies

(i) A reversionary bonus at 1.10% of the benefit including existing reversionary bonuses.

(ii) A terminal bonus payable on retirement from 1 April 2005 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

(a) France Euro Fund:

(i) A rate of reversionary bonus interest of 3.75% 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 2005 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
1/1/05 onwards	5.75
1/1/04 – 31/12/05	5.75
1/1/03 – 31/12/03	5.75
1/1/02 -31/12/02	5.50
1/1/01-31/12/01	5.50

(b) Off-Shore Bonds (International Prudence Bond)*:*

(i) The following rates of reversionary bonus interest per annum will apply until further notice.

	%
For the Euro Fund	3.50
For the US Dollar Fund	3.50
For the Sterling Fund	3.75
For the US Dollar Fund (guaranteed)	3.00
For the Euro Fund (guaranteed)	3.00

(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 2005 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				
	Euro Fund	US Dollar Fund	Sterling Fund	Euro Fund (guaranteed)	US Dollar Fund (guaranteed)
1/3/05 onwards	5.50	5.75	6.00	4.55	4.80
1/3/04 - 28/02/05	5.50	5.75	6.00	4.55	4.80
1/3/03 - 29/02/04	5.50	5.75	6.00		
1/4/02 - 28/02/03	5.50	5.75	6.00		

(c) Reassurance accepted (Germany Euro Fund):

(i) A rate of reversionary bonus interest of 4.60% per annum (before charges) 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 March 2005, (or such later date as required in accordance with the policy conditions) 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
1/1/05 onwards	6.40
1/1/04 - 31/12/04	6.40
1/1/03 - 31/12/03	6.40
1/5/02-31/12/02	6.40

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	3.50	3.50
Second series	2.00	2.00
Better Life	3.00	4.30
Better Life II RP	2.90	4.20
Better Life II SP	3.00	3.00

The bonus for Better Life and Better Life II RP 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 2005 and 31 March 2006 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	4.25	10	21.29
4	8.75	11	22.89
5	11.50	12	24.74
6	13.94	13	25.90
7	16.61	14	27.08
8	18.34	15	28.65
9	19.60	16	29.40

(b) For cash bonus assurances:

(i) PRU Life Premier

Cash bonuses will be added on the policy anniversary in the twelve-month period commencing on 1 April 2005 at the following rates per 1,000 sum assured:

Age at issue	16-19	20-24	25-29	30-34	35-39	40-44	45-49	50-54	55-59	60-64	65-70
Bonus on:											
First anniversary	0.90	0.90	0.90	0.90	0.90	0.90	1.10	1.30	1.40	1.50	1.50
Second anniversary	1.30	1.30	1.30	1.30	1.30	1.30	1.50	1.90	2.10	2.30	2.50
Third anniversary	1.50	1.60	1.60	1.60	1.60	1.60	2.00	2.40	2.60	2.90	3.10
Fourth anniversary	1.80	1.90	2.00	2.00	2.00	2.10	2.50	2.90	3.20	3.50	3.80
Fifth anniversary	2.00	2.10	2.20	2.30	2.40	2.60	3.10	3.50	3.90	4.20	4.60
Sixth anniversary	2.20	2.30	2.40	2.50	2.70	3.00	3.50	4.00	4.40	4.80	5.20

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

(ii) PRU Life Plus

Cash bonuses will be added on the policy anniversary in the twelve-month period commencing on 1 April 2005 at the following rates per 1,000 sum assured:

Age at issue	16-19	20-24	25-29	30-34	35-39	40-44	45-49	50-54	55-59	60-64	65-70
Bonus on:											
First anniversary	0.90	0.90	0.90	0.90	0.90	0.90	1.10	1.30	1.40	1.50	1.50
Second anniversary	1.30	1.30	1.30	1.30	1.30	1.30	1.50	1.90	2.10	2.30	2.50
Third anniversary	1.50	1.60	1.60	1.60	1.60	1.60	2.00	2.40	2.60	2.90	3.10
Fourth anniversary	1.80	1.90	2.00	2.00	2.00	2.10	2.50	2.90	3.20	3.50	3.80
Fifth anniversary	2.00	2.10	2.20	2.30	2.40	2.60	3.10	3.50	3.90	4.20	4.60
Sixth anniversary	3.10	3.20	3.40	3.50	3.80	4.20	4.90	5.60	6.20	6.70	7.30

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) PRU Life Best Start

Cash bonuses will be added on the policy anniversary in the twelve-month period commencing on 1 April 2005 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	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80
Second anniversary	1.20	1.30	1.30	1.30	1.30	1.30	1.30	1.30	1.40	1.40	1.40	1.50
Third anniversary	1.50	1.60	1.60	1.60	1.60	1.70	1.70	1.80	1.80	1.90	1.90	2.00
Fourth anniversary	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.20	2.20	2.30	2.40	2.60
Fifth anniversary	2.10	2.10	2.20	2.20	2.30	2.40	2.40	2.50	2.60	2.80	2.90	3.10
Sixth anniversary	3.30	3.50	3.60	3.60	3.80	3.90	4.10	4.20	4.40	4.70	5.00	5.30

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

(iv) PRUflexilife

Cash bonuses will be added to policies reaching their third policy anniversary in the twelve-month period commencing on 1 April 2005 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
Fifth anniversary	0.90	1.20	1.50	1.90	2.40	2.90	3.60	4.40
Sixth anniversary	1.20	1.50	1.90	2.40	3.00	3.70	4.50	5.50
Seventh anniversary	1.40	1.80	2.30	2.90	3.60	4.40	5.40	6.50

(v) Galaxy

Cash bonuses will be added on the policy anniversary in the twelve-month period commencing on 1 April 2005 at the following rates per 1,000 sum assured:

Age at issue	1-19	20-24	25-29	30-34	35-39	40-44	45-49	50-54	55-59	60-64	65-70
Bonus											
First anniversary	3.20	3.20	3.20	3.20	3.20	3.20	3.90	4.60	4.90	5.30	5.30
Second anniversary	4.60	4.60	4.60	4.60	4.60	4.60	5.60	6.70	7.40	8.10	8.80
Third anniversary	5.30	5.40	5.50	5.60	5.60	5.60	7.00	8.40	9.30	10.20	10.90

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

15. (D) Bonuses for Hong Kong continued

(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 2005 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
1/4/05 until further notice	3.0	2.0
1/4/04 - 31/3/05	3.0	1.5
1/4/04 - 31/3/04	3.0	1.5
1/4/02 – 31/3/03	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) The guarantee of an accumulation rate of at least 5% per annum for HKD Guaranteed Fund policies ceased to apply during 2004. Reversionary bonus interest at 4% per annum will apply from 1 April 2004 unitl further notice.

(d) For PruSaver Plan policies:

PruSaver Fund:

(i) Income bonus of 1.95% per annum will apply from 1 March 2005 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 2005 until further notice the addition will be 3.45% per annum.

(e) For PruSaver Plan II policies:

PruSaver II (HK$ Policies) Fund:

(i) Income bonus of 1.95% per annum will apply from 1 March 2005 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 2005 until further notice the addition will 3.45% per annum.

PruSaver II (US$ Policies) Fund:

(1) Income bonus of 1.75% per annum will apply from 1 March 2005 until further notice.

(2) Terminal bonus interest is paid as an addition to the rate of income bonus on policies becoming claims by death. From 1 March 2005 until further notice the addition will be 3.00% per annum.

15. (E) 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 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. (F) 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 With-Profits Sub-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 2004. 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, MPP1/2/3, Bond 32, GPP2/3/4, PTP, PTB32 and WPIA, terminal bonus vests on the date an amount is withdrawn to secure benefits 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 2005 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 2004 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 16	(3,976)	1,220	0.02
Line 18	70,513	2,401	(0.05)
Line 19	(77,466)	-	-
Line 29	(10,929)	3,621	0.04

For the With-Profits Sub-Fund

Form 48	Column 1	Column 2	Column 3
	£000	£000	%
Line 12	(40,813)	(1,837)	0
Line 16	121,327	11,965	0.03
Line 18	342,332	11,037	(0.07)
Line 19	(367,246)	-	-
Line 29	55,600	21,166	0.04

For the Defined Charge Participating Sub-Fund

Euro assets

Form 48	Column 1	Column 2	Column 3
	£000	£000	%
Line 16	55,017	1,119	(0.06%)
Line 18	(54,855)	(93)	9.92%
Line 19	(137)	-	-
Line 29	25	1,027	0.28%

US dollar assets

Form 48	Column 1	Column 2	Column 3
	£000	£000	%
Line 16	64,441	1,631	0.11%
Line 18	(64,958)	(247)	9.39%
Line 19	(19)	-	-
Line 29	(535)	1,383	0.48%

The changes for sterling assets are included in the table for the With-Profits Sub-Fund.

19. Assets covering long term liabilities continued

(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 16	(3,030)	1,249	0.02
Line 18	69,541	2,368	(0.05)
Line 19	(108,923)	-	-
Line 29	(42,412)	3,617	0.05

For the With-Profits Sub-Fund

Form 48	Column 1	Column 2	Column 3
	£000	£000	%
Line 12	(40,813)	(1,837)	0
Line 16	128,380	12,159	0.03
Line 18	333,194	10,742	(0.07)
Line 19	(367,634)	-	-
Line 29	53,127	21,065	0.04

For the Defined Charge Participating Sub-Fund

Euro assets

Form 48	Column 1	Column 2	Column 3
	£000	£000	%
Line 16	55,017	1,119	(0.06%)
Line 18	(54,855)	(93)	9.92%
Line 19	(137)	-	-
Line 29	25	1,027	0.28%

US dollar assets

Form 48	Column 1	Column 2	Column 3
	£000	£000	%
Line 16	64,441	1,631	0.11%
Line 18	(64,958)	(247)	9.39%
Line 19	(19)	-	-
Line 29	(535)	1,383	0.48%

The changes for sterling assets are included in the table for the With-Profits Sub-Fund.

(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	57,376	57,376
Line 16	(56,029)	(53,631)
Line 18	(35,162)	(38,777)
Line 19	(3,556)	(95,701)

19. Assets covering long term liabilities continued

For the With-Profits Sub-Fund

Form 48	Column 1	
	Conditions noted in (2)	Conditions noted in (3)
	£000	£000
Line 12	328,860	328,860
Line 16	(260,157)	(244,587)
Line 18	(113,759)	(132,220)
Line 19	(43,300)	(45,189)

For the Defined Charge Participating Sub-Fund

Euro assets

Form 48	Column 1	
	Conditions noted in (2)	Conditions noted in (3)
	£000	£000
Line 12	3,953	3,953
Line 16	32,859	32,859
Line 18	(34,355)	(34,355)
Line 19	(794)	(794)

US dollar assets

Form 48	Column 1	
	Conditions noted in (2)	Conditions noted in (3)
	£000	£000
Line 12	1,672	1,672
Line 16	24,430	24,430
Line 18	(26,022)	(26,022)
Line 19	(802)	(802)

The changes for sterling assets are included in the table for the With-Profits Sub-Fund.

20. Valuation summaries

(1) Within the With-Profits Sub-Fund, surplus is determined separately for:

(i) Ordinary Branch life and general annuity business referred to as “Other” in the headings to the forms,

(ii) Ordinary Branch pensions business, and

(iii) Industrial Branch business.

(2) Deposit back arrangements are included in Form 55.

(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 PRU 4.2.57R have been complied with in accordance with published guidance in relation to the liabilities so insured.

21. Analysis of valuation interest rates

(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 34-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%

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 150% of 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:

Term to redemption	**Seniority**	**AAA**	**AA**	**A**	**BBB**	**BB**	**B and lower**
0 to 10 years	Senior Secured	2	8	8	35	158	508
	Senior Unsecured	4	17	18	76	348	1,117
	Subordinated	5	25	26	111	506	1,625
10 to 20 years	Senior Secured	3	10	11	41	157	423
	Senior Unsecured	7	21	24	90	345	932
	Subordinated	10	30	35	131	501	1,355
20 to 30 years	Senior Secured	4	12	16	43	165	444
	Senior Unsecured	8	27	36	94	362	979
	Subordinated	12	40	52	136	526	1,423
Over 30 years	Senior Secured	4	16	22	43	168	453
	Senior Unsecured	9	34	48	95	369	999
	Subordinated	14	50	70	139	537	1,451

For stocks rated B and lower the default rates shown in the above table are reduced if necessary to ensure that no individual stock has a risk-adjusted yield lower than the average risk-adjusted yield of the portfolio of BB holdings.

The default assumption is increased, if necessary, so that it is not less than our investment manager's independently assessed estimate of the credit risk premium.

Based on the composition of the corporate bond portfolio and the assumed default rates in the table above, the weighted average default rates at 31 December 2004 were calculated to be as follows:

SAIF	97 basis points
With-Profits Sub-Fund	101 basis points
Defined Charge Participating Sub-Fund	Between 39 and 101 basis points (depending on fund)
Non-Profit Sub-Fund	Between 46 and 53 basis points (depending on product)

(3) In SAIF, equities were divided by territory (United States and Other) and by yield (high, medium and low). Land was split into high and low yielding. Fixed interest and variable interest securities were split into high medium and low yielding stocks.

In the With-Profits Sub-Fund, United Kingdom equities were divided into high, medium and low yielding stocks. Overseas equities (excluding the United States) were divided into high and low yielding stocks. United States equities were not divided. Land was split into high and low yielding.

In the Defined Charge Participating Sub-Fund, equities and fixed interest securities were divided into those backing euro, sterling and US dollar liabilities. Land, used to back only sterling liabilities, was split into high and low yielding.

Dividend and rental income were limited where necessary as described in 7(8)(b). 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.

22. Valuation results

Surplus is determined separately for the With-Profits Sub-Fund, SAIF, the Defined Charge Participating Sub-Fund and the Non-Profit Sub-Fund.

Within the With-Profits Sub-Fund, surplus is determined separately for:

(i) life and general annuity business referred to as "Other" in the headings to the forms, and

(ii) pensions business.

23. Long term insurance capital requirement

See Form 60.

Appendix 1 – Non-linked contracts

Appendix 1(A) Non-linked contracts in the With-Profits Sub-Fund

Appendix 1(A)(a) Accumulating with-profits contracts

A PruFund Investment Plan

PruFund's key features are as follows:

1. The product is a 90:10 single premium with-profits whole life assurance, participating in surplus arising in the With-Profits Sub-Fund (WPSF). This surplus is calculated by reference to the investment return earned on the underlying assets, and excludes any contribution from miscellaneous sources.

2. Investments are made in one of two notional funds within the WPSF, each fund having a different target asset mix. The different asset mixes are achieved through hypothecation of assets rather than through ring-fenced asset pools.

3. Within each fund, all transactions are carried out using a single daily smoothed unit price; in this way, smoothing is applied on both payments into and payments out of the relevant fund.

4. The smoothed unit price is calculated using a smoothing formula that is disclosed to customers in advance. This smoothing formula provides that:

   (i) the smoothed unit price increases daily at a "quarterly growth rate" set by the directors at the beginning of each quarter (25 Feb, 25 May, 25 Aug, 25 Nov)

   (ii) at each quarter date the smoothed unit price will

   - be unchanged, if it is within 5% of the unsmoothed unit price, and

   - move 50% of the way to the unsmoothed unit price, otherwise

   (iii) between quarter dates the unit price will immediately be adjusted to within 2.5% of the unsmoothed unit price if the smoothed unit price is more than 10% away from both the unsmoothed unit price and the 5 day rolling average unsmoothed price

   (iv) smoothing may be suspended at the discretion of the directors in the event of solvency being threatened, or if net monetary movements (i.e. the difference between applications for new business and applications for surrender, allowing for switches but ignoring regular withdrawals and deaths) exceed:

   - 25% of the smoothed fund (on an annualised basis) in any 30 day period, or

   - 10% of the smoothed fund in any rolling one year period.

   The resulting smoothing profits or losses are borne by the WPSF, in return for an appropriate charge.

5. In order to limit the opportunities for customers and IFAs to select against the WPSF through the timing of investment and disinvestment decisions:

   - switching to unit-linked investment options is not permitted,

   - discontinuance charges are applied in the 3 or 5 years following the payment of each premium,

   - premiums received in a quarter are used to purchase units at the smoothed unit price prevailing on the following quarter date (and receive a guaranteed return equal to the quarterly growth rate in the period between premium payment and unit purchase. The cost of this guarantee is borne by the WPSF in return for an appropriate charge),

   - full and partial surrenders are subject to a 28 day waiting period, and are carried out at the smoothed unit price prevailing at the end of that period,

   - customers effectively receive a loyalty bonus by means of an annual management charge that reduces with duration in-force.

6. The product includes a death benefit equal to the greater of:

   - 101% of the smoothed fund value (including the value of any premiums awaiting investment), and

   - the minimum death benefit (the original premium after any enhancement, adjusted for any withdrawals).

7. Shareholder transfers are calculated each year as one ninth of the excess of the smoothed surrender value over the minimum death benefit when units are cancelled to meet claims.

8. The WPSF receives all charges under the contract, and pays commission, expenses and shareholder transfers (including associated tax). The WPSF also bears any profits or losses from smoothing and guarantees. The financial position of the WPSF in relation to the product is monitored by means of:

   - a Guarantee Account, which will receive all charges and bear all profits and losses in respect of death benefits and the guaranteed return on new money.

   - a Smoothing Account, which will receive all charges and bear all profits and losses in respect of smoothing.

9. Policy charges are as follows:

   - For cases with no regular withdrawals, an annual management charge of 1.25% for the first 10 years following the date of each premium payment and 1.0% thereafter, together with an establishment charge of 0.25% for the first 5 years.

   - For cases with regular withdrawals, an annual management charge of 1.5% for the first 10 years following the date of each premium payment and 1.0% thereafter, together with an establishment charge of 0.45% for the first 5 years.

   - Policyholders may choose either

     - early cash-in charges of 9%, 7%, 5%, 3%, 1% in the 5 years following the date of each premium payment, or

     - an initial charge of 1%, and early cash-in charges of 9%, 7%, 5% in the 3 years following the date of each premium payment.

   - A policy fee of £2.50 per month (increasing annually with RPI) for initial investments below £20,000.

   All of these charges may be altered at the discretion of the directors during the term of a contract.

(i) The circumstances in which adjustments to claim values can made are described in sub-paragraph 5 above.

(ii) Not applicable.

(iii) There are no guaranteed invetment returns or bonus rates.

(iv) There are no guaranteed surender values.

(v) There are no material options.

B Flexible Investment Plan
(UK life assurance and general annuity business.)

Flexible Investment Plan is a single life, joint life or joint life last survivor single premium whole life assurance contract. It was launched in pilot form on 7 July 2003 and on 17 November 2003 replaced the contracts previously known as Prudence Bond, Prudence Managed Investment Bond. Similar terms apply to the With-profits Bond reported on Form 52 as reassurance accepted.

Policyholders can choose either Initial Charge or No Initial Charge versions and invest in either of two notional accumulating with-profits funds: the Optimum Return Fund and the Optimum Bonus Fund. The Optimum Return Fund, by having a higher proportion of assets invested in equities, aims to provide a higher overall return than the Optimum Bonus Fund, which aims to provide a higher annual bonus.

Premiums are allocated to secure units in one or both of the notional accumulating with-profits funds. Allocation rates and charges (other than the fund management charge) are the same as for the corresponding linked versions of the contract which are described in Appendix 2(B ***A*** (page 143), except that allocation rates for policies issued from 17 November 2003 to 19 December 2003 are 2% higher than those shown in the table on page 143. The minimum initial investment is £10,000. Higher allocation rates apply where commission is given up.

The offer prices of units in both funds are calculated daily and incorporate reversionary bonus interest. For Initial Charge Options, the bid price of units is 95% of the appropriate offer price. For No Initial Charge Options, the bid price of units is the same as the offer price but the annual fund management charge used in calculating asset shares is higher than for the initial charge options. A final bonus may be added when units are realised.

A loyalty bonus is added on the second and subsequent anniversaries of each tranche of premium, provided there have been no withdrawals during the preceding year. The bonus is 0.35% of the fund including final bonus on the tranche anniversary. Each tranche of premium is treated as a separate policy.

The death benefit is 101% of the value of units including terminal bonus for lives assured aged under 75 at the date of investment or 100.1% of the value of units including terminal bonus less exit charges for lives assured aged over 74 at the date of investment.

Policyholders diagnosed as suffering from an illness that will result in death within 12 months may claim the death benefit immediately.

Policyholders under age 75 at entry may choose the Optional Minimum Guaranteed Death Benefit which guarantees that the amount paid on death or diagnosis of a terminal illness will be at least the total premium(s) paid less any withdrawals (regular or partial).

(i) Exit charges are applied on withdrawals other than regular withdrawals described in (v) below. These charges are the same as for the corresponding linked contracts, and are described in Appendix 2(B (page 147).

An adjustment to reflect market conditions may also be applied to withdrawals, other than regular withdrawals in the circumstances described in (v) below, on surrender or on a switch of units from the fund. This is described in 4(A)(a)(2)1 (page 6).

However, surrender values paid to policyholders who have been confined to a nursing home for 90 consecutive days (beginning at least 90 days after the issue of the contract) are not subject to any discontinuance charges.

(ii) Not applicable.

(iii) There are no guaranteed investment returns or bonus rates.

(iv) Not applicable.

(v) Regular income withdrawals within a certain limit are not subject to any adjustment to reflect market conditions. The current limit is equivalent to an annual amount of 5% of the total value of with-profits units remaining in a policy at the time the withdrawal is taken.

C Prudence Bond and Prudence Managed Investment Bond
(UK life assurance and general annuity business.)

This category comprises Prudence Bond Initial Charge Option, Prudence Bond No Initial Charge Option, Establishment Charge Option, Prudence Managed Investment Bond Initial Charge Option and Prudence Managed Investment Bond No Initial Charge Option. The Prudence Bond No Initial Charge Option includes both direct written business and reassurance accepted. No new contracts were issued after the end of 2003.

The policies are single life, joint life or joint life and last survivor single premium whole life assurances. Further top-up premiums may be paid at any time.

Policyholders can invest in either of two notional accumulating with-profits funds: the Optimum Return Fund and the Optimum Bonus Fund. The Optimum Return Fund, by having a higher proportion of assets invested in equities, aims to provide a higher overall return than the Optimum Bonus Fund, which aims to provide a higher annual bonus.

Premiums are allocated to secure units in one or both of the notional accumulating with-profits funds. Allocation rates and charges (other than the fund management charge) are the same as for the corresponding linked versions of the contracts which are described in Appendix 2(B (page 147), except that allocation rates for policies issued from 1 October 2002 to 22 November 2002 are 1% higher than those shown in the table on page 147, and allocation rates for policies issued from 9 December 2002 until 8 January 2003 and from 2 June 2003 to 19 December 2003 are 2% higher than those shown in the table on page 147. For policies written before 1 October 2002, the minimum investment was £6,000, rather than £5,000 as was the case for the linked versions. For policies written on or after 1 October 2002, the minimum initial investment is £10,000. For policies issued after 31 December 1994, higher allocation rates apply where commission is given up.

The offer prices of units in both funds are calculated daily and incorporate reversionary bonus interest. For Initial Charge Options, the bid price of units is 95% of the appropriate offer price. For No Initial Charge Options, the bid price of units is the same as the offer price but the annual fund management charge used in calculating asset shares is higher than for the initial charge options. A terminal bonus may be added when units are realised.

The death benefit is 101% of the bid value of units, except for policies written after 30 September 2002 for lives aged 75 and over at commencement where the death benefit is 100.1% of the bid value of the units less exit charges.

Loyalty bonus is payable on Initial Charge Options and No Initial Charge Options issued from 1 January 2002. It is added on the second and subsequent anniversaries of each tranche of premium, provided there have been no withdrawals during the preceding year. The loyalty bonus is 0.25% of the terminal bonus fund on the tranche anniversary for tranches invested before 1 October 2002 and 0.35% for tranches invested thereafter. Each tranche of premium is treated as a separate policy.

(i) Exit charges are applied on withdrawals, other than regular withdrawals described in (v) below, for business written after 31 December 1996. These charges are the same as for the corresponding linked contracts, and are described in Appendix 2(B (page 147).

An adjustment to reflect market conditions may also be applied to withdrawals, other than regular withdrawals in the circumstances described in (v) below, on surrender or on a switch of units from the fund. This is described in 4(A)(a)(2)1 (page 6).

(ii) Not applicable.

(iii) There are no guaranteed investment returns or bonus rates.

(iv) For certain contracts issued between 1991 and 1997, provided no partial withdrawals have been made, the surrender value on the tenth policy anniversary is guaranteed to be no less than the premium paid. The guarantee applies only to the original premium, not to any subsequent top-up premiums paid.

(v) There is an option to select regular income withdrawals. Such withdrawals, within a certain limit, are not subject to any adjustment to reflect market conditions. Currently, this limit is equivalent to an annual amount of 5% of the total value of with-profits units remaining in a policy (or a higher amount up to 7.5% where such withdrawals commenced before 5 September 2002) at the time withdrawal taken.

D Prudence Prospects Bond

These policies are single life, joint life or joint life last survivor single premium whole life assurances.

Policyholders can invest in either of two notional accumulating with-profits funds: the Optimum Return Fund and the Optimum Bonus Fund. The Optimum Return Fund, by having a higher proportion of assets invested in equities, aims to provide a higher overall return than the Optimum Bonus Fund, which aims to provide a higher annual bonus.

Premiums are allocated to secure units in one or both of the notional accumulating with-profits funds. The minimum investment for original investment is £10,000 and for top-ups is £5,000. The bid price of units is the same as the offer price and is the same as for the No Initial Charge Prudence Bond.

Allocation depends on the cumulative investment made into in force segments in the Prudence Prospects Bond; additional investments will be allocated at the appropriate level taking into account the amount(s) of previous investment to the segments then in force.

Allocation rates are shown below for lives where the investor is under the age of 75

Premium	Allocation rate
<£20,000	105.00%
£20,000 to £49,999	105.25%
£50,000 to £74,999	106.00%
£75,000 +	106.25%

Allocation rates are lower for those aged 75 and over. For joint life cases, the allocation rate will be determined by the age of the older life for joint life first death cases and the younger life for joint life second death cases.

The lower allocation rate also applies to all future top-ups (i.e. the allocation rate is based on the age at commencement rather than the age at the date of top-up).

Appendix 1(A)(a) Description of accumulating with-profits contracts (WPSF) continued

The reductions are

2% for ages 75 to 79
3% for ages 80 to 84
4% for ages 85 to 89

The annual management charge is higher than for the No Initial Charge Prudence Bond by 0.40%.

The annual growth reward is the same as for the No Initial Charge Prudence Bond above. In addition, a loyalty bonus of 1% of the terminal bonus fund is added on the 10th policy anniversary. It is paid regardless of any withdrawals or partial surrenders that have been made over the 10 years.

The death benefit is 100.1% of the surrender value without MVR. A discontinuance charge will be applied if the investor dies within 7 years of the date of original investment or within 7 years of date of top-up.

(i) A discontinuance charge will be charged on:
- surrender;
- partial surrender;
- death;

but not on:
- regular withdrawals
- switching between the optimum bonus and optimum return funds.

The discontinuance charge will be

Year of exit (based on date of initial investment)	Percentage of fund
	%
1	11
2	10
3	9
4	8
5	6
6	4
7	2
8 and over	0

This charge will be applied before any calculation of MVR and will reduce the amount of the MVR.

Discontinuance charges on additional investments will be based on date of additional investment.

(ii) Not applicable

(iii) No guaranteed investment returns or bonus rates

(iv) No guaranteed surrender values

(v) There is an option to select regular income withdrawals. Such withdrawals, within a certain limit, are not subject to any adjustment to reflect market conditions. Currently, this limit is equivalent to an annual amount of 5% of the total value of with-profits units remaining in a policy (or a higher amount up to 7.5% where such withdrawals commenced before 5 September 2002) at the time withdrawal taken.

E Prudential Investment Bond and Prudence Savings Account
(UK life assurance and general annuity business)

These policies are whole life assurances and are issued on a single life or joint life last survivor basis, or for the benefit of a child. They are available for single and/or regular premiums.

Prudential Investment Bond was first issued in October 1997. It replaced Prudence Savings Account which was closed to new business in October 1997, although top-ups to existing contracts continue to be allowed.

Premiums are allocated to secure units in a notional accumulating with-profits fund. Allocation rates depend on cumulative contributions to date as follows:

Total paid in	Allocation rate
£	%
Up to 5,999	100
6,000 – 9,999	101
10,000 – 19,999	102
20,000 – 49,999	103
50,000 and over	104

The offer price of units is calculated daily and incorporates reversionary bonus interest. The bid price of units is 94% of the appropriate offer price. A terminal bonus may be added when units are realised.

Bonus units are added at the end of each month. From 1 March 2005, a higher rate of bonus units applies when the value, excluding any terminal bonus and any adjustments to reflect market conditions, is at least £6,000. The Company has discretion to vary the thresholds at which bonus units apply.

Before 1 March 2005, bonus units were added at the end of each month provided that the value of units, excluding any terminal bonus and any adjustment to reflect market conditions, was then at least £4,000. A higher rate of bonus units applied when this value was at least £6,000.

Policyholders who purchased a Prudential Investment Bond through certain marketing campaigns qualified for a 2% enhancement in the allocation rate and/or were immediately eligible for bonus units at the lower rate, even where the initial value of units purchased was less than £4,000.

(i) For single premium Prudential Investment Bond contracts, exit charges are applied on withdrawals, other than regular withdrawals described in (v) below. These charges are the same as those for Prudence Bond Bid Offer Spread Option as described in Appendix 2(B (page 147). For regular premium policies, surrender values are subject to a charge of £180 (£90 for children's policies) less bid/offer spreads taken to the date of surrender.

On full or partial withdrawal, other than regular withdrawals in the circumstances described in (v) below, the value of units may be adjusted to reflect market conditions as described in 4(A)(a)(2)1 (page 6).

(ii) Not applicable.

(iii) There are no guaranteed investment returns or bonus rates.

(iv) There are no guaranteed surrender values.

(v) There is an option to select regular income withdrawals. Such withdrawals, within a certain limit, are not subject to any adjustment to reflect market conditions. Currently, this limit is equivalent to an annual amount of 5% of the bid value of the units remaining in a policy (or a higher amount up to 7.5% where such withdrawals commenced before 5 September 2002).

F Group non-unitised AWP contracts

(Mainly UK pension business. Some contracts are issued in the Channel Islands and Isle of Man and some unapproved contracts are issued in the UK as life assurance and general annuity business.)

(a) CA (Group Cash Accumulation)
CAAVC (Cash Accumulation Additional Voluntary Contributions)
EPP Mark 1 (Executive Pension Plan)
PCRS (Prudential Company Retirement Scheme)
MPP1 (Money Purchase Plan (Old))

Contributions, less deductions for expenses and life cover, are invested in a fund to provide retirement benefits.

The fund accumulates with compound interest at a basic rate, and through the addition of annual bonus interest. Final bonus may be added at retirement or on earlier death or withdrawal.

EPP Mark 1, PCRS and MPP1 are no longer actively marketed.

(i) On surrender, the value of the fund may be adjusted to reflect market conditions as described in 4(A)(a)(2) 3 (page 7).

(ii) Not applicable.

(iii) The basic rate of accumulation, which is 0.01% per annum (2.5% per annum for monies invested during scheme years commencing between 15 March 1996 and 31 December 2002, 4.75% per annum for monies invested in scheme years commencing prior to 15 March 1996) is guaranteed for contributions invested in the first 5 years of the contract (except for CA and CAAVC contracts where the period is 3 years), or until such subsequent time as the guarantee is amended.

(iv) There are no guaranteed surrender values.

(v) These contracts, with the exception of CAAVC and MPP1, contain guaranteed annuity options.

(I) CA

The policy guarantees a scale of single life annuities for ages 50 to 70 at retirement. Specimen rates of annuity per £1,000 cash for most schemes are:

Men at 65	£75.7 per annum
Women at 60	£62.8 per annum
Men at 60	£66.5 per annum

There are a few schemes where the rates are:

Men at 65	£100 per annum
Women at 60	£75 per annum
Men at 60	£88 per annum

The single life annuity is payable monthly in advance, guaranteed for 5 years. On death within the guaranteed period, outstanding instalments are paid as a lump sum.

The guarantee of annuity rates applies for the first 10 years of a scheme and can be amended with 6 months notice at any time thereafter.

By concession, schemes or AVC payers are currently being allowed to effect a different type of annuity without losing the benefit of the guaranteed annuity.

(II) EPP Mark 1

The policy guarantees a scale of single life annuities, payable monthly in advance without guarantee, for men aged 60 to 70 at retirement and for women aged 55 to 70 at retirement. The guaranteed factors apply to the member's fund at vesting only in respect of premiums paid during the first five years of the scheme's existence. The single life annuity is payable monthly in advance without guarantee.

Specimen rates of annuity per £1,000 cash are:

Men at 65	£102.9 per annum
Women at 60	£75.7 per annum
Men at 60	£89.5 per annum

By concession, policyholders are currently being allowed to select a different type of annuity without losing the benefit of the guaranteed annuity.

(III) PCRS

Policies guarantee a scale of joint life and last survivor annuities under which the benefit reduces to 50% on the member's death.

Specimen rates of annuity per £1,000 cash including contingent benefit are:

Men at 65	£52.9 per annum
Women at 60	£43.0 per annum
Men at 60	£43.4 per annum

(b) Bond 32 (Pension Transfer Bond 32 (old style))

These policies enable early leavers from occupational pension schemes to use a transfer value to provide an individual pension arrangement. They are no longer open to new business.

The transfer value, less a deduction for expenses, is invested in an individual Cash Accumulation (CA) fund. The fund accumulates with interest at a basic rate, and through the addition of reversionary bonuses. A terminal bonus may be added at retirement or on earlier death or withdrawal. For individuals who have been contracted out of the State Second Pension (S2P, formerly SERPS), the maximum possible proportion of the transfer value is used to secure Guaranteed Minimum Pension (GMP) in the CA fund. The remainder of the transfer value is used to buy a non-participating deferred annuity (normally vesting at State Pension Age) with related benefits on death to secure the balance of GMP.

(i) On transfer, the value of the fund may be adjusted to reflect market conditions as described in 4(A)(a)(2) 1 (page 6).

(ii) Not applicable.

(iii) The basic rate of accumulation, which is 2.5% per annum (4.75% per annum for transfers invested before 15 March 1996) is guaranteed for contributions invested in the first 3 years of the contract or until such subsequent time as the guarantee is amended. No such amendment has been made to date.

The basis on which GMP is deemed to be secured by the CA fund assumes a minimum basic rate of accumulation of 4% per annum compound throughout for policies written prior to 31 October 1986, and 6.75% per annum compound for policies written subsequently. Full GMP benefits are guaranteed to be secured from the CA fund by the Bond 32 contract unless part of the GMP is secured by a non-participating deferred annuity, when only the balance is guaranteed to be secured from the CA fund.

(iv) There are no guaranteed surrender values.

(v) There are no material options.

(c) Group Additional Voluntary Contribution (AVC) contract – AVC Deposit Fund
MPP1 – Deposit Fund

The Deposit Funds are alternatives to investment in the Cash Accumulation fund. The funds accumulate at rates of interest which have regard to market rates to provide benefits on retirement or earlier death or withdrawal.

(i) There are no circumstances in which the current benefit can be reduced when a claim is paid.

(ii) Not applicable.

(iii) There are no guaranteed investment returns or bonus rates.

(iv) The surrender value is guaranteed to be not less than the invested premiums plus interest added to date.

(v) There are no material options.

G Personal Pension Policy
Personal Pension Scheme
Free-Standing Additional Voluntary Contribution Scheme
(UK pension business. Personal Pension Scheme is also issued in the Channel Islands and Isle of Man.)

Premiums are allocated to secure units in one of two notional accumulating with-profits funds, a short-term fund available for policies with terms of 5 years or less, and a long-term fund. For both funds, the offer prices of units are calculated daily and incorporate reversionary bonus interest. In the long term fund only, terminal bonus interest may be added when units are realised to provide benefits.

Policies and increments to existing policies issued after 30 September 2000

100% of premiums, excluding any charges for waiver of premium supplement, are allocated to secure units in the notional accumulating with-profits funds. Units are bought and sold at the same price.

Policies and increments issued before 1 October 2000

Between 95% and 107% of premiums, excluding policy fees and any charges for waiver of premium supplement, are allocated to secure units in the notional accumulating with-profits funds. The bid prices of units are 95% of the appropriate offer prices. For regular premium policies, including increments, 5% of the remaining units bought in the first year of payment are cancelled on each policy anniversary for a maximum of 25 years.

Concessions for policies and increments issued before 1 October 2000

Claims made on or after 1 February 2001 in respect of single premiums received in the period from 1 January 2000 to 30 September 2000 are enhanced by assuming that 100% of the premium was used to buy units at the bid price.

For regular premium policies and increments issued between 1 January 1999 and 30 September 2000 the cancellation of first year units ceased on 31 January 2001 and any units already cancelled were reinstated.

For regular premium policies and increments issued before 1 October 2000, a minimum of 100% of premiums due on or after 1 April 2001, excluding any charges for waiver of premium supplement, are applied to buy units at the bid price.

(i) On disinvestment from the long term fund, other than at the selected pension date or on death, an exit charge equal to any outstanding charges in respect of first year units is made for regular premium contracts issued before 1 January 1999. The value of units may also be adjusted to reflect market conditions as described in 4(A)(a)(2) 1 (page 6).

(ii) The discounted value reflects only the exit charge on regular premium contracts described in (i) above.

(iii) There are no guaranteed investment returns or bonus rates.

(iv) There are no guaranteed surrender values.

(v) There are no material options.

H PPA (Individual Personal Pension Accounts)
EPP2/3/4 (Executive Pension Plans Series 2, 3 and 4)
PPP (Personal Pension Plan)
FSAVC (Free-Standing Additional Voluntary Contributions)
EIB (Exempt Investment Bond)
(UK pension business)

Premiums, after deductions for charges and the cost of any life assurance or waiver of premium benefit, are allocated to secure units in a notional accumulating with-profits fund. Allocation rates, charges and loyalty bonus are the same as for the corresponding linked versions of the contracts which are described in either Appendix 2(B)1 ***C*** (page 150) or Appendix 2(B)1 ***D*** (page 152).

Other features of these contracts are the same as for Personal Pension Policies described in Appendix 1(A)(a) *G* (page 101), except that:

The special provisions for policies and increments issued after 30 September 2000 and the concessions for policies and increments issued before then apply only to PPA, PPP and FSAVC.

The concession for single premiums received before 1 October 2000 applies only to claims under PPA, PPP and FSAVC made on after 1 April 2001.

EPP contracts may include life assurance cover, the cost of which is charged monthly by cancelling units using mortality rates which may be varied by the Company at short notice.

The short-term fund is not available for EIB contracts.

None of these contracts is actively marketed.

(i) On early retirement or surrender, an exit charge equal to any outstanding charges in respect of first year units is made for regular premium contracts. For PPA, PPP and FSAVC, this charge applies only to policies issued before 1 January 1999. The value of units may be adjusted to reflect market conditions as described in 4(A)(a)(2) 1 (page 6).

(ii) The discounted value reflects only the exit charge in respect of first year units on regular premium contracts described in (i) above.

(iii) There are no guaranteed investment returns or bonus rates.

(iv) There are no guaranteed surrender values.

(ii) There are no material options.

I ***Group Unitised with-profits***
(UK Pension business)

(a) ***GPP1 (Grouped Personal Pension Scheme (Old))***
GPP2 (Group Personal Pension Scheme (New))
GPP3 (Prudential (Flexible) Personal Pension Scheme)
GPP4 (Prudential (2000) Personal Pension Scheme)
PTP (Pension Transfer Plan)
MPP2 (Money Purchase Plan (New))
MPP3 (The Prudential (2003) Money Purchase Pension Plan)

Premiums, after deductions for charges and the cost of any life assurance or waiver of premium benefit, are allocated to secure units in a notional accumulating with-profits fund. Allocation rates and charges are the same as for the corresponding linked versions of the contracts which are described in either or Appendix 2(A) *A* (page 126), Appendix 2(A) *B* (page 128) or Appendix 2(B (page 153).

The offer price of units is calculated daily and incorporates reversionary bonus interest. A terminal bonus may be added when units are realised. For GPP3, GPP4 and MPP3, all units are bought and sold at the offer price. For other contracts, units are sold at the bid price which is 95% of the appropriate offer price.

GPP3, GPP4 and MPP3 have the same bonus rates as the contracts listed in Appendix 1(A)(a) ***H*** (page 104).

(i) On disinvestment from the fund, other than at the selected pension date or on death, the value of units may be adjusted to reflect market conditions as described in 4(A)(a)(2) 3 (page 7). If benefits are taken (other than on death) before the selected pension date and initial commission has been paid, a deduction to recover any outstanding charges is made in respect of units purchased by the first year of regular contributions (or the first year of any increase in contributions).

(ii) The discounted value reflects only the exit charge on regular premium contracts described in (i) above.

(iii) There are no guaranteed investment returns or bonus rates.

(iv) There are no guaranteed surrender values.

(v) There are no material options.

(b) ***PTB32 (Pension Transfer Bond 32)***

These policies enable early leavers from occupational pension schemes to use a transfer value to provide an individual pension arrangement. They also secure GMP for those who were contracted out of SERPS.

At least 97.8% of the transfer value is used to purchase units in a notional accumulating with-profits fund, the percentage depending on the commission taken, the size of the transfer value and the term to selected pension date. The offer price of units is calculated daily and incorporates reversionary bonus interest. The bid price of units is 95% of the appropriate offer price. A terminal bonus may be added when units are realised.

A policy fee of £10 per annum is deducted by cancellation of units.

If a GMP is to be guaranteed, all or part of the transfer value purchases special with-profits units which receive a lower rate of bonus than other units. If the value of these units at pension age is insufficient to meet the guarantee, the balance of the guarantee is treated as a first charge on the value of the normal units, if any, allocated to the policy.

(i) On early retirement or surrender, the value of units may be adjusted to reflect market conditions as described in 4(A)(a)(2) 1 (page 6).

(ii) Not applicable.

(iii) Some contracts are guaranteed to provide a GMP as explained above.

(iv) There are no guaranteed surrender values.

(v) There are no material options.

(c) With-profits Investment Account and With-profits Investment Bond (WPIA)

These are accumulating with-profits contracts for self-administered defined benefit or money purchase schemes. Recurrent single premiums are payable and money is redeemed from the scheme to provide retirement and death benefits as they fall due.

Premiums, net of any commission payable, are allocated to secure units in a notional accumulating with-profits fund at the bid price. There is an annual charge on each scheme which varies from nil to £500. The full value of units is payable when units are realised to meet retirement or death claims.

(i) The value of units on scheme surrender may be adjusted to reflect market conditions as described in 4(A)(a)(2) 3 (page 7).

(ii) Not applicable.

(iii) There are no guaranteed investment returns or bonus rates.

(iv) There are no guaranteed surrender values.

(v) There are no material options.

J Company Pension Transfer Plan (Bulk Section 32 Buy-Out)
(UK pension business)

Premiums, after deductions for charges, are allocated to secure units in a notional accumulating with-profits fund. Allocation rates and charges (other than the fund management charge) are the same as for the corresponding linked versions of the contracts described in Appendix 2(B) 1 *F* (page 155).

The offer price of units is calculated daily and incorporates reversionary bonus interest. A terminal bonus may be added when units are realised.

(i) There is no surrender charge.

An adjustment to reflect market conditions may be applied on surrender or on switch of units from the fund. This is described in 4(A)(a)(2) 1 (page 6).

(ii) Not applicable.

(iii) There are no guaranteed investment returns or bonus rates.

(iv) There are no guaranteed surrender values.

(v) Not applicable.

K Flexible Retirement Income Account (FRIA)
(UK pension business)

Premiums are allocated to secure units in a notional accumulating with-profits fund. The product structure, allocation rates and charges (other than the fund management charge) are the same as for the corresponding linked version of the contract which is described in Appendix 2(B) (page 156). At most 50% of the investment can be allocated to the accumulating with-profits fund.

The offer price of units is calculated daily and incorporates reversionary bonus interest. A terminal bonus may be added when units are realised.

(i) The value of units may be adjusted to reflect market conditions when the policyholder voluntarily switches out of the fund or when, on reaching the mandatory age of 75 (for Income Drawdown) or 90 (for Flexible Lifetime Annuity), the policyholder opts to switch to a non-profit annuity. This is described in 4(A)(a)(2) 1 (page 6). No adjustment is made when units are cancelled to provide a regular income.

(ii) Not applicable.

(iii) There are no guaranteed investment returns or bonus rates. The value of the units is guaranteed not to fall below their current price where units are cancelled to provide an income.

(iv) Not applicable.

(v) Not applicable.

L Hong Kong Group Pension Cash Accumulation - 3% Guarantee and Capital Guarantee Funds
(Overseas life assurance and general annuity business)

Contributions, after deductions for expenses, are invested in a fund to provide a cash payment on retirement or on earlier death or withdrawal (including bulk surrender).

On leaving the scheme, a member receives the contributions paid less expense deductions plus guaranteed interest plus terminal bonus less discontinuance charge if any. Terminal bonus is declared for policies by applying different interest rates during each policy year. The expense deduction is expressed as amounts per scheme, per member and per contribution. The Company may increase the deductions on any scheme anniversary after the third, provided six months notice is given.

(i) On withdrawal, the discontinuance charge is 5% of the fund in the first year reducing linearly to nil in the sixth year.

(ii) Not applicable.

(iii) There are two contract types. Under the 3% Guarantee contract, the fund before deducting the discontinuance charge, if any, is guaranteed to be no less than the accumulation of the contributions paid less expense deductions at 3% per annum. Under the Capital Guarantee contract, the fund before deducting the discontinuance charge, if any, is guaranteed to be no less than contributions paid less expense deductions.

(iv) The surrender value is guaranteed to be not less than the minimum fund described in (iii) above, less any discontinuance charge.

(v) There are no material options.

Appendix 1(A)(a) Description of accumulating with-profits contracts (WPSF) continued

M Hong Kong Group Pension Cash Accumulation- HKD Guaranteed Fund
(Overseas life assurance and general annuity business)

Contributions, after deductions for expenses, are invested in a fund to provide a cash payment on retirement or on earlier death or withdrawal (including bulk surrender). Contracts are denominated in Hong Kong dollars.

(i) On withdrawal, the discontinuance charge is 5% of the fund in the first year reducing linearly to nil in the sixth year.

(ii) Not applicable.

(iii) The fund balance, before deducting the discontinuance charge (if any), is the contributions paid less expense deductions accumulated at an annual accrual rate. The annual accrual rate is the total of guaranteed interest and bonus interest. The guaranteed interest is 5% per annum for the first three scheme years and 0% per annum for subsequent years.

(iv) The surrender value is guaranteed to be no less than the fund accumulated at the guaranteed rate described in (iii) above, less discontinuance charge (if any).

(v) There are no material options.

N Hong Kong PRUsavings Plan
(Overseas life assurance and general annuity business)

These policies are whole life assurances payable by regular premium. Premiums, after deductions for expenses, are allocated to secure units in notional accumulating with-profits funds. Contracts are denominated in Hong Kong dollars. Bonus interest is added monthly and additional final bonus may be added on death, and on full or partial surrender. The death benefit is 101% of the value of the units including final bonus.

Premiums up to a maximum of HK$30,000 per annum are waived during periods of incapacity lasting more than 180 days provided the assured is under age 65. Incapacity is defined as inability to carry on any occupation.

(i) The amount of final bonus payable on full or partial surrender depends on the number of years the policy has been in force.

Payments on full or partial surrender may be reduced to reflect market conditions at times when asset values are below those implied by the nominal value of the contract or when there are substantial withdrawals from the fund.

(ii) Not applicable.

(iii) The fund balance, before deducting the discontinuance charge (if any), is the contributions paid less expense deductions accumulated at an annual accrual rate. The annual accrual rate is the total of guaranteed interest and bonus interest. The guaranteed interest is 5% per annum for the first three scheme years and 0% per annum for subsequent years.

(iv) The surrender value is guaranteed to be no less than the fund accumulated at the guaranteed rate described in (iii) above, less discontinuance charge (if any).

(v) There are no material options.

O Hong Kong PRUsaver Plan and PRUsaver Plan II
(Overseas life assurance and general annuity business)

These policies are single life, single premium whole life assurances. Premiums are allocated to secure units in notional accumulating with-profits funds. Units are bought and sold at the bid price and there are no initial charges. PRUsaver Plan was withdrawn when total premiums of HK$500 million had been accepted. PRUsaver Plan II remains open to new business.

The unit price is calculated monthly and incorporates reversionary bonus interest. A terminal bonus may be added when units are realised.

The death benefit is 101% of the value of units including any terminal bonus interest.

(i) The surrender value after 5 years is the value of units including any terminal bonus, while the surrender value in the first 5 years is the percentage shown in the table below of the value of units excluding terminal bonus:

Number of complete years in force	%
0	92
1	94
2	96
3	98
4	99

On surrender during adverse market conditions and when there are substantial withdrawals from the fund, the value of units may be reduced to reflect market conditions.

(ii) Not applicable.

(iii) There are no guaranteed investment returns or bonus rates.

(iv) On the fifth policy anniversary, the surrender value is guaranteed to be not less than the single premium less any partial surrender values paid.

(v) There are no material options.

Contracts written by SAA

P Home Purchaser (Series 2)
(UK life and general annuity business)

These low cost mortgage endowment plans were available as with-profits options under the corresponding linked contracts described in Appendix 2(A) *J* (page 136). These contracts are written in SAA, and the with-profits element of premiums net of charges invested in SAIF.

(i) Surrender charges are as described in Appendix 2(A) *J* (page 136).

An adjustment to reflect market conditions may be applied on full or partial surrender or on a switch of units from the fund. This is described in 4(A)(a)(2) (page 6).

(ii) The discounted value shown is the bid value of units less the surrender charge described in Appendix 2(A) *J* (page 136).

(iii) The Company has agreed on an *ex gratia* basis that, where the growth rate specified in product literature when the policy was issued has been achieved, then the maturity value will not be less than the amount of the mortgage the policy was intended to cover.

(iv) There are no guaranteed surrender values.

(v) There are no material options.

Q ***Home Purchaser (Series 3)***
Amicable Savings Plan
(UK life and general annuity business)

These contracts are as described in Appendix 1(B)(a *A* (page 116). They are written in SAA and the with-profits element of premiums net of charges is invested in SAIF.

Appendix 1(A)(c) Other non-linked contracts in the With-Profits Sub-Fund not fully described by the entry in column 1 of Form 51

A Whole life and endowment assurances

(UK life assurance and general annuity business - with and without participation in profits)

All whole life assurances issued after 30 June 1988 have limited premium-paying terms, the term being selected at the outset. With minor exceptions, premiums payable on policies issued before 1 July 1988 contractually cease at age 85.

By concession, whole life assurances issued 40 or more years previously have in prior years been made paid-up for full benefits. During 2005, policies issued in 1965 will be made paid-up for full benefits and they have been valued ignoring future premiums.

With-profits whole life assurance policies issued before April 1977 contain an option to convert at a guaranteed premium rate to an endowment assurance for a sum assured not exceeding the original sum assured and for a term after conversion of at least 10 years. The mathematical reserves make due provision for the option (see 6.(1) (ix) on page 16)

New policies are issued only on the exercise of a conversion or other option on an existing policy.

B Low-cost endowment assurances

(UK life assurance and general annuity business - with participation in profits)

These policies, which were withdrawn from sale on 28 January 2000, are a combination of:

(a) A with-profits endowment assurance: the sum assured is calculated such that, on maturity, the sum assured together with a specified proportion of the total reversionary bonuses (based on the rates in force at inception and excluding any special element) will equal the amount of the mortgage; and

(b) A decreasing temporary assurance: the sum assured at any time is the difference between the death benefit payable under the endowment assurance and the amount required to cover the original amount of the mortgage, with a minimum value of zero.

Under the low-start low-cost endowment contract, which has not been issued since 31 December 1992, the premium increases by 20% of the initial office premium on each of the first five policy anniversaries so that the premium payable in the sixth and subsequent years is twice the premium payable in the first year. The net premium valuation method has been adapted to allow for this.

Low-cost endowment assurance policies (including low-start low-cost endowment assurance policies) issued since April 1984 in connection with mortgage repayments contain an option (subject to the restrictions mentioned below) to effect further endowment assurance policies without evidence of health to cover each increase which may be allowed in the mortgage for which the policy is being used. The total benefit under the new policy (or series of policies) may not exceed the guaranteed minimum death benefit under the original policy. The option may be effected only whilst all the lives assured are under age 50 and where the mortgage is secured on their principal private residence. These policies also contain an option to extend the policy term, without evidence of health, if the term of the mortgage is being extended, provided that the revised term is not less than ten years and does not extend beyond the 70th birthday of any of the lives assured.

Some low cost endowment assurances, of which about 3,582 were in force at the valuation date, were designed to repay a mortgage if reversionary bonuses continued at the rate current at the date of issue. The policies included a provision that if the declared bonus rate were to fall, causing the projected claim value to fall, then the sum assured and premium would be increased accordingly. The Company has guaranteed that, once the premium has been increased to twice its initial level, and provided that the policy has not been assigned absolutely to a third party, then the maturity value will not be less than the mortgage the policy was intended to cover.

Appendix 1(A)(c) Description of other non-linked contracts (WPSF) continued

C Prudential Protection

(UK life assurance and general annuity business and permanent health insurance business - without participation in profits)

This business was written in the WPSF only between 1 January 2003 and 25 July 2004. It is described in paragraph A of Appendix 1(B)(c) (page 121).

D Prudence Family Cover

(UK life assurance and general annuity business - without participation in profits)

These single life term assurance policies were first issued in July 1994. They are subject to level monthly premiums. The benefit is payable on death within the chosen term or when the life assured is diagnosed as having a terminal illness, defined as one where death is expected within twelve months. The terminal illness benefit is not payable during the final twelve months of the term.

E MPCIC

(UK life assurance and general annuity business - without participation in profits)

MPCIC (Mortgage Protection with Critical Illness Cover Plan) are monthly premium single or joint life decreasing term assurances first issued in July 2000. The sum assured is sufficient to repay the capital outstanding under a mortgage repayable at 12% per annum. It is payable on death within the chosen term or, if sooner, on the diagnosis of

- a critical illness, or
- a terminal illness defined as one where death is expected within twelve months, or
- total and permanent disability.

No terminal illness benefit is payable during the last 12 months of the term. Policyholders' children aged from 3 to 18 are also covered for critical illness benefit for one quarter of the sum assured, or £10,000 if less.

F With-profits annuities in payment

(UK pension business)

Unless the annuitant opts otherwise, the contract provides a level annuity to which a reversionary bonus is added on each anniversary. The annuity may be further increased by terminal bonus, which is not guaranteed to be payable after the next policy anniversary.

Alternatively, the annuitant may opt to have a higher initial annuity which reduces at a fixed annual compound rate but which is guaranteed not to reduce to less than the level annuity that would have been available at the outset. Reversionary and terminal bonus are added on each anniversary at the same rates as for a level annuity, but on the reduced amount of annuity after applying the reduction factor.

Last survivor annuities issued after 14 May 2000 include an option to convert the benefit to a non-profit annuity on the policy anniversary following the first death on terms reflecting market conditions at that time.

For all with-profits annuities issued after 30 September 2001, annuitants have the option of altering the anticipated bonus rate applicable to their annuity at the next policy anniversary. The altered anticipated bonus rate must lie between the limits set for current new business. This option can be exercised a maximum of once every 3 years.

For all with-profits annuities issued after 30 September 2001, annuitants have the option to convert the benefit to a non-profit annuity at any policy anniversary on terms reflecting market conditions at that time.

From January 2001, enhanced with-profits annuities have been available to policyholders suffering from a range of medical conditions that have an adverse impact on life expectancy.

Appendix 1(A)(c) Description of other non-linked contracts (WPSF) continued

G Deferred annuities

These comprise individual retirement annuity policies issued as pension business in the UK or as life assurance and general annuity business in the Channel Islands and the Isle of Man. No new policies were issued after April 1987 but policyholders may still pay additional top up premiums. Both regular and single premiums may be paid.

Before vesting, reversionary bonus is added each year as a guaranteed addition to the basic annuity. At vesting, terminal bonus and final bonus may be added.

If a policy is made paid-up, the existing annual bonus is reduced in the same proportion as the reduction in the basic annuity but the policy continues to participate in bonuses.

The policyholder can choose to retire at any time between their 60^{th} and 75^{th} birthday and choose an annuity payable for the life, or for a guaranteed period, if longer. Escalation and/or spouse’s or dependant’s pension may also be chosen. In addition, the policyholder can exchange part of the annuity at retirement for a tax-free cash sum subject to Inland Revenue limits.

At retirement, the policyholder can transfer the value of benefit to another retirement annuity policy as an Open Market Option, or to a personal pension policy.

If the policyholder dies before the retirement age, the policy provides the return of all pension premiums paid with compound interest at 5% per annum (4% for with-profit policies issued before January 1972). Life cover on a term assurance basis was also available.

H Hong Kong Better Life

(Overseas life assurance and general annuity business)

These are with-profits whole life assurances under which the death benefit payable in the first 20 years is guaranteed to be not less than the sum assured plus the reversionary bonuses which would be payable at duration 20 assuming that the reversionary bonus rate remains at the rate last declared when the policy was issued. The liability for the additional benefit, including the effect of any guarantee described in the following paragraph, is calculated is if it were a non-profit decreasing term assurance.

For policies issued before the reversionary bonus rate was reduced in March 1998, the Company has guaranteed that the death benefit payable in the first 20 years will be no less than that illustrated at the point of sale.

I Hong Kong cash bonus policies

(Overseas life assurance and general annuity business)

PRUflexilife and PRU life premier are regular premium whole life assurances. PRU life plus is a regular premium whole life assurance with guaranteed payments of 10% of the sum assured payable on every fifth policy anniversary. PRU life best start is a regular premium children's whole life assurance with guaranteed payments of 10% of the sum assured payable on the four policy anniversaries following the attainment of age 18.

J Hong Kong medical insurance

(Overseas permanent health insurance business)

Medical insurance is a rider attached to assurances which reimburse 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.

Appendix 1(A)(c) Description of other non-linked contracts (WPSF) continued

K Guarantees and options not previously described.

Specific provisions are held only for (a) to (c), (p) and (q) below. The financial effects of the other options and guarantees are minimal.

(a) As part of the FSA pensions review, guarantees have been given to some holders of accumulating with-profits personal pensions policies who opted out of, or failed to join, an occupational pension scheme, or who transferred a deferred pension with a former employer to a personal pension. There were 11,688 such guarantees in force at the valuation date. The guarantee provides that the eventual benefits in respect of the period during which the policyholder could have been a member of the scheme, or was a member in the case of transfers, will be no less in value than those which would have been provided by the scheme.

(b) Regular premium savings plans sold direct to customers contain a guarantee that the contract may be cancelled and all premiums paid refunded in full at any time within three months of the date of issue. A similar guarantee applies to regular premium personal pensions and free standing additional voluntary contribution policies, except that instead of a cash refund, the value of the fund is guaranteed to be no less than the premiums paid.

(c) Some UK endowment assurances issued before 1983 contain a guaranteed annuity option exercisable on maturity. Specimen rates per £1,000 of cash for annuities payable quarterly in advance throughout life are £96 per annum for men aged 65 and £75.50 per annum for women aged 60.

(d) Transfer values on all new regular premium with-profits personal pensions and all regular premium top-ups to with-profits personal pensions and retirement annuity policies issued since 1 January 1999 will not be less than the total premiums paid (including any tax relief the company claims on behalf of the policyholder) in the event of a transfer to a stakeholder pension.

(e) Income security benefit contracts issued between February 1971 and November 1981 contain an option to convert all or part of the benefit to a whole life or endowment assurance without evidence of health. The maximum sum assured under the new assurance is three times the quarterly income benefit being cancelled, multiplied by the number of years remaining of the income benefit term.

(f) A few UK policies issued between September 1975 and April 1984 and some policies issued in Hong Kong contain an option, in return for an additional premium, to effect further assurances without evidence of health.

(g) Some assurance policies contain options to effect further assurances without evidence of health at specific ages, on marriage or on the adoption or birth of a child. Under some assurances in Hong Kong, a guaranteed insurability option of up to five times the basic sum assured is offered at the maturity of the pure endowment part of the assurance.

(h) A few assurance policies issued between October 1973 and July 1979 on the life of a parent or guardian for the benefit of a child contain an option to permit the child, after attaining a specified age, to effect a whole life or endowment assurance without evidence of health for a sum assured not exceeding four times that of the original policy. On the marriage of a female child, the option may be exercised on her husband's life if he is under age 45.

(i) Some individual level temporary assurance policies contain an option, in return for an additional premium, to convert wholly or partially to a whole life or endowment assurance for a sum assured not exceeding the original sum assured.

(j) Some individual temporary assurance policies contain an option to renew the assurance every 5 or 10 years without evidence of health subject to a maximum age at renewal of 55 (65 in Hong Kong). The sum assured under this option can be increased by up to one half of the sum assured remaining at the end of the 5 or 10 year period. There is also an alternative option to convert at the end of the term to any other ordinary branch single life assurance, for a sum assured of up to 150% of that under the temporary assurance policy.

(k) Some UK endowment assurances issued in connection with building society or bank mortgages contain a guaranteed surrender value. The guarantee becomes effective if the lender forecloses on the mortgage and the house sale proceeds together with the normal surrender value of the policy are less than the outstanding loan. In order to rectify the shortfall, the normal surrender value may be increased up to the amount of the principal to which the lender would have been entitled had the loan been granted under the repayment method.

(l) Most individual deferred annuity contracts, other than retirement annuity contracts, contain a guaranteed cash option at the end of the period of deferment. All individual deferred annuity contracts issued before June 1967, other than retirement annuity contracts, contain guaranteed minimum surrender values.

(m) Some individual and group pension deferred annuity contracts contain guaranteed benefit conversion factors for early or late retirement.

(n) Under a few group life assurance policies, premium rates are guaranteed for employees in respect of current levels of sum assured. Group life assurance premium rates are generally guaranteed for 2 or 3 years.

(o) Employees leaving group pension schemes, where it has not been possible to remove the option, may replace any temporary life assurance cover with an individual assurance at the relevant rates of premium then in force, based on the original underwriting decision. The continuation option was withdrawn for new schemes during 1988.

(p) 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.

(q) 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.

Appendix 1(B) Non-linked contracts in the Non-Profit Sub-Fund (including contracts previously written by SAL)

Appendix 1(B)(a) 1 Accumulating with-profits contracts (Prudential)

A ***Prudential Europe Vie***
(Overseas life assurance business)

These policies are single life, single premium whole life assurances denominated in euros.

Premiums, after deduction of initial charges, are allocated to secure units in an accumulating with-profits fund in the Defined Charge Participating Sub-Fund. Charges (other than the annual management charge) are the same as for the corresponding linked version of the contract described in Appendix 2(B *A* (page 198). The product was closed to new business on 1 January 2004 but top-ups may be paid at any time.

The unit price is calculated daily and incorporates reversionary bonus interest. Units are bought and sold at the same price. A terminal bonus may be added when units are realised.

The death benefit is the value of the units including any terminal bonus.

(i) Exit charges are applied on withdrawals, other than regular withdrawals described in (v) below. These charges are the same as for the corresponding linked contract, and are described in Appendix 2(B *A* (page 198).

An adjustment to reflect market conditions may also be applied to withdrawals, other than regular withdrawals in the circumstances described in (v) below, on surrender or on a switch of units from the fund. This is described in 4(A)(a)(2) 2 (page 7)

(ii) Not applicable.

(iii) There are no guaranteed investment returns or bonus rates.

(iv) The surrender value is guaranteed to be no less than 75% of the initial investment, net of the initial charge.

(v) There is an option to select regular income withdrawals. Such withdrawals, within a certain limit, are not subject to any adjustment to reflect market conditions. Currently, this limit is equivalent to an annual amount of 5% of the value of the units (including terminal bonus) remaining in a policy.

B ***International Prudence Bond***
(Life reassurance business)

These policies are issued by Prudential International Assurance plc. They are single life, joint life or joint life last survivor single premium whole life assurances.

Premiums, after deduction of charges, are allocated to secure units in a sterling, euro or US dollar denominated accumulating with-profits fund in the Defined Charge Participating Sub-Fund. Allocation rates vary between 100% and 102.5% of the premium. Charges consist of an establishment charge which is deducted quarterly for five years by cancelling units and an annual management charge**.** The minimum initial premium is £20,000. Single premium top ups may be made at any time.

The unit price is calculated daily and incorporates reversionary bonus interest. Units are bought and sold at the same price. A terminal bonus may be added when units are realised.

The death benefit is 101% of the value of units including terminal bonus for lives assured aged 75 or less at the date of investment or 100.1% of the value of units including terminal bonus less exit charges for lives assured aged 76 or more at the date of investment.

(i) Exit charges are applied on withdrawals, other than regular withdrawals described in (v) below.

An adjustment to reflect market conditions may also be applied to withdrawals, other than regular withdrawals in the circumstances described in (v) below, on surrender or on a switch of units from the fund. This is described in 4(A)(a)(2) 1 (page 7)

(ii) Not applicable.

(iii) There are no guaranteed investment returns or bonus rates.

(iv) Not applicable

(v) There is an option to select regular income withdrawals. Such withdrawals, within a certain limit, are not subject to any adjustment to reflect market conditions. Currently, this limit is equivalent to an annual amount of 5% of the value of the units (including terminal bonus) remaining in a policy.

C International Prudence Bond- Capital Redemption Option
(Capital redemption business)

These policies are issued by Prudential International Assurance plc. They are single premium capital redemption contracts with a fixed term of 99 years.

The product is the same as International Prudence Bond described above in 1(B)(a) 1 B except that there is a guaranteed maturity value of 101% of the initial investment and no death benefit.

D Can Generation (formerly Pru Generation)
(Overseas life assurance business)

These policies are issued in Germany by Canada Life Europe Assurance Limited. They are single life deferred annuity contracts with an option to take tax-free cash or an annuity at retirement. The policyholder nominates a selected retirement date at outset but this can be altered under a flexible retirement option. Premiums may be either single or regular.

Premiums, after deduction of charges, are allocated to secure units in a euro denominated accumulating with-profits fund in the Defined Charge Participating Sub-Fund. Charges for risk benefits, fund management and administration are deducted by cancelling units.

The unit price is calculated daily and incorporates reversionary bonus interest. Units are bought and sold at the same price. A terminal bonus may be added when units are realised.

The death benefit is the greater of the sum of premiums paid at the date of death and the value of units including terminal bonus. If the additional death benefit option is selected, the death benefit is the greater of the selected death benefit and 101% of the value of units including terminal bonus.

(i) Exit charges are applied on full or partial surrender. An adjustment to reflect market conditions may also be applied on full or partial surrender, or on a switch of units from the fund. This is described in 4(A)(a)(2) 2 (page 7).

(ii) Not applicable.

(iii) The annual bonus rate is guaranteed to be no less than 2.5% per annum until the selected retirement date. If the policy is altered or prematurely terminated in whole or in part other than by the exercise of the flexible retirement option the guarantee is invalidated.

(iv) Not applicable.

(v) Flexible Retirement Option

If the term of the policy is at least 12 years the policyholder can increase or reduce the retirement age by up to 10 years provided the new retirement date is at least 5 years in the future. The retirement age must be at least 50 and no more than 75.

Appendix 1(B)(a) 2 Accumulating with-profits contracts (Ex-SAL)

These contracts were formerly written by Scottish Amicable Life plc and wholly reinsured into the With-profits Sub-fund. Those which remain open to new business are now written direct in the WPSF.

A Home Purchaser (Series 3) and Amicable Savings Plan
(UK life assurance and general annuity business)

These contracts are available as with-profits options under the corresponding linked contracts described in *F* (page 165). The with-profits elements of premiums are invested in a notional accumulating with-profits fund in the With-Profits Sub-Fund.

(i) For policies sold before 31 July 2000, surrender charges are as described in *F* (page 165). For policies sold after 31 July 2000, the early discontinuance charge does not apply.

An adjustment to reflect market conditions may be applied to withdrawals, other than regular withdrawals, on surrender or on a switch of units from the fund. This is described in 4(B)(a)(2) (page 8).

(ii) Not applicable.

(iii) There are no guaranteed investment returns or bonus rates.

(iv) There are no guaranteed surrender values.

(v) There are no material options.

B ***Trustee Investment Plan***
(UK pension business)

These contracts are available as with-profits options under the corresponding linked contracts described in *L* (page 174). The with-profits elements of premiums are invested in a notional accumulating with-profits fund in the With-Profits Sub-Fund.

(i) Surrender charges are as described in *L* (page 174).

An adjustment to reflect market conditions may be applied on surrender or on a switch of units from the fund. This is described in 4(B)(a)(2) (page 8).

(ii) Not applicable.

(iii) There are no guaranteed investment returns or bonus rates.

(iv) There are no guaranteed surrender values.

(v) There are no material options.

C Series 2 pensions
(UK pension business)

These contracts are available as with-profits options under the corresponding linked contracts described in *H* (page 168). The with-profits elements of premiums are invested in a notional accumulating with-profits fund in the With-Profits Sub-Fund.

(i) Surrender charges are as described in *H* (page 168).

An adjustment to reflect market conditions may be applied on surrender or on a switch of units from the fund. This is described in 4(B)(a)(2) (page 8).

(ii) The discounted value shown is the bid value of units less the early retirement charge described in sub-paragraph (h) of *H* (page 168).

(iii) There are no guaranteed investment returns or bonus rates.

(iv) There are no guaranteed surrender values.

(v) There are no material options.

D Series 3 pensions
(UK pension business)

These contracts are available as with-profits options under the corresponding linked contracts described in *I* (page 170). The with-profits elements of premiums are invested in a notional accumulating with-profits fund in the With-Profits Sub-Fund.

(i) Surrender charges are as described in *I* (page 170).

An adjustment to reflect market conditions may be applied on surrender or on a switch of units from the fund. This is described in 4(B)(a)(2) (page 8).

(ii) Not applicable.

(iii) There are no guaranteed investment returns or bonus rates.

(iv) There are no guaranteed surrender values.

(v) There are no material options.

E Section 32 Buy-Out Plan
(UK pension business)

These contracts are available as with-profits options under the corresponding linked contracts described in *J* (page 172). The with-profits elements of premiums are invested in a notional accumulating with-profits fund in the With-Profits Sub-Fund.

The contract is designed to accept a transfer value from an occupational pension scheme.

The accrued fund is guaranteed to 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 and any terminal bonus which may be added when units are realised, subject to a minimum of the GMP death benefit.

(i) Surrender charges are as described in *J* (page 172**).**

An adjustment to reflect market conditions may be applied on surrender or on a switch of units from the fund. This is described in 4(B)(a)(2) (page 8).

(ii) Not applicable.

(iii) The accrued fund is guaranteed to be sufficient to meet all GMP liabilities as described above.

(iv) There are no guaranteed surrender values.

(v) There are no material options.

F ***Phased Retirement Plan and Income Drawdown Plan***
(UK pension business)

These contracts are available as with-profits options under the corresponding linked contracts described in *K* (page 173). The with-profits elements of premiums are invested in a notional accumulating with-profits fund in the With-Profits Sub-Fund.

(i) Surrender charges are as described in *K* (page 173).

An adjustment to reflect market conditions may be applied on withdrawal other than regular withdrawal or on a switch of units from the fund. This is described in 4(B)(a)(2) (page 8).

(ii) Not applicable.

(iii) There are no guaranteed investment returns or bonus rates.

(iv) There are no guaranteed surrender values.

(v) There are no material options.

G ***Series A pensions***
(UK pension business)

These contracts are available as with-profits options under the corresponding linked contracts described in *M* (page 175). The with-profits elements of premiums are invested in a notional accumulating with-profits fund in the With-Profits Sub-Fund.

(i) There is no surrender charge.

An adjustment to reflect market conditions may be applied on surrender or on a switch of units from the fund. This is described in 4(B)(a)(2) (page 8).

(ii) Not applicable.

(iii) There are no guaranteed investment returns or bonus rates.

(iv) There are no guaranteed surrender values.

(v) If regular contributions are increased on a change of employer, Personal Pension and Group Personal Pension Plan holders with Waiver Benefit or both Waiver Benefit and Lump Sum Waiver Benefit may increase the contributions covered by the benefit(s) with no additional underwriting provided the increased contribution is no more than twice the previous contribution. No additional charge will be made for any such increase until three months after the increase starts. The benefit on any excess over twice the previous contribution will be subject to normal underwriting and charges.
Personal Pension and Group Personal Pension Plan holders who have Waiver Benefit on their plan are also entitled to Long Term Care Double Cover. This benefit allows the member to buy a Long Term Care Bond from Prudential International (or another contract approved by the PAC Actuary as a reasonable equivalent) at ordinary rates, without underwriting, at retirement.

Appendix 1(B)(a) Description of accumulating with-profits contracts (including ex-SAL) continued

H Section 32 Buyout Plan (Series A)
(UK pension business)

These contracts are available as with-profits options under the corresponding linked contracts described in *N* (page 178). The with-profits elements of premiums are invested in a notional accumulating with-profits fund in the With-Profits Sub-Fund.

The contract is designed to accept a transfer value from an occupational pension scheme.

The accrued fund is guaranteed to 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 and any terminal bonus which may be added when units are realised, subject to a minimum of the GMP death benefit.

(i) There is no surrender charge.

An adjustment to reflect market conditions may be applied on surrender or on a switch of units from the fund. This is described in 4(B)(a)(2) (page 8).

(ii) Not applicable.

(iii) The accrued fund is guaranteed to be sufficient to meet all GMP liabilities as described above.

(iv) There are no guaranteed surrender values.

(v) There are no material options.

I Trustee Investment Plan (Series A)
(UK pension business)

These contracts are available as with-profits options under the corresponding linked contracts described in *O* (page 179). The with-profits elements of premiums are invested in a notional accumulating with-profits fund in the With-Profits Sub Fund.

If units are realised on a non-earmarked policy to provide death benefits, there may be an exit charge and possibly an adjustment to reflect market conditions. This is described in 4(B)(a)(2) (page 8). For an ear-marked policy, in the event of a member's death the full fund value (free of any charges) is paid to the trustees.

(i) Surrender charges are described in Appendix 2(B)(2) ***O*** (page 179).

(ii) Not applicable.

(iii) There are no guaranteed investment returns or bonus rates.

(iv) There are no guaranteed surrender values.

(v) There are no material options.

J ***Premier pensions***
(UK pension business)

These contracts are available as with-profits options under the corresponding linked contracts described in *P* (page 180). The with-profits elements of premiums are invested in a notional accumulating with-profits fund in the With-Profits Sub-Fund.

(i) There is no surrender charge.

An adjustment to reflect market conditions may be applied on surrender or on a switch of units from the fund. This is described in 4(B)(a)(2) (page 8).

(ii) Not applicable.

(iii) There are no guaranteed investment returns or bonus rates.

(iv) There are no guaranteed surrender values.

(v) Personal Pension Plans with Waiver Benefit are entitled without charge to Long Term Care Double Cover. This benefit allows the member to buy a Long Term Care Bond from Prudential International (or another contract approved by the PAC Actuary as a reasonable equivalent) at ordinary rates, without underwriting, at retirement.

Appendix 1(B)(c) Other non-linked contracts in the Non-Profit Sub-Fund (including contracts previously written by SAL) not fully described by the entry in column 1 of Form 51

A Prudential Protection

(UK life assurance and general annuity business and permanent health insurance business - without participation in profits)

These policies provide life assurance, critical illness insurance, waiver of premium benefit and mortgage payment benefits. Premium rates are guaranteed except for critical illness benefits written after 13 April 2003. Reassurance rates for critical illness benefit are reviewable yearly for benefits written between 1 January and 9 March 2003 and are reviewable yearly from the fifth policy anniversary for benefits written after 9 March 2003. Reassurance rates for the other benefits are guaranteed.

Policies issued at ordinary rates include an option to increase cover without evidence of health in the event of mortgage increase, marriage, childbirth or adoption. The option can be exercised only before the life assured's 50th birthday and within 3 months of the event occurring.

Business written between 1 January 2003 and 25 July 2004 is in the WPSF.

B Mortgage Protection (Home Protect)

(UK life assurance and general annuity business and permanent health insurance business - without participation in profits)

These policies provide life assurance, critical illness insurance, waiver of premium benefit and mortgage payment benefits. Premium rates and reinsurance rates are reviewable yearly.

Policies issued at ordinary rates may include an option to increase cover without evidence of health in the event of mortgage increase, marriage, childbirth or adoption. The option can be exercised only before the life assured's 50th birthday and within 3 months of the event occurring. The increase can be up to 50% of the benefit for the mortgage option or 25% for the other options both subject to maxima of £150,000 (life and critical illness) or £1,000 a month (premium waiver and mortgage payment benefits).

Free life cover up to £150,000 is provided for up to 90 days between the date the application form is received and the start of the mortgage or the start of the policy if earlier.

C Mortgage Protection (transferred from M&G Life)

Mortgage Protection schemes are risk premium term assurance on the lives of a group using Personal Equity Plans and Individual Savings Accounts to repay a mortgage. The sum at risk on each life is the difference between the mortgage outstanding and the value of the PEP and/or ISA, subject to a minimum of zero. The monthly premium equals the sum at risk multiplied by a guaranteed (age/sex dependent) risk premium rate. The term of cover for each life is up to 5 years. There are options for each life to continue cover for a further 5 years up to a date specified at the outset of the original cover, and, if the life assured increases his mortgage, to increase the benefit by the lower of 50% of the increase or £50,000 on rates in force at the time. Neither option requires medical evidence. Two schemes incorporate options for each life to add Critical Illness, Waiver of Contribution and PHI benefits. These options are offered subject to provision of satisfactory medical evidence.

D Guaranteed Protection Plans (transferred from M&G Life)

Guaranteed Protection Plans are 5-year increasable renewable convertible term assurance policies. The sum assured and premium usually increase by 10% per annum simple but the policyholder has an option to stop the increases from any policy anniversary. The policyholder has an option to effect another policy without medical evidence at the end of the term on premium rates then in force, except that cover must cease on or before the policyholder's 70th birthday. The policyholder has an option to convert to a qualifying regular premium policy at any time. Premiums are waived after six months sickness.

Increasing Term Assurance is a 10-year variant of Guaranteed Protection Plan.

Appendix 1(B)(c) Description of other non-linked contracts (NPSF) continued

E Group Life (transferred from M&G Life)

Group Life schemes are group policies on the lives of members of an affinity group. The schemes either:

(b) provide cover very similar to Guaranteed Protection Plans except that the term is usually 10 years, or
(ii) provide 5 year level term assurance paid for by single premium, or
(iii) provide 5-year level term assurance extendable without medical evidence for the duration of a mortgage paid for by regular premiums.

F Loan Protection (transferred from M&G Life)

Loan Protection schemes are temporary or risk premium assurances issued under a collective arrangement under which the sum assured is equal to the amount outstanding under a credit agreement. On some policies the sum assured is paid out in the event of the diagnosis of specified serious illnesses or disability. In such an event any life benefit ceases.

G Guaranteed Growth Bonds (transferred from M&G Life)

Guaranteed Growth Bonds are single premium deferred annuities with a guaranteed cash option at vesting. On death or surrender before vesting, 95% of the single premium is returned together with compound interest at 5% per annum, subject to a minimum payment of the single premium on death. There is an option to extend the term at vesting on rates in force at that time.

H School Fee Bonds (transferred from M&G Life)

School Fee Bonds are single premium capital protected deferred temporary annuities.

I Waiver of Premium

Waiver of premium plans were introduced on 6 April 2001 and are written in conjunction with Premier Group Personal Pensions, Premier Personal Pensions, Premier Individual Stakeholder Pensions and Premier Group Stakeholder Plans. The waiver of premium benefit is paid if the planholder cannot work because of a specified illness or injury. In the event of a claim, following the selected deferred period of 3, 6 or 12 months, the company will pay regular contributions to the pension plan on behalf of the planholder. Premium rates are reviewable.

J Permanent Health

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.

Appendix 1(C) Non-linked contracts in SAIF

Appendix 1(C)(a) Accumulating with-profits contracts

A ***IPA***
(UK pension business)

These contracts were available to exempt approved schemes as with-profits options under the corresponding linked contracts described in Appendix 2(C) *B* (page 204).

(i) Surrender charges are as described in Appendix 2(C) *B* (page 204).

An adjustment to reflect market conditions may be applied on surrender or on a switch of units from the fund. This is described in 4(C)(a)(2) (page 9).

(ii) Not applicable.

(iii) For applications received prior to 15 January 1996, and for claims payable on death or on retirement at the policyholder's selected retirement age (SRA), the value of initial units is guaranteed not to fall, and the value of accumulation units is guaranteed to increase at a minimum rate of 4% per annum.

(iv) There are no guaranteed surrender values.

(v) The contract includes a guaranteed annuity option at the SRA.

The policy guarantees a scale of single life annuities for men and women at selected retirement ages between 60 and 70 for men and 55 and 70 for women.

Specimen rates of annuity per £1,000 cash are:

Men aged 65	£100 per annum
Women aged 60	£78 per annum
Men aged 60	£87 per annum

The single life annuity is payable monthly in advance, guaranteed for 5 years. On death within the guaranteed period, outstanding instalments are paid as a lump sum.

By concession, policyholders are currently being allowed to select a different type of annuity, without losing the benefit of the guaranteed annuity.

B ***FlexiPension (Series 2)***
(UK pensions business)

These individual pension contracts for the self-employed were available as with-profits options under the corresponding linked contracts described in Appendix 2(C) *C* (page 205).

(i) Surrender charges are as described in Appendix 2(C) *C* (page 205).

An adjustment to reflect market conditions may be applied on surrender or on a switch of units from the fund. This is described in 4(C)(a)(2) (page 9).

(ii) Not applicable.

(iii) For applications received prior to 15 January 1996, and for claims payable on death or at SRA, the value of initial units is guaranteed not to fall and the value of accumulation units is guaranteed to increase at a minimum rate of 4% per annum.

(iv) There are no guaranteed surrender values.

(v) 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 described in Appendix 1(C)(c) *B* (page 125).

C Series 1 pensions
(UK pensions business)

These contracts were available as with-profits options under the corresponding linked contracts described in Appendix 2(C) *D* (page 207).

(i) Surrender charges are as described in Appendix 2(C) *D* (page 207).

An adjustment to reflect market conditions may be applied on surrender or on a switch of units from the fund. This is described in 4(C)(a)(2) (page 9).

(ii) Not applicable.

(iii) For applications received before 15 January 1996 and for claims payable on death or at NRA or SRA, the value of accumulation units is guaranteed to increase at a minimum rate of 4% per annum.

(iv) There are no guaranteed surrender values.

(v) 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 described in Appendix 1(C)(c) *B* (page 125).

D Series 2 pensions
(UK pensions business)

These contracts were available as with-profits options under the corresponding linked contracts described in Appendix 2(C) *E* (page 209).

(i) Surrender charges are as described in Appendix 2(C) *E* (page 209).

An adjustment to reflect market conditions may be applied on surrender or on a switch of units from the fund. This is described in 4(C)(a)(2) (page 9).

(ii) The discounted value shown is the bid value of units less the early retirement charge described in Appendix 2(C) *E* (page 209).

(iii) For applications received before to 15 January 1996 and for claims payable on death or at NRA or SRA, the value of accumulation units is guaranteed to increase at a minimum rate of 4% per annum.

(iv) There are no guaranteed surrender values.

(v) 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 described in Appendix 1(C)(c) *B* (page 125).

E Series 3 pensions

These contracts are as described in Appendix 1(B)(a *D* (page 117). However, different rates of bonus may apply.

F Section 32 Buy-Out Plan

These contracts are as described in Appendix 1(B)(a *E* (page 117). However, different rates of bonus may apply.

G Phased Retirement Plan
Income Drawdown Plan

These contracts are as described in Appendix 1(B)(a) (page 118). However, different rates of bonus may apply.

Appendix 1(C)(c) Other non-linked contracts in SAIF not fully described by the entry in column 1 of Form 51

A ***Flexidowment (Series 2)***
(UK life assurance and general annuity business – with-profits)

These contracts ceased to be available in 1995. They are endowment assurances maturing either at age 65 or after 25 years, with guaranteed early maturity value options on any anniversary after the tenth.

B ***FlexiPension (Series 1)***
(Pension business – with-profits)

These contracts ceased to be available in 1987. They are pure endowments effected under Section 226 of the Income and Corporation Taxes Act 1970. On death there are 3 different benefits, namely a return of premiums with or without interest, or a return of the fund. The policies are written with a pension age of 75 and have guaranteed retirement options including guaranteed annuity options at any birthday after age 60.

Under the guaranteed annuity option, the policy guarantees a scale of single life annuities for men and women at any age between 60 and 75.

Specimen rates of annuity payable yearly in arrears without guarantee per £1,000 cash are:

Men at 65	£109 per annum
Women at 60	£82 per annum
Men at 60	£93 per annum

If the policyholder selects a different type of annuity, they receive an annuity equivalent in value to the guaranteed rates quoted in the policy.

C ***Endowment Assurance***
Individual Pure Endowment
(Pension business – with and without participation in profits)

These contracts include a guaranteed annuity option at the maturity date.

The policy guarantees a scale of single life annuities for men and women at selected retirement ages between 60 and 70 for men and 55 and 70 for women.

Specimen rates of annuity per £1,000 cash are:

Men at 65	£100 per annum
Women at 60	£78 per annum
Men at 60	£87 per annum

The annuity is payable monthly in advance, guaranteed for 5 years. On death within the guaranteed period, outstanding instalments are paid as a lump sum.

By concession, policyholders are currently being allowed to select a different type of annuity, without losing the benefit of the guaranteed annuity.

Appendix 2 – Linked Contracts

Appendix 2(A) United Kingdom linked contracts in the With-Profits Sub-Fund

A GPP1 (Group Personal Pension Scheme (Old))
GPP2 (Group Personal Pension Scheme (New))
GPP3 (Prudential (Flexible) Personal Pension Scheme)
MPP1 (Money Purchase Plan (Old))
MPP2 (Money Purchase Plan (New))

(a) GPP1, GPP2, GPP3, MPP1 and MPP2.

(b) These are group pension business contracts which may include non-linked benefits as described in Appendix 1(A)(a) ***I*** (page 103).

(c) Single or regular premiums may be paid.

(d) These contracts provide retirement and death in service benefits for groups of employees, or can be used as an investment contract for approved self-administered pension schemes. For GPP1, GPP2, MPP1 and MPP2 on death, normal retirement, transfer and early retirement, the benefit is the bid value of the units secured at the date of realisation less, on transfer or early retirement, an adjustment as detailed in (f)(iii) below. For GPP3 on death, normal retirement, transfer and early retirement, the benefit is the fund value secured at the date of realisation, an adjustment as detailed in (f)(iii) below may apply.

(e) Not applicable.

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

(i) For GPP1, GPP2, MPP1 and MPP2 there is an initial charge of 5% of each premium which is rounded up by not more than 0.1p. This charge is included in the difference between the bid and offer prices of the units. There is no initial charge for GPP3, under which all units are bought and sold at the offer price.

(ii) For GPP1 and GPP2, there is an annual management charge of 0.75% per annum of the value of the units.

For MPP1 and MPP2 there is an annual management charge of 0.65% per annum of the value of the units for passive funds and 0.75% per annum for other managed funds This may be reduced for selected schemes.

For GPP3, the annual management charge is 1%, 0.95%, 1.25% or 1.25% for actively managed units reinsured with Prudential Pensions Limited, Barclays Global Investors Pension Management Limited, Merrill Lynch Pensions Limited or London and Manchester (Managed Funds) Limited respectively. There is an annual management charge of 0.9% when units are invested in Prudential Pensions Limited's passive funds.

(iii) For regular premium front-end loaded contracts there is a further initial charge. On each anniversary of the commencement of the contract, up to 7% of the remaining units secured by regular premiums due in the first year of payment are cancelled. On transfer or early retirement the benefits then available are reduced by a scale of charges broadly equivalent to the value of any outstanding cancellations. This charge is anticipated in the unit liability shown in column 12 of Form 53.

(iv) GPP1, GPP2, GPP3 and MPP2 are subject to policy fees, which have varied by date of issue and frequency of premium payment. From January 2002, policy fees will usually be waived where an allocation rate of 105.27% applies to both regular and single contributions.

(v) A premium charge is applied equal to the amount by which the percentage of premiums allocated to investment in units is less than 100%. (If the percentage exceeds 100% the excess is a reduction to the total charges.)

Specimen allocation rates are as follows:

(I) For GPP1 contracts, the proportion of premiums invested varies from 106% (101% in year 1) for monthly contributions of £1,000 or more to 84% (79% in year 1) for monthly contributions of less than £25. A setting up fee is charged when a new scheme receives transfer values. At least 100% of each single premium or transfer value, less setting up fees, is then allocated. For schemes receiving only the contracting out rebate, at least 99% of each contribution is allocated.

Allocation rates in excess of 105% are funded from future annual management charges. The full amount of units is allocated immediately and this is reflected in the valuation.

(II) Since 1 January 1995 allocation rates for regular contributions to GPP2 and MPP2 have been 103.5%. For single contributions, the allocation rates have been 104% for contributions below £10,000 and 105% for contributions above £10,000. From January 2002, allocation rates for both regular and single contributions may be increased to 105.27%.

(III) The allocation rates for MPP1 are in the range 93%-105.27%.

(IV) The allocation rate for GPP3 is 100% for all premiums.

Charges under (iii) and (v) may be reduced where reduced rates of commission are payable.

(g) There are no other restrictions on increases in the annual management charge other than that imposed by the duty to treat customers fairly.

(h) Benefits on transfer or early retirement are the normal retirement benefits stated in (d) above, less the adjustment stated in (f)(iii) above.

(i) (I) The linked benefits under GPP1, GPP2 and MPP2 are wholly reinsured with Prudential Pensions Limited, 0.25% of the annual management charge being retained by the reinsurer to meet relevant investment management fees. Benefits are determined by reference to the following internal funds of the reinsurer:

Cash	Global Equity	Socially Responsible
Discretionary	Global Equity (Passive)	Property
Equity	Index-linked	Retirement Protection
Equity (Passive)	International	
Fixed Interest	International Bond	

(II) The linked benefits under MPP1 are wholly reinsured with Prudential Pensions Limited, 0.25% of the annual management charge being retained by the reinsurer to meet relevant investment management fees. Benefits are determined by reference to the following internal funds of the reinsurer:

Cash	Fixed Interest	International
Discretionary	Global Equity	Property
Equity	Index-linked	

(III) The linked benefits under GPP3 contracts are wholly reinsured with Prudential Pensions Limited, Barclays Global Investors Pension Management Limited, Merrill Lynch Pensions Limited or London and Manchester (Managed Funds) Limited. The reinsurers retain 0.25%, 0.15%, 0.5% and 0.5% respectively of the annual management charge to meet relevant investment management fees. Benefits are determined by reference to the following funds of the reinsurers:

Prudential Pensions Ltd.

Cash II
Discretionary II
Fixed Interest II
Global Equity II
Index-Linked II
Index Linked (Passive) II
International Bond II
International Equity II
Property II
Retirement Protection (Passive) II
UK Equity II
UK Equity (Passive) II

Barclays Global Investors Pension Management Ltd.

Global Equity Index Tracker
UK Equity Index Tracker

Merrill Lynch Pensions Ltd

Annuity Protection
Cash
Global Equity

London & Manchester (Managed Funds) Ltd

Friends Ivory & Sime UK Ethical Fund

(j) Not applicable.

(k) All contracts except GPP1 were open to new business in the year to the valuation date.

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

B PTP (Pension Transfer Plan)

(a) PTP.

(b) These are group pension business contracts which may include non-linked benefits as described in Appendix 1(A) (a) ***I*** *(a)* (page 103).

(c) The contract accepts transfer values. Regular contributions may be paid if the contract is set up as a personal pension.

(d) The contract is a means of investing transfer values from former pension schemes. It can be set up as a Section 32 Buyout or as a Personal Pension, and provides pension and lump sum benefits on retirement and lump sum benefits on death. Where a GMP is to be guaranteed on a Section 32 policy, the GMP part of the transfer value must be used to buy special units in the with-profits fund. The value of the benefits is the bid value of the units. On a Personal Pension contract, members have the option of paying future contributions.

(e) Not applicable.

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

(i) An initial charge of 5% of each premium, which is rounded up by not more than 0.1p. This charge is included in the difference between the bid and offer prices of the units.

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

(iii) Policy fees which have varied by date of issue and frequency of premium payment.

(iv) A premium charge of the amount by which the percentage of premiums allocated to investment in units is less than 100%. (If the percentage exceeds 100% the excess is a reduction to the total charges.) This charge may be reduced if reduced rates of commission are payable.

Specimen allocation rates for nil commission terms and terms of 20 years or more are as follows:

Transfer Value	Allocation Rate		
	Term <10	10 – 20	20 years +
£	%	%	%
<10,000	103	103	104
10,000 to 24,999	103	104	106
25,000 to 39,999	104	104	106
≥ 40,000	105	105	106

Allocation rates in excess of 105% are funded from future annual management charges. The full amount of units is allocated immediately and this is reflected in the valuation.

Allocation rates where commission is payable are correspondingly lower.

(g) There are no restrictions on increases in the annual management charge other than that imposed by the duty to treat customers fairly.

(h) The transfer value is the bid value of units.

(i) The linked benefits under these contracts are wholly reinsured with Prudential Pensions Limited, 0.25% of the annual management charge being retained by the reinsurer to meet relevant investment management fees. Benefits are determined by reference to the reinsurer's internal funds listed in Appendix 2(A) *A* (i)[I] (page 126).

(j) Not applicable.

(k) Contracts were open to new business in the year to the valuation date.

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

C AVC (Group Additional Voluntary Contribution Contract)

(a) AVC.

(b) These are group pension business contracts which may include non-linked benefits as described in Appendix 1(A)(a) ***F*** (page 99).

(c) Single or regular premiums may be paid.

(d) On death, normal retirement, transfer and early retirement, the benefit is the bid value of the units secured at the date of realisation.

(e) Not applicable.

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

(i) An initial charge of 5% of each premium, which is rounded up by not more than 0.1p. This charge is included in the difference between the bid and offer prices of the units.

(ii) An annual management charge of 0.65% per annum of the value of the units for passive funds and 0.75% per annum for other managed funds.

(iii) Policy fees, which have varied by date of issue and frequency of premium payment.

(iv) A premium charge of the amount by which the percentage of premiums allocated to investment in units is less than 100%. (If the percentage exceeds 100% the excess is a reduction to the total charges.) This charge may be reduced if reduced rates of commission are payable.

Allocation rates are in the range 98% - 105.27%.

(g) There are no restrictions on increases in the annual management charge other than that imposed by the duty to treat customers fairly.

(h) The transfer value is the bid value of units.

(i) The linked benefits under these contracts are wholly reinsured with Prudential Pensions Limited, Barclays Global Investors, Deutsche Asset Management or Threadneedle. The reinsurers retain 0.25%, 0.15% (subject to a minimum fee of £100,000), and 0.275% (subject to a minimum fee of £100,000) reducing to 0.25% if funds under management exceed £150 million respectively of the annual management charge to meet relevant investment management fees. Further details of the minimum fees are described in Appendix 2(B) ***E*** (page 153).

Benefits are determined by reference to the following funds of the reinsurers:

Prudential Pensions Ltd

Cash
Corporate Bond
Discretionary
Fixed Interest
Global Equity
Index Linked (active)
Long Term Growth
Property
Overseas Equity (passive)
Pre-Retirement
Retirement Protection
Socially Responsible
UK Equity (passive)
UK Specialist Equity

Barclays Global Investors

Global Equity Index 60/40
UK Equity Index

Deutsche Asset Management

Balanced
European Equity
Japanese Equity
North American Equity
Pacific Equity
UK Equity

Threadneedle

Adventurous Pathway
Balanced Pathway
Cautious Pathway
High Alpha UK Equity
European Equity

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(j) Not applicable.

(k) Contracts were open to new business in the year to the valuation date.

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

D Annuities linked to the Retail Prices Index (RPI)

(a) Annuities in payment - RPI.

(b) These are pensions annuities in payment.

(c) Only single premiums are payable.

(d) An annuity is payable throughout the lifetime of the annuitants.

(e) The amount payable is guaranteed to change in line with the RPI or, in some cases, in line with the RPI subject to a maximum upper limit.

(f) Expenses are recovered in aggregate from implicit margins included within the pricing basis. There are no explicit charges and there is no direct correlation between any specific charge and a specific cost to the Company.

(g) The Company cannot vary the charges.

(h) There is no transfer value.

(i) Benefits change each year by the change in the RPI over the previous year.

(j) Not applicable.

(k) Contracts were open to new business in the year to the valuation date.

(l) Not applicable.

Contracts in SAA

E 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 before May 1986, the death benefit is calculated as a percentage of the bid value of units dependant on 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 duty to treat customers fairly.

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

(i) Benefits are determined by reference to the value of internal linked funds.

(j) Not applicable.

(k) This contract was closed for new business but was open for additional benefits throughout 2004.

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

F 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.

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 be increased only if costs have increased by more than inflation and only to an extent consistent with the duty to treat customers fairly.

(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) Benefits are determined by reference to the value of internal linked funds.

(j) Not applicable.

(k) This contract was closed for new business but was open for additional benefits throughout 2004.

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

G 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.

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 duty to treat customers fairly.

(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) Benefits are determined by reference to the value of internal linked funds.

(j) Not applicable.

(k) This contract was closed for new business but was open for additional benefits throughout 2004.

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

H 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 duty to treat customers fairly.

(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) Benefits are determined by reference to the value of internal linked funds.

(j) Not applicable.

(k) This contract was closed for new business throughout 2004.

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

I 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.

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, 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 duty to treat customers fairly.

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) Benefits are determined by reference to the value of internal linked funds.

(j) Not applicable.

(k) This contract was closed for new business throughout 2004.

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

J Home Purchaser (Series 2)

(a) Home Purchaser (Series 2).

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

(c) Regular (annual or monthly) premium.

(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 Appendix 1(A)(a) ***P*** (page 107). 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 the duty to treat customers fairly.

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) Benefits are determined by reference to the value of internal linked funds.

(j) Not applicable.

(k) This contract was closed for new business but was open for additional benefits throughout 2004.

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

K Home Purchaser (Series 3) and 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.

Appendix 2(A) Description of United Kingdom linked contracts (WPSF) continued

(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 Appendix **1(B)(a** *A* (page 116). 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.

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

(i) Mortgage Interest Benefit which 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 payment is such that it will approximately cover the mortgage interest payment 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.

The policy charge and the annual management charge meet renewal expenses.

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 duty to treat customers fairly.

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.

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.

(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) Benefits are determined by reference to the value of internal linked funds.

(j) Not applicable.

(k) This contract was closed for new business but was open for additional benefits throughout 2004.

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

L 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.

(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 duty to treat customers fairly.

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) Benefits are determined by reference to the value of internal linked funds.

(j) Not applicable.

(k) This contract was closed for new business throughout 2004.

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

M Prudence Inheritance Bond

(a) Prudence Inheritance Bond.

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

(c) Single premium.

(d) The Prudence Inheritance 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 Prudence Inheritance 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 Prudence Inheritance Capital Fund is accumulated in the Prudence Inheritance 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.

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 Prudence Inheritance 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 Prudence Inheritance 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 duty to treat customers fairly.

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

(i) Benefits are determined by reference to the value of internal linked funds.

(j) Not applicable.

(k) This contract was closed for new business throughout 2004.

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

Appendix 2(B) United Kingdom linked contracts in the Non-Profit Sub-Fund

Appendix 2(B) 1 – Written by Prudential

A Flexible Investment Plan

(a) This category comprises Flexible Investment Plan Initial Charge Option and Flexible Investment Plan No Initial Charge Option. It was launched in pilot form on 7 July 2003 and on 17 November 2003 replaced the contracts previously known as Prudence Bond and Prudence Managed Investment Bond. There are 5 distinct marketing packages (referred to individually as Bonds) within the umbrella product name of Flexible Investment Plan. These are "Prudence Bond" (primarily with-profits), "Managed Bond" (a full range of unit linked funds), "Cautious Bond" (focusing on the cautious end of the unit linked fund range), "Property Bond" and "Corporate Bond".

(b) These are whole life assurances. Flexible Investment Plan may also be written in accumulating with-profits form as described in Appendix 1(A)(a) B (page 94).

(c) These are single premium assurances.

(d) The death benefit is 101% of the bid value of units for lives assured aged under 75 at the date of investment or 100.1% of the bid value of units less exit charges for lives assured aged over 74 at the date of investment.

Policyholders diagnosed as suffering from an illness that will result in death within 12 months may claim the death benefit immediately.

Policyholders under age 75 at entry may choose the Optional Minimum Guaranteed Death Benefit which guarantees that the amount paid on death or diagnosis of a terminal illness will be at least the total premium(s) paid less any withdrawals (regular or partial).

Normal discontinuance charges do not apply to policyholders who have been confined to a nursing home for 90 consecutive days or more (beginning at least 90 days after issue of the contract).

A loyalty bonus is added on the second and subsequent anniversaries of each tranche of premium, provided there have been no withdrawals during the preceding year. The bonus is 0.25% of the bid value of units on the tranche anniversary. Each tranche of premium is treated as a separate policy.

For the Initial Charge Option only, further loyalty bonuses of 1% of the bid value of units are payable at the end of 5 and 10 years provided no withdrawals of any type have occurred.

(e) There are no guaranteed investment returns.

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

(i) For Initial Charge Option, an initial charge of 5% of the premium, rounded up by no more than 0.1p. This charge is included in the difference between the bid and offer prices of units.

(ii) An annual management charge of 1.55% per annum of the value of units for No Initial Charge Option and 1.25% per annum of the value of units for the Initial Charge Option.

The following additional annual management charges (Amc) apply to investments in the externally managed funds:

Fund	Amc %	Fund	Amc %
DWS Managed Portfolio Fund	0.65	UK Tracker Fund (M&G)	0.00
DWS UK Growth Fund	0.65	Managed Defensive Fund	0.00
DWS American Growth Fund	0.65	Merrill Lynch Managed	0.25
DWS Japan Growth Fund	0.65	Newton Balanced Fund	0.40
Invesco Perpetual Income Fund	0.40	Newton Continental European Fund	0.40
Invesco Perpetual Managed	0.35	Newton Higher Income Fund	0.20
Invesco Perpetual UK Growth Fund	0.60	Newton International Growth Fund	0.40
M&G Cazenove Balanced Portfolio	0.40	Newton Managed	0.20
M&G Cazenove Cautious Managed Portfolio	0.40	Newton Oriental Fund	0.40
		Prudential UK 70% Protected Fund	0.45
M&G Cazenove Growth Portfolio	0.40	Prudential UK 80% Protected Fund	0.45
M&G Corporate Bond	0.20	Cautious UK Managed Fund (PUTL)	0.00
European Tracker Fund (M&G)	0.00	Pacific markets UTL Fund (PUTL)	0.00
M&G Gilt & Fixed Interest Income Fund	0.25	Equity Income Fund (SAUTM)	0.10
		Ethical Fund (SAUTM)	0.40
M&G High Yield Corporate Bond Fund	0.25	Corporate Bond Fund (SAUTM)	0.05
		Schroders Managed	0.15
M&G Managed Growth	0.20	UBS Managed	0.15

(iii) A premium charge of the amount by which the percentage of premium allocated to investment in units is less than 100%. (If the percentage exceeds 100% the excess is a deduction from the total charges).

The percentage of premium invested varies with the size of the premium. The allocation rates for those aged under 75 at entry are:

Initial investment	Initial Charge Options	No Initial Charge Options
£	%	%
5,000 to 9,999	100.00	100.00
10,000 to 19,999	102.00	100.00
20,000 to 49,999	102.50	100.25
50,000 to 74,999	103.50	101.00
≥75,000	103.75	101.25

These allocation rates are reduced for those aged 75 or over at entry:

Age Attained at Entry	Allocation Rate Reduction
75 to 79	2%
80 to 84	3%
85 to 89	4%

If initial commission is rebated, allocation rates can be increased or the annual management charge can be reduced by 0.1% for every 1% of commission given up.

(v) The following exit charges apply to withdrawals (other than regular withdrawals):

Year of exit (based on date of initial investment)	Initial Charge Options	No Initial Charge Options
	Proportion of fund value	
	%	%
1	6	9
2	4	7
3	3	5
4	2	3
5	1	1
6 and over	0	0

A 3-year exit charge option is available in place of the standard 5 years:

Year of exit (based on date of initial investment)	Initial Charge Options	No Initial Charge Options
	Proportion of fund value	
	%	%
1	6	9
2	4	7
3	3	5
4 and over	0	0

If this option is selected the allocation rate is reduced by 1% on the initial investment and on any top-up investments made within the first 3 years from the date of the original investment.

(g) There are no restrictions on increases in the annual management charge other than that imposed by the duty to treat customers fairly.

(h) The surrender value is the bid value of units at the date of surrender, less the exit charge described in (f)(v) above.

Appendix 2(B) Description of United Kingdom linked contracts (NPSF - Prudential) continued

(i) The linked benefits under these contracts are wholly reinsured with Prudential Holborn Life Limited. Under the terms of the reinsurance arrangement, the annual management charge is paid back to the Company which meets the relevant investment management fees. Benefits are determined by reference to the value of units in whichever of the following funds of the reinsurer have been selected by the policyholder:

Internal funds	Externally Managed Funds	Externally Managed Funds
Cash	DWS Managed Portfolio Fund	Managed Defensive Fund
Equity	DWS UK Growth Fund	Merrill Lynch Managed
European	DWS American Growth Fund	Newton Balanced Fund
Fixed Interest	DWS Japan Growth Fund	Newton Continental European Fund
International	Invesco Perpetual Income Fund	
Managed	Invesco Perpetual Managed	Newton Higher Income Fund
North America	Invesco Perpetual UK Growth Fund	Newton International Growth Fund
Pacific Basin		Newton Managed
Property	M&G Cazenove Balanced Portfolio	Newton Oriental Fund
Prudential Individual Unit Trusts		Prudential UK 70% Protected Fund
	M&G Cazenove Cautious Managed Portfolio	Prudential UK 80% Protected Fund
Japanese	M&G Cazenove Growth Portfolio	
Small Companies	M&G Corporate Bond	Cautious UK Managed Fund (PUTL)
Strategic Growth	European Tracker Fund (M&G)	
	M&G Gilt & Fixed Interest	Pacific markets UTL Fund (PUTL)
	Income Fund	Equity Income Fund (SAUTM)
	M&G High Yield Corporate Bond Fund	Ethical Fund (SAUTM)
		Corporate Bond Fund (SAUTM)
	M&G Managed Growth	Schroders Managed
	UK Tracker Fund (M&G)	UBS Managed

(j) There are 2 protected funds (Prudential UK 70% Protected fund and Prudential UK 80% Protected fund) where it is expected that the unit price will never fall below certain levels. However this is not guaranteed.

Both funds invest in a mixture of equity based assets and cash. The equity based asset is a FTSE 100 tracker fund. The asset allocation is adjusted daily to ensure that provided any daily equity value fall is below a set maximum level then the unit price will never fall below the protected price.

A derivative contract is also held to cover the risk of a daily fall in equities reducing the unit price below the protected level. This “gap insurance” is provided by a third party and designed to meet any shortfall and therefore ensure the minimum price can be met.

The terms of the plan make clear that if the provider of the “gap insurance” defaults on its obligations then the unit price may fall below the protected level.

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

(l) Not applicable

B Prudence Bond, Prudence Managed Investment Bond and Prudence Distribution Bond

(a) This category comprises Prudence Bond Initial Charge Option, Prudence Bond Establishment Charge Option, Prudence Bond No Initial Charge Option, Prudence Managed Investment Bond Initial Charge Option, Prudence Managed Investment Bond Establishment Charge Option, Prudence Managed Investment Bond No Initial Charge Option and Prudence Distribution Bond. Linked contracts written between 1 January 1992 and 31 December 1993 were written in the With-Profits Sub-Fund (see Paragraph 14(2) on page 61). These contracts were closed to new business at the end of 2003 but are still open for top-up investments.

(b) These are whole life assurances. Prudence Bond and Prudence Managed Investment Bond may also be written in accumulating with-profits form as described in Appendix 1(A)(a) *C* (page 95).

(c) These are single premium assurances.

(d) The death benefit is 101% of the bid value of units at the date of death, except for policies written after 30 September 2002 for lives aged 75 and over at commencement where the death benefit is 100.1 % of the bid value of units less exit charges.

A loyalty bonus is payable on Initial Charge Options and No Initial Charge Options issued from 20 May 2002. It is added on the second and subsequent anniversaries of each tranche, provided there have been no withdrawals during the preceding year. The loyalty bonus is 0.25% of the bid value of units held on the tranche anniversary.

(e) Not applicable.

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

(i) For Initial Charge Option and Prudence Distribution Bond, an initial charge of 5% of the premium, rounded up by no more than 0.1p. This charge is included in the difference between the bid and offer prices of units.

(ii) For Establishment Charge Option, an establishment charge of 1% of the bid value of units on the first three policy anniversaries, treating each tranche of premium as a separate policy.

If a regular withdrawal falls within the first three years, 0.5% of the total regular withdrawals made during the policy year are taken at the next policy anniversary.

(iii) An annual management charge of 1.55% per annum of the value of units for No Initial Charge Option and 1.25% per annum of the value of units for all other options.

Additional annual management charges apply to investments in the externally managed funds at the same rates as those for the Flexible Investment Bond. (See the table in *A* (f) (ii) on page 144.)

(iv) A premium charge of the amount by which the percentage of premium allocated to investment in units is less than 100%. (If the percentage exceeds 100% the excess is a deduction from the total charges).

The percentage of premium invested varies with the size of the premium. For bonds written after 1 January 2002 the allocation rates are:

Initial investment	Initial Charge Options	No Initial Charge Options	Establishment Charge Options	Distribution Bond
£	%	%	%	%
5,000 to 9,999	100.00	100.00	98.00	100.00
10,000 to 19,999	102.00	100.00	100.00	102.00
20,000 to 49,999	102.50	100.25	100.75	102.75
50,000 to 74,999	103.50	101.00	101.75	103.75
≥75,000	103.75	101.25	101.75	103.75

For policies issued from 15 July 2002, allocation rates are 2% higher than those shown in the table above.

For policies issued from 1 October 2002 the minimum initial investment increased to £10,000.

Allocation rates are increased if commission is given up. The full amount of units is allocated immediately and this is reflected in the valuation.

(v) The following exit charges apply to withdrawals (other than regular withdrawals) on business written from 1 January 2002:

Year of exit (based on date of initial investment)	Initial Charge Options	No Initial Charge Options	Establishment Charge Options	Distribution Bond
	Proportion of fund value			
	%	%	%	%
1	6	9	8	5
2	4	7	6	4
3	3	5	4	3
4	2	3	2	2
5	1	1	1	1
6 and over	0	0	0	0

For Establishment Charge Options there is an additional charge for withdrawal during the first three years. This charge is a proportion of the establishment charge for the policy year of withdrawal. If the outstanding establishment charge on a top-up premium exceeds the exit charge based on the date of initial investment, the exit charge for that premium is increased to cover the outstanding charge.

(g) There are no restrictions on increases in the annual management charge other than that imposed by the duty to treat customers fairly.

(h) The surrender value is the bid value of units at the date of surrender, less any exit charge described in (f)(v) above.

(i) The linked benefits under these contracts are wholly reinsured with Prudential Holborn Life Limited. Under the terms of the reinsurance arrangement, the annual management charge is paid back to the Company, and the Company meets the relevant investment management fees. Benefits are determined by reference to the value of units in whichever of the following internal funds of the reinsurer have been selected by the policyholder:

Internal funds	Externally Managed Funds	Externally Managed Funds
Cash	Invesco Perpetual Managed	Newton Balanced Fund
Distribution Fund	Merrill Lynch Managed	Newton Continental European Fund
Distribution Cash Fund	Newton Managed	
	Schroders Managed	Newton Oriental Fund
Equity	UBS Managed	DWS Managed Portfolio Fund
European	M&G Corporate Bond	DWS UK Growth Fund
Fixed Interest	M&G Managed Growth	DWS American Growth Fund
International	M&G Cazenove Growth Portfolio	DWS Japan Growth Fund
Managed	M&G Cazenove Balanced Portfolio	Invesco Perpetual UK Growth Fund
North America		
Pacific Basin	M&G Cazenove Cautious Managed Portfolio	Equity Income Fund (SAUTM)
Property		Ethical Fund (SAUTM)
	M&G High Yield Corporate Bond Fund	Corporate Bond Fund (SAUTM)
Prudential individual unit trusts		Cautious UK Managed Fund (PUTL)
	M&G Gilt & Fixed Interest Income Fund	Pacific Markets UTL Fund (PUTL)
Japanese	Newton Higher Income Fund	UK Tracker Fund (M&G)
Small Companies	Invesco Perpetual Income Fund	European Tracker Fund (M&G)
Strategic Growth	Newton International Growth Fund	Managed Defensive Fund

Only Prudence Distribution Bond policyholders can invest in the Distribution Fund or Distribution Cash Fund and these are the only funds in which they can invest.

(j) Not applicable.

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

(l) For Initial Charge Options and No Initial Charge Options, exit charges were increased for new business only from 1 January 2002 and the annual management charge was increased for new business only from 20 May 2002. The revised exit charges are shown in f (v) above and details of the annual management charge increase are given in f (iii).

C PPA (Individual Personal Pension Account)
EPP2/3/4 (Executive Pension Plan, Series 2, 3 and 4)
EIB (Exempt Investment Bond)

(a) PPA, EPP2/3/4 and EIB. Linked contracts written between 1 January 1992 and 31 December 1993 were written in the With-Profits Sub-Fund (see Paragraph 14(2) on page 61). These contracts were closed to new business at the end of 2003 but are still open for top-up investments.

(b) These are pension business contracts which may include non-linked benefits as described in Appendix 1(A)(a) ***H*** (page 102).

(c) PPA and EPP2/3/4 are issued as both regular and single premium contracts. EIB is a single premium contract.

(d) The benefit on death or normal retirement is the bid value of units secured at the date of realisation.

For EPP2/3 policies written before 6 April 1990 a loyalty bonus of 0.25% of the average value of the accumulated fund for each year is added to the fund if at least 90% of the regular contributions due up to 5 years before the normal pension date have been paid. Loyalty bonus is reduced if less than 90% of the regular contributions have been paid. For policies written between 1 July 1988 and 6 April 1990 a loyalty bonus is also paid on single contributions provided they remain invested for at least 5 years. Loyalty bonus is paid on retirement or on death before normal pension date.

PPA policies receive a loyalty bonus of 2% of the benefits payable if 10 years' premiums have been paid.

EPP contracts may include life assurance cover. The death benefits are costed as a level term assurance premium deducted from the total premium.

A waiver of premium benefit is available under PPA contracts.

(e) There are no guaranteed investment returns other than that inherent in the Guarantee Fund (see (i) below).

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

(i) For all contracts, there is an initial charge of 5% of each premium, which is rounded up by not more than 0.1p. This charge is included in the difference between the bid and offer prices of the units.

For all contracts except PPA top-ups effected on or after 1 January 1999, 5% (for PPA) or 7% (EPP) of the remaining units secured by regular premiums due in the first year of payment are cancelled on each anniversary of the commencement of a regular premium front end loaded contract. On transfer or early retirement the benefits are reduced by a scale of charges broadly equivalent to the value of any outstanding cancellations. This charge is anticipated in the unit liability shown in column 12 of Form 53. It may be reduced if reduced rates of commission are payable.

(ii) An annual management charge of 1% per annum of the value of the units.

(iii) Policy fees, which have varied by date of issue and frequency of premium payment.

(iv) A premium charge of the amount by which the percentage of premiums allocated to investment in units is less than 100%. (If the percentage exceeds 100% the excess is a reduction to the total charges.) This charge may be reduced where reduced rates of commission are payable.

Specimen allocation rates are as follows:

(I) For PPA policies written before 1 October 2000 and EPP2/3 policies written before 1 January 1995, the percentage of premiums deemed invested varies with size of contribution and term. The minimum and maximum percentages for selected terms are shown below:

Regular contributions					
PPA			EPP2/3		
Term (years)	Maximum	Minimum	Term (years)	Maximum	Minimum
	%	%		%	%
5	99.50	97.50	All	105.00	100.00
10 or more	102.00	100.00			

For single contributions the allocation rate varies between 97% and 104%.

For PPA policies, 105.27% of all premiums received on or after 1 October 2000 is invested.

(II) For EPP4 policies written after 31 December 1994, the allocation rate varies with the size of contribution and with the commission paid. The allocation rates for nil commission terms are shown below:

Single premium		Regular premium	
Investment amount	Allocation rate	Investment amount	Allocation rate
£	%	£	%
< 20,000	105.25	All	105.25
20,000 - 29,999	106.00		
30,000 - 39,999	107.00		
40,000 - 49,999	108.00		
≥ 50,000	109.00		

Allocation rates in excess of 105% are funded from future annual management charges. The full amount of units is allocated immediately and this is reflected in the valuation.

Allocation rates where commission is payable are correspondingly lower.

(III) For EIB policies allocation rates are normally in the range 95% - 102%,.

(g) There are no restrictions on increases in charges, other than that imposed by the duty to treat customers fairly.

(h) For regular premium front-end loaded contracts, benefits on transfer or early retirement are the bid value of the units less the adjustment stated in (f)(i) above. For EPP 4 single premium contracts, the benefit is 100% of the bid value of the units at durations 6 years and over, reducing linearly to 95% at duration zero.

(i) The linked and Guaranteed Fund benefits under these contracts are wholly reinsured with Prudential Holborn Pensions Limited. Under the terms of the reinsurance arrangement, the annual management charge is paid back to the Company, and the Company meets the relevant investment management fees. Benefits are determined by reference to the value of units in whichever of the following internal funds of the reinsurer have been selected by the policyholder:

Cash Pension	International Smaller Companies Pension
Equity Income Pension	Japanese Pension
Equity Pension	Managed Pension
European Pension	North American Pension
Fixed Interest Pension	Premier Income Pension
Global Equity Pension	Pacific Markets Pension Fund
Global Growth Pension	Property Pension
High Income Pension	Small Companies Pension
International Growth Pension	Special Situations Pension
Index-linked Gilt Pension	UK Growth Pension
International Money Pension	

The Guaranteed Fund is a non-unitised fund currently invested in short dated securities and loans. A rate of interest is published daily and money allocated to the Fund is increased appropriately after one year. Only PPA policies may invest in the Guaranteed Fund.

(j) Not applicable.

(k) Only EPP4 contracts were open to new business during the year.

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

D PPP (Personal Pension Policy)
FSAVC (Free-Standing Additional Voluntary Contribution Scheme)

(a) PPP and FSAVC. Linked contracts written between 1 January 1992 and 31 December 1993 were written in the With-Profits Sub-Fund (see Paragraph 14(2) on page 61). These contracts were closed to new business at the end of 2003 but are still open for top-up investments.

(b) These are pension business contracts written on a money purchase basis. They may include non-linked benefits as described in Appendix 1(A)(a) *G* (page 101).

(c) Single or regular premiums may be paid.

(d) Both contracts operate in the same way as those described in Appendix 2(B)1 ***C*** (page 150). For PPP, loyalty bonus applies only to policies written between 1 July 1988 and 5 April 1990. Policies sold by the former direct sales force after 1 September 1998 include a guarantee similar to that described in paragraph Appendix 1(A)(c) ***K*** (b) (page 112), subject to a possible deduction to reflect any fall in the unit price between the allocation and realisation dates. New regular premium contracts and all regular premium top-ups which commence on or after 1 January 1999 include a guarantee similar to that described in Appendix 1(A)(c) ***K*** (d) (page 112), subject to a possible deduction to reflect any fall in the unit price between the allocation and realisation dates.

(e) Not applicable.

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

(i) An initial charge of 5% of each premium, which is rounded up by not more than 0.1p. This charge is included in the difference between the bid and offer prices of the units.

(ii) An annual management charge of 1% per annum of the value of the units.

(iii) For regular premium front end loaded contracts, other than top-ups effected on or after 1 January 1999 there is a further initial charge. On each anniversary of the commencement of the contract, 7% of the remaining units secured by regular premiums due in the first year of payment are cancelled. On transfer or early retirement, the benefits then available are reduced by a scale of charges broadly equivalent to the value of any outstanding cancellations. This charge is anticipated in the unit liability shown in column 12 of Form 53. It may be reduced where reduced rates of commission are payable.

(iv) The amount recouped by the above charges is reduced by the extent to which the percentage of the premium invested exceeds 100%. With effect from 1 October 2000, 105.27% of each premium (or the contractual percentage if higher) is invested. Before that date, the percentage invested varied from 91% for smaller regular premiums to 108.25% for the largest single premiums.

(g) There are no restrictions on increases in charges, provided any increase is consistent with the duty to treat customers fairly.

(h) Benefits on transfer or early retirement are the normal retirement benefits stated in (d) above, less the adjustments stated in (f)(iii) above.

(i) The linked benefits under these contracts are wholly reinsured with Prudential Holborn Pensions Limited. Under the terms of the reinsurance arrangement, the annual management charge is paid back to the Company, and the Company meets the relevant investment management fees. Benefits are determined by reference to the internal funds of the reinsurer listed in Appendix 2(B)1 ***C*** (page 150).

(j) Not applicable.

(k) PPP contracts were open to new business in the year to the valuation date. FSAVC contracts were not.

(l) There were no increases in the rates of charges during the report period. Exit charges payable on transfer or early retirement were removed from 1 April 2001.

E GPP4 (Prudential (2000) Personal Pension Scheme)
SHP (The Prudential Stakeholder Pension Scheme)
MPP3 (The Prudential (2003) Money Purchase Pension Plan

(a) GPP4, MPP3 and SHP.

(b) These are group pension business contracts which, with the exception of Stakeholder, may include non-linked benefits as described in Appendix 1(A)(a) *(a)* (page 103).

(c) Single or regular premiums may be paid.

(d) These contracts provide retirement and death in service benefits for groups of employees, or can be used, with the exception of Stakeholder, as an investment contract for approved self-administered pension schemes. On death, normal retirement, transfer and early retirement, the benefit is the fund value secured at the date of realisation.

(e) Not applicable.

Appendix 2(B) Description of United Kingdom linked contracts (NPSF - Prudential) continued

(f) An annual management charge is set on a case by case basis. The annual management charge also varies according to the selected investment option. For SHP the annual management charge varies between 0.40% and 1%.

(g) For SHP the annual management charge cannot exceed the regulatory maximum (currently 1%). There are no other restrictions on increases in the annual management charge other than that imposed by the duty to treat customers fairly.

(h) Benefits on transfer or early retirement are the normal retirement benefits stated in (d) above.

(i)

(I) The linked benefits under GPP4 and MPP3 contracts are wholly reinsured with Prudential Pensions Limited, Barclays Global Investors, Deutsche Asset Management or Baillie Gifford. The reinsurers retain 0.25%, 0.15% (subject to a minimum fee of £100,000), and 0.275% (subject to a minimum fee of £100,000) reducing to 0.25% if funds under management exceed £150 million respectively of the annual management charge to meet relevant investment management fees. Further details of the minimum fees are as follows.

Barclays Global Investors:	The £80,000 minimum fee applies for the first three years and £40,000 from April 2004.
Deutsche Asset Management:	The minimum fee of £200,000 per annum will apply for 2003/2004 and £100,000 from April 2004.

Benefits are determined by reference to the following funds of the reinsurers:

Prudential Pensions Ltd

Cash
Corporate Bond
Discretionary
Equity
Europe (passive)
Fixed Interest
Global Equity
Index Linked (active)
Index Linked (passive)
International Bond
International Equity
Japan (passive)
Long Dated Corporate Bond
Long Term Growth
North American (passive)
Overseas Equity (active)
Overseas Equity (passive)
Pacific Basin (passive)
Pre-Retirement
Property
Retirement Protection
Socially Responsible
UK Smaller Companies
UK Specialist Equity

Newton Higher Income
Newton Income
Newton International Growth
Northern Trust Fixed Income
Northern Trust International Equity
Northern Trust UK Equity
UBS Global Optimal
UBS UK Select Equity

Baillie-Gifford

Overseas Equity
UK Equity

Barclays Global Investors

BGI-Aquila
Global Equity Index (60:40)
UK Equity Index

BGI-Ascent
European Equity
Global Equity (50:50)
Japanese Equity
Overseas Equity
Pacific Rim Equity
US Equity

Deutsche Asset Management

Balanced
European Equity
Japanese Equity
North American Equity
Pacific Equity
UK Equity

(II) The linked benefits under SHP contracts are wholly reinsured with Prudential Pensions Limited, Barclays Global Investors, Deutsche Asset Management, Baillie Gifford and Standard Life Assurance Company Limited. Standard Life retain 0.15% of the annual management charge to meet relevant investment management fees. Retentions and minimum fees for the other reinsurers are the same as those for GPP4 described in (I) above.

Benefits are determined by reference to the same funds as for GPP4 and MPP3 listed above excluding the Northern Trust funds, or to Standard Life's Ethical or UK Equity Select Funds.

(j) Not applicable.

(k) All contracts were open to new business in the year to the valuation date.

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

F Company Pension Transfer Plan (Bulk Section 32 Buy-Out)

(a) Company Pension Transfer Plan (Bulk Section 32 Buy-Out)

(b) These are pension business pure endowments which may include with-profits benefits as described in Appendix 1(A)(a) *J* (page 104).

(c) Only single premiums may be paid.

(d) The Company Pension Transfer Plan is designed to accept bulk transfer values from occupational pension schemes.

The contract is written to a Normal Retirement Age (NRA) equal to that of the scheme from which the transfer is received.

Where Guaranteed Minimum Pension (GMP) is to be provided, part of the transfer value must be invested in the GMP With-profits Fund and cannot be subsequently switched to any of the linked funds.

The accrued fund is guaranteed to be sufficient to meet all GMP liabilities at and after State Pension Age or on the policyholder's earlier death. A test of adequacy of the transfer value to meet this guarantee is performed at the outset of the policy. The current adequacy test assumes 2% per annum investment returns in deferment and possession and annuitant mortality in accordance with the IM80/IF80 mortality tables

The benefit on death before benefits are taken 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 and renewal expenses are recouped from the annual management charge.

The standard annual management charge varies by fund (1.00% to 1.10%) and the size of any Special Deal adjustment (-0.50% to +1.00%) The Special Deal adjustment is set for each individual scheme and is added to the standard charge.

(g) There are no restrictions on increases in the annual management charge other than that imposed by the duty to treat customers fairly.

(h) The transfer value at any time is equal to the bid value of the units.

(i) Benefits are determined by reference to the value of internal linked funds.

(j) Not applicable.

(k) This contract was open to new business in the year to the valuation date.

(l) There was no increase in the rate of charges during the report period.

G Flexible Retirement Income Account

(a) Flexible Retirement Income Account

(b) These are pension business deferred annuity contracts which may include non-linked benefits as described in Appendix 1(A)(a) (page 104).

(c) Only single premiums may be paid.

(d) The product is made up of three elements - Pension Reserve, Income Drawdown and Flexible Lifetime Annuity.

For the Pension Reserve option, units are bought in funds chosen by the policyholder in order to provide benefits at some stage in the future.

For the Income Drawdown option, units are bought in funds chosen by the policyholder, with income being provided by the cancellation of units. The income has to be within limits laid down by the Government Actuary's Department. An annuity has to be purchased by age 75 at the latest.

For the Flexible Lifetime Annuity, units are bought in funds chosen by the policyholder, with income being provided by the cancellation of units. The income has to be within limits set by the Company. The Flexible Lifetime Annuity has to be converted into a Fixed Guaranteed Income by the policy anniversary prior to age 90 at the latest. The Company allocates a "lifetime" bonus to the policy each month by allocating additional units if the policyholder has not died, with the bonus depending

the policyholder's age and sex, the spouse's age and sex, the percentage of spouse's benefit and the fund value.

The plan will accept transfers and open market options from personal pension plans approved under Chapter IV of part XIV of the Income and Corporation Taxes Act 1988 (ICTA 1988), Occupational Pension Schemes approved under Chapter I of part XIV of ICTA 1988, Free Standing Additional Voluntary Contributions and Section 32 contracts. The plan cannot accept money put aside for Protected Rights or Guaranteed Minimum Pension.

(e) There are no guaranteed investment returns.

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

(i) An annual management charge of between 0.8% and 1.50% per annum of the value of the units allocated, dependent upon the funds in which premiums are invested.

(ii) Policy fees, for Pension Reserve and Income Drawdown only.

(iii) 96% of each premium is used to purchase units, except on a subsequent switch from Pension Reserve to Income Drawdown or Flexible Lifetime Annuity, or switch from Income Drawdown to Flexible Lifetime Annuity, where the rate is 100%. No charge is applied to switches from the Flexible Lifetime Annuity to Fixed Guaranteed Income.

(iv) Where the trail commission payable on the plan exceeds 0.25% per annum then the excess is met by a monthly cancellation of units.

(g) There are no restrictions on increases in charges, provided any increase is consistent with the duty to treat customers fairly.

(h) No surrender values are payable. On transfer of the Pension Reserve and Income Drawdown funds within the first 3 years of the contract, a charge is applied of 3% of the fund in year 1, 2% of the fund in year 2 and 1% of the fund in year 3.

(i) The linked benefits under these contracts can be invested in the following funds:

M&G American	M&G South East Asia
M&G British Opportunities	Exempt Merril Lynch Managed
M&G Corporate Bond	Merrill Lynch Corporate Bond
M&G European	Merrill Lynch Managed
M&G Gilt and Fixed Interest	Newton Managed
M&G High Interest	Newton UK Equity Income
M&G High Yield Corporate Bond	Perpetual Managed
M&G International Growth	Perpetual UK Equity
M&G Japan	Phillips & Drew Managed
M&G Long Dated Sterling Bond	Phillips & Drew UK Equity
M&G Managed Growth	Schroder International
M&G Recovery	Schroder Managed
M&G Smaller Companies	Scottish Amicable Property

(j) Not applicable.

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

(l) There were no increases in the rates of charges in the year to the valuation date.

H Guaranteed Equity Bond

(a) Guaranteed Equity Bond.

(b) These are endowment assurances issued on a single life or joint life second death basis.

(c) Only single premiums are payable.

(d) This contract had a limited offer period between 29 May 2001 and 26 June 2001. All contracts mature on 27 June 2007 when their value is determined as follows:

- The investment period of the contract is split into six equal one-year periods, the first commencing on 27 June 2001. The annual percentage change in the FTSE 100 index is calculated at the end of each annual period.
- The annual percentage change in the first five years is calculated from the value of the FTSE 100 index at the end of each period.
- The annual percentage change in the final year is calculated from the arithmetic average of the closing values of the index on each of the 20 working days preceding 27 June 2007.
- The adjusted percentage change in the index for each period is the actual change calculated as described above subject to a maximum rise of 15%.
- The value of the bond at the Maturity Date is equal to the initial investment (inclusive of any early or large investment bonus described in (j)) increased by the sum of the adjusted percentage changes in the index or, if this sum is negative, the initial investment inclusive of any early or large investment bonus.

On death or diagnosis of a terminal illness (defined as one where death is expected within twelve months) during the investment period, the benefit paid will be the greater of 101% of the initial investment amount and 101% of the surrender value.

(e) The maturity value will not be less than the initial investment (inclusive of any early or large investment bonus described in (j)).

(f) There are no explicit charges. The benefits have been determined after making allowance for acquisition, renewal and claim expenses.

(g) Not applicable.

(h) The surrender value is a proportion of the initial investment (inclusive of any early or large investment bonus described in (j)) plus the same proportion of growth resulting from movements in the FTSE 100 Index up to the time of surrender.

The growth up to the time of surrender is calculated by adding the adjusted percentage changes in the FTSE 100 index in each one year period (including any growth in the final part year before surrender) as described in (d) above, subject to there being no 20-day averaging of the value of the index in the final year for the purposes of calculating surrender benefits.

The proportions of initial investment and growth payable on surrender are shown in the following table:

Year of Surrender	Proportion %
1	70
2	75
3	80
4	85
5	90
6	95

(i) The value of the contract is determined by the performance of the FTSE 100 Index as described in (d) and (h) above.

(j) An early investment bonus up to 0.3% of the premium was added if the proposal was received between 29 May 2001 and 18 June 2001. A bonus of 0.2% of the premium was added to any premium over £20,000.

(k) This contract was offered from 29 May 2001 to 26 June 2001.

(l) Not applicable.

I Personal Pension Scheme

(a) Personal Pension Scheme.

(b) These are personal pension contracts which may include non-linked benefits as described in Appendix 1(A)(a) G (page 101)

(c) Single or regular premiums may be paid and the contract accepts transfer values.

(d) The contract includes 3 lifestyle options whereby the funds are gradually switched into the Cash Fund over a period of up to 10 years before retirement. On death, normal retirement, transfer and early retirement the benefit is the bid value of the units secured at the date of realisation.

(e) Not applicable.

(f) 100% of premiums, excluding any charges for waiver of premium supplement, are allocated to secure units in the selected fund (reflecting any fund switches under the lifestyle options). Costs are recovered from contracts through the application of annual management charges which are currently either 1% or 1.25% depending on the fund selected (again reflecting any fund switches under the lifestyle options).

(g) There are no restrictions on increases in charges, provided any increase is consistent with the duty to treat customers fairly.

(h) The transfer value is the bid value of the units

(i) Benefits are determined by reference to the value of internal linked funds.

(j) Not applicable.

(k) Contracts were open to new business in the year to the valuation date.

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

Appendix 2(B) 2 – Written by SAL before 1 January 2003 or by PAC thereafter.

A Capital Investment Bond (Series 2)

(a) Capital Investment Bond (Series 2)

(b) This is a non-profit whole life assurance contract.

(c) Single premium.

(d) The death benefit is 101% of the surrender value.

(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. The charge is met by deallocation of units on a monthly basis.

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 fund 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 varies by fund from 0.65% to 1.1% per annum.

(g) The annual management charge can only be increased if costs have increased by more than inflation.

(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) Benefits are determined by reference to the value of internal linked funds.

(j) Not applicable.

(k) This contract was open to new business in 2004.

(l) There was no increase in the rate of charges during the report period.

B Bonus Bond

(a) Bonus Bond

(b) This is a non-profit whole life assurance contract.

(c) Single premium.

(d) The death benefit is 101% of the surrender value.

(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. The charge is met by de-allocation of units on a monthly basis.

Renewal expenses are met by the annual fund management charge.

The excess of the premium deemed to be invested after taking account of the allocation factor over the amount of the premium is met from the establishment charges.

The annual management charge is currently set at 1.55% per annum.

(g) The annual management charge can only be increased if our costs have increased by more than inflation.

(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) Benefits are determined by reference to the value of an internal linked fund.

(j) Not applicable.

(k) This contract was closed to new business throughout 2004.

(l) There was no increase in the rate of charges during the report period.

C Distribution Bond

(a) Distribution Bond

(b) This is a non-profit whole life assurance contract.

(c) Single premium.

(d) The Distribution Bond aims to provide a secure level of income which rises over the medium to long term. Distributions are made every month or quarterly on 1 March, 1 June, 1 September and 1 December. Policyholders can elect to reinvest distributions into the bond.

The death benefit is 101% of the surrender value.

A Higher Income Option is also available, under which the policyholder can take a higher rate of distribution from the Distribution Bond by reducing the death and surrender benefits to a minimum. This option may be effected at any time and, once selected, the option remains in force for five years, after which it may be reselected. If it is not, then the Bond reverts to being a normal 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. This charge is met monthly by deallocating units.

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 fund 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 set at 0.75% per annum.

(g) The annual management charge can only be increased if costs have increased by more than inflation.

(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) Benefits are determined by reference to the value of an internal linked fund.

(j) Not applicable.

(k) This contract was open to new business in 2004.

(l) There was no increase in the rate of charges during the report period.

D Prudence Inheritance Bond

(a) Prudence Inheritance Bond

(b) This bond consists of a non-profit endowment assurance contract and a non-profit whole life assurance contract.

(c) Single premium.

(d) The Prudence Inheritance Bond is 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 Prudence Inheritance 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 payable to the policyholder's estate. 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 Prudence Inheritance Capital Fund is distributed every quarter on 1 March, 1 June, 1 September and 1 December and is paid as a premium into 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 reinvested in 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 plus the bid value of units in other funds purchased by reinvested distributions.

The endowment assurance matures when the policyholder attains age 105. The maturity benefit is the amount of any accrued income not yet distributed plus the bid value of units in other funds purchased by reinvested distributions plus the bid value of its Prudence Inheritance Capital units.

(d) 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 deallocation of units on a monthly basis.

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 Prudence Inheritance 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 can only be increased if costs have increased by more than inflation.

(h) These bonds cannot be surrendered.

(i) Benefits are determined by reference to the value of internal linked funds.

(j) Not applicable.

(k) This contract was open to new business in 2004.

(l) There was no increase in the rate of charges during the report period.

E FlexiCover (series 2)

(a) FlexiCover (Series 2)

(b) This is a non-profit whole life assurance contract.

(c) Regular (annual or monthly) premium.

(d) For a given level of premium the policyholder can 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, and first death or second death joint life 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.

At the end of 10 years and at regular intervals thereafter, the contract is reviewed to determine whether the existing cover can be maintained at the current level and/or whether or not 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 first or second death joint life basis or to alter from a first death joint life basis to a single life or second death joint life 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, 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 the monthly cancellation of sufficient units to meet the cost for that month.

The annual management charge is currently set at 0.75% per annum.

(g) Increases in charges are normally restricted to increases in line with inflation except where it can be demonstrated that costs have increased by more than this. The annual management charge can only be increased if costs have increased by more than inflation.

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) Benefits are determined by reference to the value of internal linked funds.

(c) Not applicable.

(k) The option to effect a new FlexiCover (Series 2) policy was only available to existing policyholders throughout 2004.

(l) There was no increase in the rate of charges during the report period.

F Home Purchaser (Third Series) and Amicable Savings Plans

(a) Home Purchaser (Third Series) and Amicable Savings Plans.

(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. 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 the policy's rebate period varies with the term of the contract as follows:

Term of Contract	**Rebate Period**			
	From 1.11.1999		22.2.1998 to 31.10.1999	Prior to 23.2.1998
	HOM	ASP	HOM & ASP	HOM & ASP
10 years	final 9 years	final 8 years	final 8 years	final 6 years
15 years	final 13 years	final 12 years	final 12 years	final 10 years
20 years	final 17 years	final 16 years	final 16 years	final 13 years
25 years	final 20 years	final 19 years	final 19 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 fund management charge. This rebate is achieved by the monthly creation of additional units at a rate of 0.625% per annum of the fund.

The contract has a facility for waiver of premium benefit under which premiums are waived in respect of a period of incapacity excluding a deferred period of 3, 6 or 12 months and excluding 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.

The following benefits are also offered on Home Purchaser (Series 3):

(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 payment is such that it will approximately cover the mortgage interest payment on a specified loan amount. Payments are restricted to a percentage of earnings prior to the claim, and 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.

An accumulating with-profits version of this contract is also available, as described in Appendix 1(B)(a *A* (page 116).

(e) Not applicable.

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

The Amicable Savings Plan 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. This also applied to Home Purchaser (Series 3) prior to 1 November 1999. From 1 November 1999, only initial and renewal commission are available for new Home Purchaser (Series 3) contracts. The allocation factors used through the term of a policy are adjusted to reflect the commission basis.

The policy charge and the annual management charge meet renewal expenses.

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 the 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 earlier charges for which appropriate sterling reserves are held.

The annual management charge varies by fund from 0.65% to 1.1% per annum.

(g) Increases in charges are normally restricted to increases in line with inflation except where it can be demonstrated that costs have increased by more than this. The annual management charge can only be increased if costs have increased by more than inflation.

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.

The rates used to calculate the charge for the Mortgage Interest Benefit can be changed to take account of changes in the level of the Halifax lending rate. They can also be changed if there is a significant change in the expected frequency or duration of claims.

(h) On surrender, for contracts sold before 31 July 2000, 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.

For contracts sold after 31 July 2000, no early discontinuance charge is applied.

(i) Benefits are determined by reference to the value of internal linked funds.

(j) Not applicable.

(k) Both plans were closed to new business throughout 2004. Both plans can be incremented under the exercise of options on existing policies.

(l) There was no increase in the rate of charges during the report period.

G 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 the 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 4 years.

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 of sufficient units to meet the cost for that month.

The annual management charge is currently set at 0.25% per annum.

(g) Increases in charges are normally restricted to increases in line with inflation except where it can be demonstrated that costs have increased by more than this. The annual management charge can only be increased if costs have increased by more than inflation.

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 does not acquire a surrender value at any time.

(i) Benefits are determined by reference to the value of internal linked funds.

(j) Not applicable.

(k) This contract was closed to new business and increments with effect from 25 March 2003.

(l) There was no increase in the rate of charges during the report period.

H Series 2 pensions

(a) 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.

An accumulating with-profits version of this contract is also available, as described in Appendix 1(B)(a *C* (page 116).

(e) Not applicable.

(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 when a policy is set up.

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 DWP 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 duty to treat customers fairly.

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.

(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) Benefits are determined by reference to the value of internal linked funds.

(j) Not applicable.

(k) These contracts were closed to new business throughout 2004 except for MaxiPension (Series 2), OmniPension (Series 2), FlexiPension (Series 5) and IndePension (Series 3) which were open for additional benefits throughout 2004.

(l) There was no increase in the rate of charges during the report period.

I Series 3 pensions

(a) MaxiPension Plus, OmniPension Plus, ExtraPension (Series 3), FlexiPension (Series 7) and IndePension (Series 5)

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

(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.

An accumulating with-profits version of this contract is also available, as described in Appendix 1(B)(a *D* (page 117).

(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% per annum 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 duty to treat customers fairly.

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.

(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) Benefits are determined by reference to the value of internal linked funds.

(j) Not applicable.

(k) These contracts were closed to new business throughout 2004 except for MaxiPension Plus and OmniPension Plus were open for additional benefits throughout 2002. FlexiPension (Series 7), IndePension (Series 5) and ExtraPension (Series 3) were open for contractual increments throughout 2004.

(l) There was no increase in the rate of charges during the report period.

J Section 32 Buy-Out Plan

(a) Section 32 Buy-Out Plan

(b) This is a non-profit pure endowment contract.

(c) Single premium.

(d) It is designed to accept a transfer value from an occupational pension scheme. An accumulating with-profits version of this contract is also available.

The contract is written to show a Normal Retirement Age (NRA) equal to that of the scheme from which the transfer is received.

Where a 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 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 policyholder's earlier death. A test of the adequacy of the transfer value to meet this guarantee is performed at the outset of the policy. The current adequacy test assumes 4% per annum investment returns in deferment and possession and annuitant mortality in accordance with the IM80/IF80 mortality tables.

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.

An accumulating with-profits version of this contract is also available, as described in Appendix 1(B)(a *E* (page 117).

(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.

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 duty to treat customers fairly.

(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) Benefits are determined by reference to the value of internal linked funds.

(j) Not applicable.

(k) This contract was closed for new business but was open for additional benefits throughout 2004.

(l) There was no increase in the rate of charges during the report period.

K Phased Retirement and Income Drawdown Plan

(a) Phased Retirement and Income Drawdown Plan

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

(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.

An annuity must be purchased at age 75.

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.

An accumulating with-profits version of this contract is also available, as described in Appendix 1(B)(a) *F* (page 118).

(e) Not applicable.

(f) Acquisition expenses and commission are recouped by the allocation factor and also from an establishment charge. For contracts taken out before 23 August 1999, 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. For all new business sold from 23 August 1999 onwards, the establishment charge is equal to 0.15% per month of the amount invested and applies for the first three years of the contract, or to age 75 if earlier.

There may be instances where the amount of premium deemed to be invested is greater than the amount of the premium. This will only occur where the amount of initial commission selected is less than the 'basic' commission structure. Where this is the case, acquisition expenses and commission will still be recouped from the establishment charge.

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

The annual management charges vary by fund from 0.875% per annum to 1.225% per annum.

(g) Increases in charges are normally restricted to increases in line with inflation except where it can be demonstrated that costs have increased by more than this. The annual management charge can only be increased if costs have increased by more than inflation.

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

(i) Benefits are determined by reference to the value of internal linked funds.

(j) Not applicable.

(k) These contracts were closed to new business throughout 2004 but remain open for additional benefits for existing policyholders.

(l) There was no increase in the rate of charges during the report period.

L Trustee Investment Plan

(a) Trustee Investment Plan

(b) This is a non-profit group pension contract.

(c) Single premium.

(d) This contract is restricted to investment by trustees of exempt approved retirement benefits schemes.

There is no death benefit.

An accumulating with-profits version of this contract is also available, as described in Appendix 1(B)(a *B* (page 116).

(e) Not applicable.

(f) Acquisition expenses and initial commission are recouped by an establishment charge of 0.875% per month of the fund for the first 5 years. This charge is met by the monthly deallocation of units.

Where part or all of the commission is taken as a fund-related amount then a higher allocation factor is applied and the fund-related commission is recouped by the deallocation of units through a quarterly Service Charge.

Renewal expenses are met from the annual management charge. This is currently set at 0.875% per annum with the exception of the Exempt Global Balanced (US View) fund, which is set at 1.125% per annum.

(g) The annual management charge can only be increased if costs have increased by more than inflation.

(h) The realisation 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 a percentage of the bid value of units being withdrawn as shown in the table 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) Benefits are determined by reference to the value of internal linked funds.

(j) Not applicable.

(k) This contract was open to new business in 2004.

(l) There was no increase in the rate of charges during the report period.

M Series A pensions

(a) Personal Pension Plan (Series A), Group Personal Pension Plan (Series A), Free Standing AVC Plan (Series A), Executive Pension Plan (Series A), Personal Pension Transfer Plan (Series A)

(b) These are non-profit pure endowments.

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

(d) Accumulating with-profits versions of these contracts are also available.

Executive Pension Plan (Series A) is designed for exempt approved schemes and Free Standing AVC (Series A) for free standing AVCs.

Personal Pension Plan (Series A) and Group Personal Pensions Plan (Series A) are personal pension contracts.

Personal Pension Transfer Plan (Series A) is designed to accept any transfer values from other occupational or personal pension arrangements and a rebate only version is designed to accept DWP contracted out rebates only.

A rebate only plan was only be accepted if the member had some other form of money purchase pension provision with the Company.

Executive Pension Plans (Series A) and Free Standing AVCs (Series A) are written to show a Selected Retirement Age (SRA) in the range normally accepted by the Pension Schemes Office. Personal Pension Plans (Series A) and Group Personal Pension Plans (Series A) are written to show a SRA which is selected at outset as any birthday from the 50th to the 75th inclusive.

On retirement at the SRA, the fund available is the value at the bid price of all units allocated.

On death before the SRA, the policyholder can receive either

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

(ii) for regular premium contracts a specified sum assured in addition to the value at the bid price of the units allocated to the policy, or,

(iii) for regular premium contracts (except Group Personal Pensions (Series A)) the greater of a specified sum assured and the value at the bid price of the units allocated to the policy.

Waiver Benefit and Comprehensive Waiver Benefit are available for Personal Pension (Series A) and Group Personal Pension (Series A) contracts only.

Under Waiver Benefit, contributions due in respect of a period of incapacity, excluding the contributions due in the waiting period, are credited to the plan but waived. During the waiting period, contributions to the plan continue to be paid by the member. The member has a choice of waiting period of 3, 6 or 12 months.

Comprehensive Waiver Benefit is a combination of waiver benefit and Lump Sum Waiver Benefit. Lump Sum Waiver Benefit can be chosen in addition to Waiver Benefit, but cannot be effected without Waiver Benefit.

Under Lump Sum Waiver Benefit if a member becomes permanently incapacitated the plan is credited with the monetary amount of all future contributions, excluding the contributions due in the waiting period, up to the waiver cessation age allowing for, if applicable, escalation of contributions. The member must then take ill-health retirement.

Personal Pension (Series A) and Group Personal Pension (Series A) plan holders who have Waiver Benefit or Comprehensive Waiver Benefit on their plan are entitled to Long Term Care Double Cover on their plan.

The Long Term Care Double Cover benefit entitles the plan holder to buy a Long Term Care Bond from Prudential International (or another contract approved by the PAC Actuary as a reasonable equivalent) at ordinary rates, without underwriting at retirement.

Personal Pension (Series A) and Group Personal Pension (Series A) plan holders who have selected Waiver Benefit or Comprehensive Waiver Benefit and who move to another employer can elect to have an increase in regular contributions at that time covered by Waiver Benefit / Comprehensive Waiver Benefit with no additional underwriting. The member can increase the regular contribution by any amount provided that the total Series A regular contribution on which Waiver Benefit / Comprehensive Waiver Benefit covers no more than doubles. No Waiver / Comprehensive Waiver charge is made on this increase for three months after the increase starts. Any excess over twice the current contribution does not receive free Waiver Benefit / Comprehensive Waiver Benefit, and is underwritten.

An accumulating with-profits version of this contract is also available, as described in Appendix 1(B)(a *G* (page 118).

(e) Not applicable.

(f) With effect from 6 April 2001 some charges have been removed from Personal Pension Plan (Series A), Group Personal Pension Plan (Series A), Free Standing AVC Plan (Series A), Personal Pension Transfer Plan (Series A) and Rebate Only Plan (Series A) contracts. Following these changes, the allocation factor is a minimum of 100% and the original allocation factor (after allowing for a 5% bid/offer spread), premiums are allocated at bid price and no annual member charge applies. Additional non-unit reserves have been established where the changes result in future expenses exceeding charges.

Acquisition expenses and initial/level commission are recouped by a combination of an allocation factor and bid/offer spread and the annual management charge (subject to the removal of charges with effect from 6 April 2001 referred to above).

Renewal commission (where applicable) and renewal expenses are recouped by a combination of the bid/offer spread, the allocation factor, an annual member charge which may be applied to one of each member's policies and the annual management charge (subject to the removal of charges with effect from 6 April 2001 referred to above).

There may be instances where the amount of the premium deemed to be invested after allowing for the effect of the allocation factor and bid/offer spread is greater than the premium paid. Any such enhancement is recouped 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 provided by the monthly cancellation of sufficient units to meet the cost for that month.

The cost of any waiver of premium or lump sum waiver of premium benefits is met by the monthly cancellation of units for regular premium policies and a one-off cancellation of units for single premium policies.

The annual management charges vary by fund from 0.9% to 1.35% per annum.

For rebate only plans, a rebate of 0.125% per annum applies throughout the term of the plan. For other policies, a rebate of 0.5% per annum is applicable in the final years of the policy. For regular premium policies, the rebate applies as follows:

Term	Duration after which rebate applies
<10 years	No rebate
10 years	No rebate
15 years	12.5 years
20 years	15 years
25 years	17 years
30 years	19 years
35 years	21 years
40+ years	23 years

For single premium policies, the rebate starts 15 years before the Normal or Selected Retirement Age except that, for terms less than 18 years, it starts after 3 years.

(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 is no restriction on increases in the annual fund management charge, provided any increase is consistent with the duty to treat customers fairly.

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 and lump sum 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.

(h) The benefit on retirement or transfer prior to SRA is equal to the bid value of units.

(i) Benefits are determined by reference to the value of internal linked funds.

(j) Not applicable.

(k) The Personal Pension Transfer Plan (Series A) was closed to new business throughout 2004. All other Series A contracts were closed to new business but remained open for additional benefits throughout 2004.

(l) There was no increase in the rate of charges during the report period.

N Section 32 Buy-Out Plan (Series A)

(a) Section 32 Buy-Out Plan (Series A).

(b) These are non-profit pure endowments.

(c) Single premium.

(d) It is designed to accept a transfer value from an occupational pension scheme. An accumulating with-profits version of this contract is also available.

The contract is written to show 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 be subsequently switched to any of the 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 policyholder'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.

An accumulating with-profits version of this contract is also available, as described in Appendix 1(B)(a)*H* (page 119).

(e) Not applicable.

(f) With effect from 6 April 2001 some charges have been removed from the contracts. Following these changes, the allocation factor is a minimum of 100% and the original allocation factor (after allowing for a 5% bid/offer spread), premiums are allocated at the bid price and no installation or annual member charges apply.

Acquisition expenses and initial commission are recouped by 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. Prior to 6 April 2001 a policy charge was levied on each policy anniversary.

For larger premium 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 varies by fund from 0.9% to 1.35% per annum. The charges are reduced by 0.5% per annum in the final years of the contract.

(g) Increases in charges are normally restricted to increases in line with inflation except where it can be demonstrated that costs have increased by more than this. The annual management charge can only be increased if costs have increased by more than inflation.

(h) The surrender value is equal to the bid value of units.

(i) Benefits are determined by reference to the value of internal linked funds.

(j) Not applicable.

(k) This contract was closed to new business but remained open for additional benefits throughout 2004.

(l) There was no increase in the rate of charges during the report period.

O Trustee Investment Plan (Series A)

(a) Trustee Investment Plan (Series A)

(b) This is a non-profit group pension contract.

(c) Single premium.

(d) Investment is restricted to trustees of exempt approved retirement schemes whose rules so permit, and to self-invested personal pension schemes.

The plan comes in two forms, the Capital Growth Option and the Income Option. Under the Income Option, withdrawals of up to 7.5% per annum of the original purchase price can be made free of any charges. All other withdrawals are subject to an exit charge.

The plan may be set up on an earmarked or a non-earmarked basis. An earmarked policy is issued where the scheme rules specify that the fund from the policy is for a specified individual member. A non-earmarked policy is issued where the scheme benefits are provided using a pooled fund approach.

If units on a non-earmarked policy are encashed to provide death benefits, there is an exit charge. For an earmarked policy, in the event of a member's death the full fund value (free of any charges) is paid to the trustees.

An accumulating with-profits version of this contract is also available, as described in Appendix 1(B)(a *I* (page 119).

(e) Not applicable.

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

Renewal expenses are met from the annual management charge. The annual management charge varies by fund from 0.9% to 1.35% per annum.

Where part or all of the commission is taken as a fund-related amount then a higher allocation factor is applied and the fund related commission is recouped by the deallocation of units through a quarterly Service Charge.

(g) The annual management charge can only be increased if costs have increased by more than inflation.

(h) The realisation 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 a percentage of the bid value of units being withdrawn as shown in the table below:

Policy Year	Factor
1	5%
2	4%
3	3%
4	2%
5	1%
6 and over	0%

(i) Benefits are determined by reference to the value of internal linked funds.

(j) Not applicable.

(k) This contract was open to new business in 2004.

(l) There was no increase in the rate of charges during the report period.

P Premier Group Personal Pension, Premier Group Money Purchase Plan, Premier Executive Pension, Premier Personal Pension

(a) Premier Group Personal Pension, Premier Group Money Purchase Plan, Premier Executive Pension, Premier Personal Pension

(b) These are non-profit pure endowments.

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

(d) Accumulating with-profits versions of these contracts are available.

The Premier Group Personal Pension Plan and the Premier Personal Pension accept regular contributions from both employees and the self-employed. Individual transfers from other pension schemes can be accepted into these plans. Bulk transfers of Group Personal Pension business can also be accepted but only in conjunction with a regular contribution Group Personal Pension Plan.

The Premier Group Money Purchase Plan and Premier Executive Pension Plan are occupational schemes for groups of employees with benefits individually earmarked for each member. Members can pay additional voluntary contributions (AVCs). The funds resulting from payments of AVCs are recorded

separately within the overall record for each member. Individual transfers from other pension schemes can be accepted into these plans. Bulk transfers can be accepted but only in conjunction with a regular contribution Premier Group Money Purchase Plan.

A rebate only plan is available for employees contracting out of the State Second Pension (S2P, formerly SERPS). The plan can accept DWP rebates only. Only individuals with existing pension provision with the Company may use this plan to contract out of S2P.

Premier Group Personal and Premier Personal Pension Plans are written to show a Selected Retirement Age (SRA) at outset as any birthday from the 50^{th} to the 75^{th} inclusive.

Premier Executive Pension Plans are written to show a SRA for each scheme as any birthday in the range 60 to 75 inclusive (with the exclusion of controlling directors, the NRA can be in the range 35 – 75 with PSO consent).

Premier Group Money Purchase Plans are written to show a SRA for each Scheme as any birthday in the range 60-75 inclusive.

On retirement at the SRA, the fund available is the value of all the units allocated.

On death before the SRA, the policyholder can receive either:

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

(ii) for regular premium plans a specified sum assured in addition to the value of units allocated to the policy.

Waiver Benefit and Comprehensive Waiver Benefit are available under Premier Group Personal Pension Plans written before 6 April 2001.

Under Waiver Benefit, contributions due in respect of a period of incapacity, excluding the contributions due in the waiting period, are credited to the plan, but waived. During the waiting period, contributions to the plan continue to be paid by the member. The member has a choice of waiting period of 3, 6 or 12 months.

Comprehensive Waiver Benefit is a combination of waiver benefit and Lump Sum Waiver Benefit. Lump Sum Waiver Benefit can be chosen in addition to Waiver Benefit, but cannot be effected without Waiver Benefit.

Under Lump Sum Waiver Benefit, if a member becomes permanently incapacitated the plan is credited with the monetary amount of all future contributions, excluding contributions due in the waiting period, up to the waiver cessation age allowing for, if applicable, escalation of contributions. The member must then take ill-health retirement.

Plan holders who have Waiver Benefit or Comprehensive Waiver Benefit on their plan are entitled to Long Term Care Double Cover on their plans.

The Long Term Care Double Cover benefit entitles the plan holder to buy a Long Term Care Bond from Prudential International (or another contract approved by the PAC Actuary as a reasonable equivalent) at ordinary rates, without underwriting at retirement.

An accumulating with-profits version of this contract is also available, as described in Appendix 1(B)(a *J* (page 120).

(e) Not applicable.

(f) Acquisition, renewal expenses and commission are recouped from the annual management charge.

The allocation factor will normally be 100% with no bid/offer spread. However it is possible that the premium deemed to be invested is greater than the premium paid. Any such enhancement is recouped by a higher annual management charge (up to 2% per annum.) for the first 5 years of the plan.

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

The cost of any waiver or lump sum waiver of premium benefit is met by the monthly cancellation of units.

The annual management charge varies by fund, level of commission paid, size of premium and number of lives within the Scheme from 0.25% per annum to 2% per annum.

(g) There is no restriction on increases in the annual fund management charge, provided any increase is consistent with the duty to treat customers fairly.

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.

(h) The benefit on retirement or transfer prior to the SRA is equal to the value of units.

(i) Benefits are determined by reference to the value of internal linked funds.

(j) Not applicable.

(k) The Premier Group Personal Pension and Premier Group Money Purchase Plan were closed to new business throughout 2004 but remain open for additional benefits. The Premier Executive Pension and Premier Personal Pension were open to new business in 2004.

(l) There was no increase in the rate of charges during the report period.

Q Premier Section 32 Buy-Out

(a) Premier Section 32 Buy-Out

(b) These are non-profit pure endowments.

(c) Single premium.

(d) The Premier Section 32 Buy-Out is designed to accept transfer values from occupational pension schemes. An accumulating with-profits version of this contract is also available.

The contract is written to show 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 be subsequently switched to any of the 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 policyholder's earlier death. A test of adequacy of the transfer value to meet this guarantee is performed at the outset of the policy. The current adequacy test assumes 4% per annum investment returns in deferment and possession and annuitant mortality in accordance with the IM80/IF80 mortality tables.

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.

There is a minimum term of 10 years if the agent selects initial commission.

(e) Not applicable

(f) Acquisition and renewal expenses and initial commission are recouped from the annual management charge.

The annual management charge varies by fund, level of commission paid and size of transfer value from 0.35% to 1.85% per annum.

(g) The annual management charge can only be increased if costs have increased by more than inflation.

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

(i) Benefits are determined by reference to the value of internal linked funds.

(j) Not applicable.

(k) This contract was open to new business in 2004.

(l) There was no increase to charges during the report period.

Appendix 2(B) Description of United Kingdom linked contracts (NPSF - Ex-SAL) continued

R Premier Stakeholder Pension and Premier Group Stakeholder

(a) Premier Stakeholder Pension, Premier Group Stakeholder

(b) These are non-profit pure endowment contracts

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

(d) Premier Group Stakeholder Pension is a group arrangement available for groups of employed and self-employed. Premier Stakeholder Pension is available for the employed, self employed and non-employed. Individual transfers from other pension schemes can be accepted into these plans. Bulk transfers can be accepted but only in conjunction with a regular contribution to a Premier Group

Stakeholder Pension. Employees can use the plan to contract out of the State Second Pension (S2P, formerly SERPS). Accumulating with-profit versions of these contracts are not available.

The Premier Stakeholder plans are written to show a Selected Retirement Age (SRA) at outset as any birthday from the 50^{th} to the 75^{th} inclusive.

On retirement at the SRA, the fund available is the value of all the units allocated.

On death before SRA, the policyholder can receive either:

(i) the value of the units allocated to the policy or,
(ii) for regular premium plans, a specified sum assured in addition to the value of the units allocated to the policy.

(e) Not applicable.

(f) Acquisition expenses, renewal expenses and commission are recouped from the annual management charge.

The annual management charge varies by fund, level of commission paid, size of premium and number of lives within the scheme (Premier Group Stakeholder) up to a maximum charge of 1% per annum.

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

(g) The annual management charge is guaranteed not to exceed 1% per annum.

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

(h) The benefit on retirement or transfer prior to SRA is equal to the value of the units.

(i) Benefits are determined by reference to the value of internal linked funds.

(j) Not applicable.

(k) The Premier Group Stakeholder Pension was closed to new business throughout 2004 but remains open for additional benefits. The Premier Stakeholder Pension was open to new business in 2004.

(l) There was no increase in the rate of charges during the report period.

Appendix 2(B) 3 – Written by M&G

A TAP/UTAP linked to Unit Trusts (ex M&G Life)

(a) TAP/UTAP linked to Unit Trusts:

Trust Assurance Plan
Unit Trust Assurance Plan – Whole Life
Unit Trust Assurance Plan – High Age
Unit Trust Assurance Plan – 20 Year
Unit Trust Assurance Plan – 10 Year
Unit Trust Assurance Plan – Endowments

(b) These are non-profit contracts. The policy type is as follows:

Trust Assurance Plan	Endowment
UTAP - Whole Life	Whole life
UTAP - High Age	Whole life
UTAP - 20 Year	Whole life by limited premium
UTAP - 10 Year	Whole life by limited premium
UTAP – Endowments	Endowment

(c) Regular premium.

(d) The plan value (i.e. the bid value of units allocated less a deduction in respect of capital gains tax) is payable on maturity, where applicable.

The plan value is paid on death, usually subject to a minimum of up to 20 times the annual premium. On Trust Assurance Plan, the death benefit is the sum of the plan value and the premiums due to be paid over the remaining term of the policy.

The plan value is usually payable on surrender. On some policies there is a guaranteed minimum surrender value as follows:

UTAP - Whole Life	15 times the annual premium at any time after 15 years
UTAP - 20 Year	20 times the annual premium at any time after 20 years

(e) Not applicable

(f) Acquisition expenses are recovered by means of an initial period of nil or reduced allocation.

The cost of life cover and renewal expenses is intended to be recovered from the margin in the unit allocation (on average 6%) and the 4.76% discount obtained on the purchase of unit trusts from M&G Securities Ltd.

The cost of the guaranteed surrender value is recovered by a margin of 1% in the unit allocation.

M&G Securities Ltd also rebates the annual management charge, which is usually 1.0% per annum, to the Company.

(g) The Company has no right to vary the annual management or initial charge on the unit trusts.

(h) There is no surrender penalty.

(i) Benefits are linked directly to the value of unit trusts managed by M&G Securities Ltd.

(j) Not applicable.

(k) These contracts were closed to new business throughout 2004.

(l) There was no increase in the rate of charges during the report period.

Appendix 2(B) Description of United Kingdom linked contracts (NPSF - Ex M&G) continued

B TAP/UTAP linked to Internal Funds (ex M&G Life)

(a) TAP/UTAP linked to Internal Funds:

Unit Trust Assurance Plan - Whole Life
Unit Trust Assurance Plan - High Age
Unit Trust Assurance Plan – 20 Year
Unit Trust Assurance Plan – 10 Year
Unit Trust Assurance Plan – Endowments

(b) These are non-profit contracts. The policy type is as follows:

UTAP - Whole Life	Whole life
UTAP – High Age	Whole life
UTAP - 20 Year	Whole life by limited premium
UTAP - 10 Year	Whole life by limited premium
UTAP – Endowments	Endowment

(c) Regular premium.

(d) The plan value (i.e. the bid value of units allocated) is payable on maturity, where applicable.

The plan value is paid on death, subject to a minimum of up to 20 times the annual premium.

The plan value is usually payable on surrender. On some policies there is a guaranteed minimum surrender value as follows:

UTAP – Whole Life	15 times the annual premium at any time after 15 years
UTAP - 20 Year	20 times the annual premium at any time after 20 years

(e) Not applicable.

(f) Acquisition expenses are recovered by means of an initial period of nil or reduced allocation.

The cost of life cover and expenses is intended to be recovered from the margin in the unit allocation (on average 11%).

The cost of the guaranteed surrender value is recovered by a margin of 1% in the unit allocation.

In addition, there is an annual management charge of 1.0% per annum on the plan value.

(g) Not applicable.

(h) There is no surrender penalty.

(i) Benefits are linked directly to the value of the Flexible Life Funds.

(j) Not applicable.

(k) These contracts were closed to new business throughout 2004.

(l) There was no increase in the rate of charges during the report period.

C Old style Bonds and Flexible Bonds (ex M&G Life)

(a) Old Style Bonds
Flexible Bonds

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

(c) Single premium.

(d) The plan value (i.e. the bid value of the units allocated) is paid on surrender.

The death benefit on Old Style Bonds equals the plan value subject to a minimum of the premiums paid less any withdrawals previously made.

The death benefit on Flexible Bonds is usually 101% of the plan value. On some policies a multiple of up to 250% applies depending on the age at death, the multiple being approximately inversely proportionate to mortality rates.

(e) Not applicable.

(f) The annual management charge is 1% per annum of the plan value. On plans issued before 1979, up to 0.625% of the annual management charge is rebated to the policyholder as additional units.

The margin in the unit allocation rate for single premiums was sufficient to recover any commission paid.

An additional 1% charge is made on policies linked to some Broker Funds to recover the fees paid to the investment manager.

(g) The Company does not have the right to increase the annual management charge on policies issued before 1979. The annual management charge was limited to a maximum of 1% for policies issued from 1979 to 1982 so no further increase is permitted.

(h) There is no surrender penalty.

(i) Benefits are linked to the Flexible or Distribution Life Funds.

(j) Not applicable.

(k) These contracts were closed to new business throughout 2004.

(l) There was no increase in the rate of charges during the report period.

D Managed Income Bonds and Lifetime Bonds (ex M&G Life)

(a) Managed Income Bonds
Lifetime Bonds

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

(c) Single premium.

(d) 101% of the plan value (i.e. the bid value of the units allocated) is payable on death.

On surrender a penalty may be deducted from the plan value, as described below.

(e) Not applicable.

(f) The annual management charge is as follows:

Managed Income Bonds	1.5% per annum
Lifetime Bonds	1.0% per annum

Part of the commission paid on Lifetime Bonds is recovered through an initial charge of up to 3%. All other commission is recovered from the annual management charge within the surrender penalty period described below.

(g) Not applicable.

(h) The surrender penalty is usually a percentage of the premium reducing from 6% to 2% over a five-year period. Lifetime Bond policyholders may elect to bear penalties reducing from 10% to 1% over ten years in return for a reduced initial charge.

(i) Benefits are linked to the Managed Income, Managed Growth, Flexible or Distribution Life Funds.

(j) Not applicable.

(k) These contracts were closed to new business throughout 2004.

(l) There was no increase in the rate of charges during the report period.

E Flexible Ten Plan and Variable Investment Plan (ex M&G Life)

(a) Flexible Ten Plan
Variable Investment Plan

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

(c) Regular premium.

(d) The plan value (i.e. the bid value of the units allocated) is payable on death subject to a minimum usually equal to 75% of the term times the annual premium.

On surrender the plan value is payable, less a penalty as described below.

There is an option at maturity to extend the term for a further ten years or to convert to a whole life assurance with a nominal premium.

(e) Not applicable.

(f) The annual management charge is 1% per annum of the plan value.

Initial commission is recovered over ten years by an additional charge of 0.750% per annum, 0.875% per annum or 1.00% per annum of the units allocated.

Renewal commission and the cost of life cover are recovered from the margin in the unit allocation (on average 5%).

An additional 1% charge is made on policies linked to some Broker Funds to recover the fees paid to the investment adviser.

(g) On some policies the annual management charge is limited to a maximum of 1%.

(h) A surrender penalty applies in the first ten years, sufficient to recover any outstanding commission.

(i) Benefits are linked to the Flexible Life Funds.

(j) Not applicable.

(k) These contracts were closed to new business throughout 2004.

(l) There was no increase in the rate of charges during the report period.

F Maximum Investment Plan and Flexible Investment Plan (ex M&G Life)

(a) Maximum Investment Plan
Flexible Investment Plan

(b) These are non-profit assurance contracts. Maximum Investment Plans are endowments and Flexible Investment Plans are whole life by limited premium.

(c) Regular premium.

(d) The plan value (i.e. the bid value of the units allocated) is paid on death subject to a minimum usually equal to 75% of the premium paying term times the annual premium.

On surrender the plan value is payable, subject to a deduction as described below.

On Maximum Investment Plans there is an option at maturity to extend the term for a further ten years or to convert to a whole life assurance with a nominal premium. On Flexible Investment Plans there is an option to extend the premium paying term.

There is an option to effect a new policy on the fifth anniversary without medical evidence for a sum assured not exceeding 50% of the original.

On some policies premiums are waived after six months of sickness.

(e) Not applicable.

(f) The annual management charge is 1% per annum of the plan value.

Initial commission is recovered through an additional charge of 4.25% per annum on capital units allocated in the first year.

Renewal commission, the cost of life cover and, if applicable, the cost of the waiver benefit are usually recovered from the margin in the unit allocation (on average 2%).

A policy administration fee, usually £2.45, is debited monthly from the plan value on policies issued after January 1994.

An additional 1% charge is made on policies linked to some Broker Funds to recover the fees paid to the investment adviser.

(g) Not applicable.

(h) There is a surrender penalty in respect of capital units allocated. The penalty is approximately equal to the discounted value of future charges.

(i) Benefits are linked to the Flexible Life Funds.

(j) Not applicable.

(k) These contracts were closed to new business throughout 2004.

(l) There was no increase in the rate of charges during the report period.

G Investment Mortgage Plan (ex M&G Life)

(a) Investment Mortgage Plan

(b) This is a non-profit endowment assurance contract.

(c) Regular premium.

(d) The plan value (i.e. the bid value of the units allocated) is payable on death subject to a minimum which usually equals the maturity value of the plan projected at outset. The projected maturity value is usually related to a mortgage.

On surrender the plan value is payable, subject to a deduction as described below.

There is an option to increase the sum assured without medical evidence if the policyholder increases his or her mortgage.

On some policies premiums are waived after six months of sickness.

(e) On some policies there is an effective investment performance guarantee if the associated mortgaged property is repossessed, the benefit being assigned to the lender. In such circumstances it is guaranteed that the surrender value will be at least equal to the capital that would have been repaid under a repayment mortgage.

There is no guarantee that maturity benefits will be sufficient to redeem the associated mortgage, either in policy conditions or in other representation made to policyholders. The projected maturity benefits have been reported to policyholders and their IFAs.

(f) The annual management charge is 1% per annum of the plan value.

Initial commission is recovered through an additional charge of 4.25% per annum on capital units allocated in the first year.

Renewal commission, the cost of life cover and the cost of waiver benefit, if applicable, are recovered from the margin in the unit allocation percentage. This margin averages approximately 30%.

(g) Not applicable.

(h) There is a surrender penalty is in respect of capital units allocated. The penalty is approximately equal to the discounted value of future charges.

(i) Benefits are linked to the Flexible Life Funds.

(j) Not applicable.

(k) This contract was closed to new business throughout 2004.

(l) There was no increase in the rate of charges during the report period.

H Capital Builder Plan and Investment Builder Plan (ex M&G Life)

(a) Capital Builder Plan
Investment Builder Plan

(b) These are non-profit assurance contracts. Capital Builders are endowments and Investment Builders are whole life.

(c) Regular premium.

(d) The plan value (i.e. the bid value of the units allocated) is paid on death subject to a minimum of up to 15 times the annual premium.

On surrender the plan value is payable, subject to a deduction as described below.

(e) Not applicable.

(f) The annual management charge is 1% per annum of the plan value.

Acquisition costs are recovered by an additional 4.25% per annum charge on capital units allocated in the first two years.

The cost of life cover is recovered from the margin in the unit allocation percentage (on average 7%).

(g) Not applicable.

(h) There is a surrender penalty in the first ten years in respect of capital units allocated. The deduction is approximately equal to the discounted value of the charges remaining in the first ten years.

(i) Benefits are linked to the Flexible Life Funds.

(j) Not applicable.

(k) These contracts were closed to new business throughout 2004.

(l) There was no increase in the rate of charges during the report period.

I Personal Security Plan (ex M&G Life)

(a) Personal Security Plan

(b) This is a non-profit whole life assurance contract.

(c) Regular premium, or single premium, or a combination of both.

(d) The policyholder may incorporate a combination of Life Assurance, Permanent Health Insurance, Permanent Total Disability Insurance, Accidental Death Benefit and Keyman Disability Benefit. The benefit on Permanent Total Disability is early payment of the sum assured. The Accidental Death Benefit is always equal to the sum assured. The Keyman Disability Benefit is paid either as a lump sum or in instalments for up to three years, according to the nature of the disability. Once in payment the Permanent Health Insurance benefit increases each year in line with the Retail Prices Index.

On surrender the plan value is payable, subject to a deduction as described below.

On most policies there is an option to increase the benefits each year in line with the Retail Prices Index without medical evidence either to age 65 or throughout life. Benefits other than Keyman Disability Benefit may also be increased by up to 20% without medical evidence on marriage, house purchase or birth of children. On some policies the death benefit can be increased without medical evidence following changes in Inheritance Tax legislation. If any of these options is exercised the Company recommends an appropriate increase in premium.

(e) Not applicable.

(f) The annual management charge is 1% per annum of the plan value.

Initial commission on regular premium policies is recovered from an additional 4.25% per annum charge on capital units allocated for an initial period of up to two years.

Single premium and renewal commission are recovered from the margin in the unit allocation. On regular premiums the margin is on average 5%.

A policy administration fee (currently £2) is deducted monthly from the plan.

The cost of the various benefits is deducted monthly from the plan.

(g) Policy reviews are carried out every five years until the review preceding the 70th birthday, and annually thereafter. At outset and at each review the Company recommends a premium which reflects the benefits in force and the value of the unit account at that time. If the unit account is insufficient to meet the costs of the benefits and charges, and the policyholder has paid premiums at the recommended level, then the policy remains in force with any negative balance being carried forward.

(h) There is a surrender penalty in respect of capital units allocated. The penalty depends on the age at surrender and is approximately equal to the discounted value of future charges.

(i) Benefits are linked to the Flexible Life Funds.

(j) Not applicable.

(k) This contract was closed to new business throughout 2004.

(l) There was no increase in the rate of charges during the report period.

J PETA Plan (ex M&G Life)

(a) PETA Plan

(b) These are a combination of a non-profit pure endowment and several term assurance contracts.

(c) Single premium.

(d) On the pure endowment, the benefit on survival to the maturity date is the bid value of the units allocated. On the term assurances, the death benefit is the bid value of the units allocated.

The endowment and the term assurances may not be surrendered independently. On surrender the bid value of units allocated is payable.

(e) Not applicable.

(f) The annual management charge is 1% per annum of the plan value. Commission is recovered from the margin in the unit allocation.

(g) Not applicable.

(h) There is no surrender penalty.

(i) Benefits are linked to the Flexible Life Funds.

(j) Not applicable.

(k) This contract was closed to new business throughout 2004.

(l) There was no increase in the rate of charges during the report period.

Appendix 2(B) Description of United Kingdom linked contracts (NPSF - Ex M&G) continued

K Portfolio Protection Schemes (ex M&G Life)

(a) Portfolio Protection Schemes

(b) This is a group non-profit term assurance contract.

(c) A regular premium is paid in respect of each life covered.

(d) The death benefit equals the difference between the initial value of a portfolio of investments and the value at death, subject to a minimum of 1% of the value at death. The term of cover is 5 years.

(e) Not applicable.

(f) Commission and third party administration fees are deducted from the single premium. The balance should cover the cost of the death benefit.

(g) Not applicable.

(h) There is no benefit on early surrender.

(i) Benefits are effectively linked to the value of the relevant portfolio.

(j) After 5 years, the policyholder has the option to extend cover for a further five years without medical evidence on rates in force at the time.

(k) This contract was closed to new business throughout 2004.

(l) There was no increase in the rate of charges during the report period.

L 1968 Series Personal Pension Plan (ex M&G Pensions)

(a) 1968 Series

Personal Pension Plan

(b) This is a non-profit deferred annuity contract.

(c) Single premium.

(d) The plan value (i.e. the bid value of units allocated) is payable on death or transfer before vesting.

At vesting the policyholder may transfer the plan value to another insurance company or purchase an annuity on rates in force at the time.

(e) Not applicable.

(f) The annual management charge is 0.5% per annum of the plan value.

The margin in the allocation rate for single premiums is at least sufficient to recover any commission paid.

(g) The annual management charge is fixed.

(h) There is no surrender or transfer penalty.

(i) Benefits are linked to the Personal Pension Fund.

(j) Not applicable.

(k) These contracts were closed to new business throughout 2004.

(l) There was no increase in the rate of charges during the report period.

M 1979 Series: Flexible Pension Plan SP, Flexible Pension Plan AP, Executive Pension Plan and AVC Plan (ex M&G Pensions)

(a) 1979 Series

Flexible Pension Plan SP
Flexible Pension Plan AP
Executive Pension Plan
AVC Plan

(b) These are non-profit deferred annuity contracts.

(c) Single or regular premium.

(d) The plan value (i.e. the bid value of units allocated) is payable on death before vesting. A surrender penalty applies on transfer or early retirement as described in (h) below.

At vesting the policyholder may transfer the plan value to another insurance company or purchase an annuity on rates in force at the time.

On some regular premium policies, premiums are waived after six months sickness and/or additional life cover is paid on death before vesting.

(e) Not applicable.

(f) The annual management charge is usually 1.0% per annum of the plan value.

The margin in the allocation rate for single premiums and renewal premiums is at least sufficient to recover any commission paid and the costs of premium collection.

Regular premiums are invested in capital units for the first year. The additional charge of 4.25% per annum of the capital unit value is sufficient to recover the commission paid.

An additional charge is taken on broker and protected funds and remitted to the investment manager.

The cost of any rider benefits is charged by level deduction from premiums.

(f) The annual management charge is fixed on policies issued before the following dates:

Flexible Pension Plan SP	March 1987
Flexible Pension Plan AP	March 1984
Executive Pension Plan	January 1983
AVC Plan	January 1983

(h) There is no surrender or transfer penalty on single premium policies.

There is an early termination deduction in respect of capital units on regular premium policies. The deduction approximately equals the discounted value of future charges.

(i) Benefits are linked to the Flexible Pension Funds.

(j) Special terms apply to some policies. For example, the unit allocation is enhanced and all premiums are allocated to accumulation units on regular premium policies where the IFA does not take commission.

(k) These contracts were closed to new business throughout 2004.

(l) There was no increase in the rate of charges during the report period.

N ***1988 Series: Personal Pension Plan SP, Personal Pension Plan AP, Executive Pension Plan, AVC Plan and FSAVC Plan (ex M&G Pensions)***

(a) 1988 Series

Personal Pension Plan SP
Personal Pension Plan AP
Executive Pension Plan
AVC Plan
FSAVC Plan

(b) These are non-profit deferred annuity contracts.

(c) Single or regular premium.

National Insurance rebates may be paid into Personal Pension contracts.

(d) The plan value (i.e. the bid value of units allocated) is payable on death before vesting. A surrender penalty applies on transfer or early retirement as described in (h) below.

At vesting the policyholder may transfer the plan value to another insurance company or purchase an annuity on rates in force at the time.

On some regular premium policies, premiums are waived after six months sickness and/or additional life cover is paid on death before vesting.

(e) On some Executive Pension Plan policies there is a guarantee that the transfer value will be not less than the employee’s contributions.

(f) With effect from 6 April 2001 some charges have been removed from Personal Pension Plan (SP), Personal Pension Plan (AP) and FSAVC Plan contracts. Following these changes, the allocation factor is a minimum of 100% and the original allocation factor (after allowing for a 5% bid/offer spread), premiums are allocated at the bid price and no installation or policy administration fee is charged. Additional non-unit reserves have been established where the changes result in future expenses exceeding charges.

The annual management charge is usually 1.0% per annum of the plan value less rebates on some policies as described in (j) below.

A policy administration fee, usually £2, is debited monthly from the plan value, except on single premium policies issued before March 1992 (subject to the removal of charges with effect from 6 April 2001 referred to above).

The margin in the allocation rate for single premiums is usually sufficient to recover any commission paid. Any excess commission is recovered from the annual management charge within the early termination penalty period.

The margin in the allocation rate for renewal premiums is sufficient to recover any commission paid and the costs of premium collection, except as described in (j) below.

Regular premiums are invested in capital units for an initial period. The additional charge of 4.25% per annum of the capital unit value is at least sufficient to recover the commission paid. The capital unit allocation period is as follows:

Issued before February 1990	12 months
Issued after January 1990	18 months

An additional charge is taken on broker and protected funds and remitted to the investment manager.

The cost of any rider benefits is charged by monthly risk premium deduction from the plan value.

(g) Not applicable.

(h) There is an early termination deduction in respect of capital units on regular premium policies. The deduction approximately equals the discounted value of future charges.

There is an early termination penalty on single premiums on policies issued after February 1992 of 5% in year 1 reducing to 1% in year 5.

(i) Benefits are usually linked to the Flexible Pension Funds. Some single premium policies are linked to the Managed Income Fund.

(j) On policies issued before January 1989, a rebate of 1% of the plan value is added to the plan on each fifth policy anniversary.

On regular premium policies issued after January 1990 the allocation increases by 5% after five years' premiums have been paid. Renewal commission on subsequent premiums is recovered from the annual management charge.

Special terms apply to some policies. For example, the unit allocation is enhanced and all premiums are allocated to accumulation units on regular premium policies where the IFA does not take commission.

The allocation was enhanced for policies linked to the Managed Income Fund, which has a 1.5% annual management charge. The early termination penalties were increased accordingly.

(k) These contracts were closed to new business throughout 2004.

(l) There was no increase in the rate of charges during the report period.

O 1995 Series: Personal Retirement Account SP, Personal Retirement Account AP, Executive Retirement Account and FSAVC Account (ex M&G Pensions)

(a) 1995 Series

Personal Retirement Account SP
Personal Retirement Account AP
Executive Retirement Account
FSAVC Account

(b) These are non-profit deferred annuity contracts.

(c) Single or regular premium. Regular premiums may be increased on the policy anniversary.

National Insurance rebates may be paid into Personal Pension contracts.

(d) The plan value (i.e. the bid value of units allocated) is payable on death before vesting. A surrender penalty applies on transfer or early retirement as described in (h) below.

At vesting the policyholder may transfer the plan value to another insurance company or purchase an annuity on rates in force at the time.

On some regular premium policies, premiums are waived after six months sickness and/or additional life cover is paid on death before vesting.

(e) Not applicable.

(f) With effect from 6 April 2001 some charges have been removed from Personal Retirement Account (SP), Personal Retirement Account (AP) and FSAVC Account contracts. Following these changes, the allocation factor is a minimum of 100% and the original allocation factor (after allowing for a 5% bid/offer spread), premiums are allocated at the bid price and no installation or policy administration fee is charged. Additional non-unit reserves have been established where the changes result in future expenses exceeding charges.

The annual management charge is usually 1.0% per annum of the plan value less rebates on large policies as described in (j) below.

Administration fees are debited from the plan value (subject to the removal of charges with effect from 6 April 2001 referred to above). These are currently as follows:

	Initial	Monthly
Executive Retirement Account	£200	£4.90p.m.
Other regular premium policies	£150	£3.06 p.m.
Single premium policies	£25	£1.84p.m.
Increases and top-ups	£25	-

Any commission paid is recovered by an explicit deduction from the plan value.

An additional charge is taken on broker and protected funds and remitted to the investment manager.

The cost of any rider benefits is charged by monthly risk premium deduction from the plan value.

(g) Not applicable.

(h) There is an early termination penalty on single premiums of 2% for two years.

(i) Benefits are linked to the Flexible Pension Funds.

(j) Additional units are allocated to the policy each month once the plan value is at least £10,000. The rate of allocation is one-twelfth of 0.25% of the plan value where the contract has a plan value of between £10,000 and £25,000, and one-twelfth of 0.5% of the plan value where the plan value is at least £25,000.

(k) These contracts were closed to new business throughout 2004.

(l) There was no increase in the rate of charges during the report period.

P Asset Management and Variable Income Plan (ex M&G Pensions)

(a) Asset Management and Variable Income Plan

(b) These are non-profit group deferred annuities contracts.

(c) Single premium.

(d) The plan value (i.e. the bid value of units allocated) is payable on surrender, subject to the penalties described in (h) below.

(e) Not applicable.

(f) The annual management charge is usually 1.0% per annum of the plan value.

The margin in the allocation rate for premiums is usually sufficient to recover any commission paid. Any excess commission is recovered from the annual management charge within the early termination penalty period.

Commission paid on policies issued since December 1994 is recovered by an explicit deduction from the plan value.

An additional charge is taken on protected funds and remitted to the investment manager.

(g) Not applicable.

(g) There is an early termination deduction on policies issued after March 1992 sufficient to recover the excess of directly attributable acquisition costs over the initial charge.

(i) Benefits are usually linked to the Flexible Pension Funds but some policies are linked to the Managed Income Fund.

(j) On policies issued from July to December 1988, a rebate of 1% of the plan value is added to the plan on each fifth policy anniversary. Rebates of up to 0.5% per annum are paid on some policies issued after March 1998.

The allocation was enhanced for policies linked to the Managed Income Fund, which has a 1.5% annual management charge, and on some policies issued after March 1998, as an alternative to annual rebates.

(k) These contracts were closed to new business throughout 2004.

(l) There was no increase in the rate of charges during the report period.

Q Life Annuities (ex M&G Pensions)

(a) Life Annuities

(b) These are non-profit annuity contracts.

(c) These are secured by the proceeds of deferred annuities on death or vesting.

(d) The annuity is expressed as a fixed number of units so that the amount paid varies with the unit price.

(e) Not applicable.

(f) The annual management charge is 1.0% per annum except for policies linked to the Personal Pension Fund, on which it is 0.5% per annum.

The variation in mortality experience from that assumed at the previous valuation contributes additional surplus each year.

An additional charge is taken on protected funds and remitted to the investment manager.

(g) Some policies are subject to a fixed annual management charge as set out above for 1968 series and 1979 series deferred annuities.

(h) Not applicable.

(i) Benefits are linked to the Personal Pension Fund or Flexible Pension Funds.

(j) The annuity rate is enhanced for policies linked to retirement units of the Personal Pension Fund since these units bear an additional 4.0% per annum charge.

(k) The contract is only offered on vesting of a deferred annuity.

(l) There was no increase in the rate of charges during the report period.

Appendix 2(B) 4 – Europe

A Prudential Europe Vie

(a) Prudential Europe Vie.

(b) These contracts are whole life assurances. They may include non-linked benefits as described in Appendix 1(B)(a *A* (page 114).

(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% per annum 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 the 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 closed to new business on 1 January 2004.

(l) Charges cannot be increased.

Appendix 2(B) 5 – Hong Kong

A Prukid edulink

(a) Prukid edulink.

(b) These contracts are whole life assurances.

(c) Regular premiums may be paid yearly, half-yearly, quarterly or monthly. Additional single or regular top-up premiums 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$5 per month starting from the beginning of the second policy year.

Fund management charges are 1% per annum of the value of the US$ Bond Fund assets, 1.25% per annum of the Global Equity Fund, Pacific (ex-Japan) Fund and Dragon Growth (Greater China Equity) Fund assets and 0.5% per annum of the value of the Money (US$) Fund assets. Other recurring fees may not exceed 0.125% per annum of the US$ Bond and Global Equity Funds and 0.25% per annum of the Pacific and Dragon Growth Funds.

(g) All charges are subject to revision without limit upon three calendar months prior written notice to policyholders, provided any increase is consistent with the duty to treat customers fairly. 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 determined by reference to the value of 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.

B PRUretirement Plus

(a) PRUretirement Plus.

(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 single or regular top-up premiums 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	%
5-9	0.5		
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$5 per month starting from the beginning of the second policy year.

Fund management charges are 1% per annum of the value of the US$ Bond Fund assets, 1.25% per annum of the Global Equity Fund, Pacific (ex-Japan) Fund and Dragon Growth (Greater China Equity) Fund assets and 0.5% per annum of the value of the Money (US$) Fund assets. Other recurring fees may not exceed 0.125% per annum of the US$ Bond and Global Equity Funds and 0.25% per annum of the Pacific and Dragon Growth Funds.

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 policyholders, provided any increase is consistent with the duty to treat customers fairly. 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 determined by reference 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.

C PRUlink Maxisavings

(a) PRUlink Maxisavings.

(b) These contracts are whole life assurances.

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

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

An additional 50% of the value of units is paid if death is the result of an accident within five years of the issue date and the policyholder is aged 70 or less.

(e) There are no guaranteed investment returns.

(f) There is a premium charge of 5% of premiums and an administration charge currently US$5 per month. The administration charge is deducted by cancelling units.

Fund management charges are 1% per annum of the value of the US$ Bond Fund assets, 1.25% per annum of the Global Equity Fund, Pacific (ex-Japan) Fund and Dragon Growth (Greater China Equity) Fund assets and 0.5% per annum of the value of the Money (US$) Fund assets. Other recurring fees may not exceed 0.125% per annum of the US$ Bond and Global Equity Funds and 0.25% per annum of the Pacific and Dragon Growth Funds.

(g) All charges are subject to revision without limit upon three calendar months prior written notice to policyholders, provided any increase is consistent with the duty to treat customers fairly. 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 subject to a deduction of 75% in the first year, 50% in the second, 25% in the third and nil thereafter.

(i) Benefits are determined by reference to the value of 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.

D 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 the duty to treat customers fairly.

(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.

Appendix 2(C) United Kingdom direct written linked contracts in SAIF

A Trustee Investment Plan

(a) Trustee Investment Plan.

(b) These are non-profit group pension contracts.

(c) These are single premium contracts.

(d) This contract is restricted to investment by trustees of exempt approved retirement benefit schemes.

There is no death benefit.

(e) Not applicable.

(f) Acquisition expenses and initial commission are recouped by an establishment charge of 0.875% per annum of the fund for the first 5 years. This charge is met by the monthly deallocation of units.

Where part or all of the commission is taken as a fund-related amount, then a higher allocation factor is applied and the fund related commission is recouped by the deallocation of units through a quarterly service charge.

Renewal expenses are met from the annual management charge. This is currently 1.125% per annum for the Exempt Global Balanced (US View) fund and 0.875% per annum for other funds.

(g) There are no restrictions on increases in the annual management charge other than that imposed by the duty to treat customers fairly.

(h) The realisation 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) Benefits are determined by reference to the value of internal linked funds.

(j) Not applicable.

(k) This contract was closed to new business but was open for additional benefits throughout 2004.

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

B IPA

(a) IPA.

(b) These are non-profit pure endowments.

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

(d) On retirement at the selected retirement age (SRA), the fund available is the value at the bid price of the units allocated.

On death before the SRA, the policyholder may receive:

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

(ii) the greater of a specified sum assured and the value at the bid price of the units allocated to the policy, or

(iii) a specified sum assured in addition to the value at the bid price of the units allocated to the policy.

An accumulating with-profits version of this contract is also available, as described in Appendix 1(C)(a) *A* (page 123).

(e) Not applicable.

(f) Regular premium policies:

Acquisition expenses and initial commission are recouped by an additional management charge of 6% per annum which is levied on the value of initial units. This charge is reflected in the daily initial unit prices. Initial units are those purchased by the first annual or first twelve monthly premiums.

Renewal commission and renewal expenses are recouped by a combination of the bid/offer spread and allocation factor, and also an annual member charge which is applied to one of each member's policies.

An annual management charge is also used to meet expenses.

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 of sufficient accumulation units to meet the cost for that month.

Single premium policies:

Acquisition expenses and initial commission are recouped by a combination of the bid/offer spread and the allocation factor used, and by the annual management charge.

Renewal expenses are met 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 duty to treat customers fairly.

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) Regular premium policies:

On retirement before the SRA, the retirement fund available at the actual retirement age (ARA) is the value at the bid price of all units allocated, reduced by a proportion of the bid value of initial units which depends on the number of complete months (m) between the ARA and the SRA as follows:

m (months)	Proportion of bid value of initial units deducted
	%
0-60	(m/2.4)
60-180	[25 + (m-60)/3]

Single premium policies:

On retirement before the SRA, the retirement fund available is the value at the bid price of all units allocated.

(i) Benefits are determined by reference to the value of internal linked funds.

(j) The contract includes a guaranteed annuity option at the SRA.

The policy guarantees a scale of single life annuities for men and women at selected retirement ages between 60 and 70 for men and 55 and 70 for women.

Specimen rates of annuity per £1,000 cash are:

Men at 65	£100 per annum
Women at 60	£78 per annum
Men at 60	£87 per annum

The annuity is payable monthly in advance, guaranteed for 5 years. On death within the guaranteed period, outstanding instalments are paid as a lump sum.

By concession, policyholders are currently being allowed to select a different type of annuity, without losing the benefit of the guaranteed annuity.

(k) This contract ceased to be available in 1987.

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

C FlexiPension (Series 2)

(a) FlexiPension (Series 2).

(b) These are non-profit pure endowments.

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

(d) The policy is written to a selected retirement age (SRA) which is selected at outset as any birthday from the 60th to 75th inclusive. However, retirement benefits may commence at any time between ages 60 and 75 inclusive.

On retirement at the SRA, the fund available is the value at the bid price of all units allocated.

If retirement benefits have not been taken at or before the SRA, then at the SRA any initial units are cancelled at the bid price and the resultant amount applied to purchase, at the bid price, accumulation units in the same funds. On subsequent retirement or death, the fund available is the value at the bid price of all the units allocated.

On death before the SRA, the policyholder can receive either:

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

(ii) a specified sum assured in addition to the value at the bid price of the units allocated to the policy.

There is a facility for waiver benefit under which premiums are waived in respect of any period of incapacity, excluding the first six months of any such period.

An accumulating with-profits version of this contract is also available as described in Appendix 1(C)(a) *B* (page 123).

(e) Not applicable.

(f) Regular premium policies:

Acquisition expenses and initial commission are recouped by an additional management charge of 6% per annum which is levied on the value of initial units. This charge is reflected in the daily initial unit prices. Initial units are those purchased by the first annual or first twelve monthly premiums.

Renewal commission and renewal expenses are recouped by a combination of the bid/offer spread and the allocation factor, and also an annual member charge which is applied to one of each member's policies.

An annual management charge is also used to meet expenses.

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 of sufficient accumulation units to meet the cost for that month.

The cost of any waiver of premium benefits is met by the monthly cancellation of units.

Single premium policies:

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

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.

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 duty to treat customers fairly.

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 may 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.

(h) Regular premium policies:

On retirement before the SRA, the retirement fund available at the actual retirement age (ARA) is the value at the bid price of all units allocated, reduced by a proportion of the bid value of initial units which depends on the number of complete months (m) between the ARA and the SRA as follows:

m (months)	Proportion of bid value of initial units deducted
	%
0-60	(m/2.4)
60-180	[25 + (m-60)/3]

Single premium policies:

On retirement before the SRA, the retirement fund available is the value at the bid price of all units allocated.

(i) Benefits are determined by reference to the value of internal linked funds.

(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 Appendix 1(C)(c) *B* on page 125).

(k) This contract ceased to be available in 1987.

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

D Series 1 pensions

(a) This category comprises MaxiPension (Series 1), OmniPension (Series 1), ExtraPension (Series 1), FlexiPension (Series 3 and Series 4) and IndePension (Series 1 and Series 2).

(b) These are non-profit pure endowments.

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

(d) MaxiPensions and OmniPensions are designed for exempt approved schemes and ExtraPensions for free-standing AVCs. MaxiPensions and OmniPensions have slightly different charges and are designed to appeal to different markets. FlexiPensions and IndePensions are personal pension contracts designed for those in self employment and employment respectively. A group personal pension version, Group IndePension (Series 1), is included with IndePension (Series 2).

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 1), FlexiPension (Series 4) and IndePension (Series 2), 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 1), OmniPension (Series 1), FlexiPension (Series 4) and IndePension (Series 2), 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 of such a period.

Accumulating with-profits versions of these contracts are also available as described in Appendix 1(C)(a) ***C*** (page 124).

(e) Not applicable.

(f) With effect from 6 April 2001 some charges were removed from IndePension (Series 2), FlexiPension (Series 4) and ExtraPension (Series 1) 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 the changes result in future expenses exceeding charges.

Before 6 April 2001, acquisition expenses and initial commission were recouped by a combination of the bid/offer spread, an annual management charge and an installation charge applied at the start of each policy. Renewal expenses and commission were met from the bid/offer spread, an annual management charge and an annual member charge applied to one of the member's policies.

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 of sufficient units to meet the cost for that month.

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

For longer term single premium 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 premium paid. 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 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 duty to treat customers fairly.

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.

(h) Regular premium policies:

The benefit on retirement or surrender before the NRA or SRA is equal to the bid value of the units allocated less a discontinuance charge.

Discontinuance charges may also be taken 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 equal to the bid value of units less an early surrender charge which is calculated by reference to the outstanding proportion of the policy term.

(i) Benefits are determined by reference to the value of internal linked funds.

(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 Appendix 1(C)(c) *B*on page 125).

(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. MaxiPension (Series 1) and OmniPension (Series 1) were open for contractual increments throughout 2004.

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

E ***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 Appendix 1(C)(a) *D* (page 124).

(e) Not applicable.

(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 when a policy is set up.

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 DWP 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 duty to treat customers fairly.

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.

(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) Benefits are determined by reference to the value of internal linked funds.

(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 Appendix 1(C)(c) *B* on page 125).

(k) These contracts were closed to new business, except for MaxiPension (Series 2), OmniPension (Series 2), FlexiPension (Series 5) and IndePension (Series 3) which were open for contractual increments throughout 2004.

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

F 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 Appendix 1(C)(a) *E* (page 124).

(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% per annum 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 duty to treat customers fairly.

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.

(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) Benefits are determined by reference to the value of internal linked funds.

(j) Not applicable.

(k) These contracts were closed to new business throughout 2004 except for MaxiPension Plus and OmniPension Plus were open for additional benefits throughout 2004. FlexiPension (Series 7), IndePension (Series 5) and ExtraPension (Series 3) were open for additional benefits throughout 2004.

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

G 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 Appendix 1(C)(a) *F* (page 124).

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.

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 duty to treat customers fairly.

(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) Benefits are determined by reference to the value of internal linked funds.

(j) Not applicable.

(k) This contract was closed for new business but was open for additional benefits throughout 2004.

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

H Phased Retirement Plan and 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 Appendix 1(C)(a) *G* (page 124).

(e) Not applicable.

(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 duty to treat customers fairly.

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

(i) Benefits are determined by reference to the value of internal linked funds.

(j) Not applicable.

(k) This contract was closed for new business but was open for additional benefits throughout 2004.

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

INDUSTRIAL BRANCH

The industrial branch was closed to new business on 1 January 1995.

1. Date of investigation

The investigation relates to 31 December 2004.

2. Date of previous investigation

The previous investigation related to 31 December 2003.

3. Conformity with PRU 7.3.10R

The valuation of long term business liabilities shown in this report conforms with PRU 7.3.10R.

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 220.

In 2003 the Company decided to withdraw from doorstep premium collections for Industrial Branch business. Policyholders have been given two options as an alternative:

(i) Pay future premiums by direct debit, cheque or at the Post Office. Under this option, premiums will be collected monthly, rather than four-weekly, with the monthly premium equal to the previous four-weekly premium.

(ii) Cease paying premiums. Under this option the uncollected premiums will be deducted from claim payments, as described in the note following the terminal bonus table on page 220.

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 duty to treat customers fairly 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 other With-Profits Sub-Fund business combined, and has been assessed by providing an amount equal to 20% of the estimated chargeable gains at 31 December 2004.

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 £4m 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 most onerous scenario is that described in section 7(6) of the Valuation Report for the ordinary branch (page 32).

(7) See section 7(7) of the Valuation Report for the ordinary branch.

(8) Details are given in section 7(8) of the Valuation Report for the ordinary branch (page 32).

(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) Not applicable.

(d) All future premiums to be valued have been calculated in accordance with PRU 7.3.38R.

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 5.5% per annum.

(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
Margin in property yield reported on Form 57 for maintenance costs and leases	4
Margin of office over net premiums	8
0.15% of equity and bond assets allocated on Form 57 (IB proportion)	2
Total	35

(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.

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) Industrial Branch business is an element of the With-Profits Sub-Fund, and its with-profits policyholders participate in the profits in that fund subject to the exceptions listed in paragraph 14(2) of the Valuation Report for the ordinary branch (page 61). 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 before 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 where, in the circumstances described in 4(c), payment of premiums been deferred until these contracts become claims. Such uncollected premiums (net of LAPR) will be recovered without interest from the claim when a it 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 2004 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 0.90% of the sum assured and 1.80% of the existing reversionary bonuses.

(ii) A terminal bonus payable on policies becoming claims by death or maturity between 1 April 2005 and 31 March 2006 inclusive at the following rates per cent of sum assured:

Relevant Year	Terminal bonus	Relevant year	Terminal bonus	Relevant Year	Terminal bonus
		1955	1,547.50	1920	3,468.60
		1954	1,578.70	1919	3,478.20
1988	42.40	1953	1,611.10	1918	3,488.10
1987	47.30	1952	1,643.70	1917	3,497.80
1986	51.20	1951	1,678.30	1916	3,507.20
1985	55.10	1950	1,712.70	1915	3,517.20
1984	66.90	1949	1,748.00	1914	3,527.00
1983	77.90	1948	1,783.20	1913	3,536.60
1982	90.10	1947	1,820.40	1912	3,558.60
1981	106.20	1946	1,858.60	1911	3,569.30
1980	122.60	1945	1,873.20	1910	3,578.50
1979	150.70	1944	1,903.30	1909	3,591.80
1978	182.60	1943	1,907.40	1908	3,599.60
1977	219.20	1942	1,940.50	1907	3,606.50
1976	260.20	1941	1,973.00	1906	3,617.00
1975	305.10	1940	2,093.30	1905	3,632.80
1974	340.20	1939	2,226.50	1904	3,646.70
1973	376.10	1938	2,365.60	1903	3,659.40
1972	413.80	1937	2,477.30	1902	3,652.90
1971	454.50	1936	2,626.30	1901	3,652.90
1970	496.80	1935	2,781.30	1900	3,652.90
1969	529.20	1934	2,811.10	1899	3,662.30
1968	562.30	1933	2,841.20	1898	3,663.10
1967	596.40	1932	2,871.20	1897	3,663.10
1966	628.00	1931	2,901.70	1896	3,663.10
1965	683.80	1930	2,932.50	1895	3,663.10
1964	753.60	1929	2,963.20	1894	3,663.10
1963	821.90	1928	2,994.80	1893	3,663.10
1962	896.00	1927	3,026.50	1892	3,663.10
1961	980.50	1926	3,058.20		
1960	1,077.30	1925	3,090.30		
1959	1,192.20	1924	3,123.20		
1958	1,287.90	1923	3,157.60		
1957	1,370.00	1922	3,448.90		
1956	1,457.60	1921	3,458.70		

15. IB bonuses continued

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.

Following the Company's decision in 2003 to withdraw from doorstep premium collections, for policies where the policyholder has elected to cease paying premiums the claim values 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.

(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 2005 and 31 March 2006 inclusive:

An additional bonus at the rate of 3,419% 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.

20. Valuation summaries

Surplus is not determined separately for any part of the fund. See Form 51.

21. Analysis of valuation interest rates

See Form 57 and the Valuation Report for the ordinary branch.

22. Valuation results

Surplus is not determined separately for any part of the fund. See Form 58.

23. Long term insurance capital requirement

See Form 60.

Appendix 9.4A

Abstract of Valuation Report for Realistic Valuation for PAC With Profit Sub-Fund (WPSF), Defined Charge Participating Sub-Fund (DCPSF) and Scottish Amicable Insurance Fund (SAIF)

1. Introduction

1.1 The investigation relates to 31 December 2004.

1.2 Not applicable.

1.3 Not applicable.

2. Assets

2.1 The economic assumptions used to determine the value of future profits on non-profit business written in the WPSF and SAIF are:

Description	31 December 2004	
	Gross	Net
	%	%
Investment return (10yr gilt rate)	4.59	3.67
Investment expenses	0.134	0.107
Discount rate	4.456	3.563
Inflation (except IB business)	2.9	2.9
Inflation (IB business)	4.9	4.9

The DCPSF has no non-profit business.

2.2 For the WPSF, the economic assumptions used to determine the additional amount arising from the excess of the present value of future profits (or losses) of Prudential Annuities Limited (PAL) in accordance with PRU 7.4.33R(3)(b)(iii) are:

Description	31 December 2004
	%
Investment return	4.91
Investment expenses	0.06
Discount rate	4.85
Rate of tax on profits	30

The discount rate is equal to the investment return less the cost of investment management expenses.

SAIF and DCPSF have no assets valued under PRU 7.4.33R(3)(b)(iii).

2.3 Not applicable.

3. With-Profits Benefits Reserve Liabilities

3.1 The methods used to calculate the with-profits benefits reserves are:

Business class	Method		With-profits benefits reserves	Future policy related liabilities
WPSF			£m	£m
L&P IB	Retrospective*	Grouped	2,306	73
L&P CWP OB Assurances	Retrospective*	Grouped	5,720	27
L&P CWP Deferred Annuities	Retrospective*	Grouped	5,437	511
L&P UWP Life	Retrospective*	Individual	3,465	176
L&P UWP Pensions	Retrospective*	Grouped	14,012	788
Ex-ISC pensions	Retrospective*	Individual	1,693	225
Group pensions	Retrospective*	Individual	5,865	295
With profit annuities	Retrospective	Individual	761	70
PruBond	Retrospective	Individual	12,560	298
Ex-SAL UWP	Retrospective	Individual	928	44
Hong Kong	Retrospective	Grouped	1,308	24
Additional reserve	Other	n/a	206	50
Sub-total			54,261	2,581
SAIF				
CWP	Retrospective	Individual	6,300	150
UWP – pensions	Retrospective	Individual	4,220	466
UWP – life	Retrospective*	Individual	1065	1
Additional reserve	Other	n/a	62	3
Sub-total			11,647	620
DCPSF				
PAC France	Retrospective	Individual	80	-
Ex-Canada Life (Germany)	Retrospective	Individual	40	-
International Prudential Bond	Retrospective	Individual	730	
Sub-total			850	
Total PAC			66,758	3,201

* Adjusted as described in section 5.

The Life and Pensions (L&P) business comprises individual life and pensions business sold through the company's former Direct Sales Force. Ex-ISC pensions comprise individual pensions business sold through the IFA channel.

91% of SAIF UWP Pensions business have a minimum guarantee attached to them. Certain Group Pension contracts include minimum rates of guarantee ranging from 2.5% to 4.75%.

3.2 The total amounts of with-profits benefits reserve and future policy related liabilities equal the respective amounts shown at lines 31 and 49 of Table 1 (ie Form 19). The additional reserves include amounts in respect of mortgage endowment compensation enhancement, data integrity, extra premiums and unnotified deaths.

4. With-Profits Benefits Reserve – Retrospective method

4.1(a)&(b) The proportions of the with-profits benefits reserve (excluding additional reserves) calculated using individual or grouped methodology as shown in 3.1 are:

	WPSF	SAIF	DCPSF
	%	%	%
Individual basis	47	100	100
Grouped basis	53	0	0
Other	0	0	0
Total	100	100	100

4.1(c)(i) For WPSF L&P CWP business (OB & IB assurances and deferred annuity contracts), policies are differentiated by benefit type (eg full endowment, low cost endowment, whole life or deferred annuity), sex (but not for IB assurances) and premium status (single, regular, fully paid or partly paid) and then grouped, by age, duration and original policy term.

For WPSF L&P UWP pensions business, the approach is the same as for CWP business except that policies are not differentiated by sex, and paid up policies are grouped only if they had the same curtate duration when they were made paid-up. In addition, DWP rebate business is differentiated according to sex, maturity age and curtate duration in force at the valuation date.

4.1(c)(ii) The number of individual contracts and the number of model points used to represent them at 31 December 2004 are:

		Policies	Valuation file records	Number of model points
L&P IB		1,476,340	1,476,340	44,176
L&P CWP OB assurances		636,622	670,857	222,845
L&P CWP Deferred Annuities		321,167	705,384	339,234
L&P UWP pensions	- rebates	403,276	492,781	7,784
	- other	626,531	3,425,938	440,818

The number of records in the valuation file can exceed the number of policies because:

- new records are set up for increments to existing policies, and
- for unitised with-profits pensions business, separate records are set up for ordinary rights regular premium, ordinary rights single premium, protected rights and life cover.

4.1(c)(iii) The main classes valued on a grouped basis are the WPSF Life & Pensions (L&P) products sold through the former Direct Sales Force (Prudential ex-DSF). The business volumes of the grouped classes are large and homogeneous and the grouping basis used has been designed to separate out any significant attributes that affect the retrospective benefit reserve. The model points are hence heterogeneous and lead to an accurate retrospective valuation. This has been verified as at 2003 year end for which the asset shares using grouped and ungrouped data were within 0.01% for each class of business.

4.2.a. Not applicable

4.2.b. Not applicable.

4.3 Expenses of the long-term business incurred directly for a sub-fund or element of a sub-fund are allocated to that entity. Other expenses are mostly apportioned by reference to such measures as considered appropriate eg business volumes or time spent or mean fund for investment expenses. However SAIF is charged expenses in accordance with the provisions of the Scheme of Transfer.

4.3.a The previous full expense investigation relates to 2003. The 2004 expenses are based on provisional estimates for the year end. These will be updated during 2005.

4.3.b The company's cost allocation basis is reviewed quarterly to ensure maintenance of an appropriate allocation of expenses to the with-profit and other parts of the long-term fund. Charges deducted from the with-profits benefits reserve are reviewed at the same time, and updated at least annually.

4.3.c(i)&(ii) Expense allocation for calendar year 2004.

Description	WPSF (excl HK) 2004	DCPSF 2004	SAIF 2004
	£m	£m	£m
Acquisition expenses including commission #	40	0	5
Other business as usual & development expenses	148	6	28
Investment management expenses	78	0	19
Total expenses charged to with profits benefit reserve	266	6	52
Total expenses not charged to with profits benefits reserve	62	0	0

Net of an any Acquisition expenses written off

4.3.c(iii)&(iv)Expenses are split into acquisition and administration expenses. Those allocated to asset shares are expressed as an amount per policy, or a percentage of premium, policy fund or sum assured with an allowance for tax relief where appropriate.

Certain expenses are not allocated to asset shares. In particular:

- Although allowance is generally made for actual expenses, the allowance for acquisition expenses has been reduced every year since 1997 so that the deductions for expected expenses and distributions to shareholders are restricted to the policy-specific charges used when illustrating benefits at point of sale.

- Exceptional expenditure such as on one-off developments.

- For the WPSF, expenses associated with the PAC personal pensions misselling review are met by the inherited estate rather than asset shares.

In addition, for many pension contracts the net impact of policy charges has been limited to 1% p.a. since April 2001, though this level of charge is not guaranteed to apply in future.

Investment management expenses exclude those property maintenance and PPM ventures expenses which are already reflected in the reported fund investment return.

For the DCPSF Prudential International Bond, explicit charges are specified in the policy and passed to the PAC NPSF, which bears the expenses. Any difference between the charges deducted and the expenses incurred accrues to the PAC NPSF.

4.4 For WPSF policies, a charge for smoothing and guarantees is expressed as a proportion of asset shares. The with-profits benefits reserves are shown before this charge. Currently the charge is typically either 1% or 2%, but there are some exceptions.

For SAIF three charges were made in 2004:

- An annual charge for smoothing and guarantees, expressed as a proportion of asset shares, is transferred to a bonus smoothing account. In 2004 a charge of 0.15% of asset shares was made.
- An annual charge for the cost of guaranteed annuity options of 0.25% of asset shares. Any excess of the guaranteed annuity option costs over the charge made reduces the potential surplus available to enhance claim values under the Scheme of Transfer.
- An annual charge for the capital support provided by the Scottish Amicable Capital Fund (SACF) of 1% of the mean value of SACF.

For DCPSF policies, a charge for smoothing and guarantees is achieved by targeting claim values on a proportion of asset shares. On claim the difference between the actual claim value and the asset share is passed to a bonus smoothing account. The with-profits benefits reserve is shown before this charge. Currently the charge is typically up to 2%, depending on product, though the intention is that over time all of the fund will be returned to policyholders and therefore this charge is expected to vary. In addition, a proportion of the explicit charge in 4.3 above is passed to the WPSF, from the NPSF, which in return provides capital support in extreme circumstances.

For WPSF, SAIF and DCPSF the level of charges deducted during 2004 is the same as for 2003. The amounts are as follows.

Fund	Amount of charge 2004 £m
WPSF	74.0
DCPSF	0.3
SAIF	62.0

For the WPSF and DCPSF the charge shown reflects the reduction in target asset share due to charges, for those claims made in 2004.

4.5 For ex SAL business in the WPSF, specific charges are deducted to reflect expenses and profit as described and included in 4.3.

For other WPSF products, shareholder transfer costs are charged in addition to the expenses in 4.3 above.

For the DCPSF, explicit charges are specified in the policy conditions as described and included in 4.3.

The amount of additional charges deducted during 2004 are as follows:

Fund	Amount of charge 2004 £m
WPSF	201
DCPSF	0
SAIF	0

4.6 With profits benefits reserves, and the contribution within them from miscellaneous surplus and deficits for claims incurred over the last three years are not available. As an alternative to this disclosure the table below shows the ratio of claims (excluding deaths) paid over each of the last three years to the asset shares for those policies.

	2002	2003	2004
	%	%	%
WPSF	116	106	99
DCPSF	106	103	95
SAIF	109	101	98

4.7 The rate of investment return, before tax, allocated to the with-profits benefits reserves was as follows:

	2003	2004
	%	%
WPSF	16.5	13.4
SAIF	16.2	13.2
DCPSF	Varies by product	Varies by product

The investment returns shown above apply to all with-profit contracts in that sub-fund except that for WPSF:

- for PruBond Optimum Return fund (£0.7bn with-profits benefits reserves), the rate of return reflects a higher fixed interest content than the main WPSF, in line with the notional investment mix of assets which is appropriate for that product line, and
- for Hong Kong business (£1.3bn with-profits benefits reserves) the investment return allocated reflects the investment mix appropriate for each product line.

For DCPSF business (£0.9bn with-profits benefits reserves) the investment return allocated reflects the investment mix appropriate for each product line. The rates of return are as follows:

Product	2004
	%
Prudential International Bond	10.8
Ex – Canada Life (Germany)	9.1
PAC France	9.1

5. With-Profits Benefits Reserve – Prospective method

With-profits benefits reserves are primarily based on the retrospective asset shares. However a number of adjustments are made to reflect future expected policyholder benefits and other outgoings, in particular:

- WPSF L&P CWP whole life policies include significant death benefits that are more appropriately valued using expected future bonus rates rather than aggregate asset shares.
- WPSF IB bonus rates are derived from the corresponding OB rates, as opposed to the IB asset shares, in line with the undertaking given in 1988 when the IB and OB assets were merged. At that time, the Prudential undertook to declare IB bonuses that were equal to 100% of OB rates for new business issued from July 1988 and at least 90% of OB rates for business issued prior to July 1988.
- The company has restricted the future implicit fund charge on many pension contracts to reflect our intention to restrict charges on personal pensions to stakeholder consistent levels, so restricting our ability to target claim values on the underlying asset shares.
- For some product lines the only asset shares available are charges asset shares (where asset shares have been built up using the charges associated with that product line) rather than expenses asset share (where the actual expenses have been used). For these product lines, a prospective method is used to value the future liabilities (based on bonus rates derived from the charges asset shares) and to determine the equivalent (expenses) asset shares required to meet such bonus rates.
- The SAIF asset share liability is increased by the value of the Scottish Amicable Account (SAA) UWP life business, calculated on a charges less expenses basis, that is passed to the WPSF.

These adjustments to the underlying asset share liability are determined using a bonus reserve valuation approach. This is a prospective approach which determines the present value of liabilities allowing for expected rates of future annual and terminal bonus.

A prospective valuation is not performed for business in the DCPSF, or SAIF, with the exception of the SAA business mentioned above.

The non-economic assumptions used largely reflect the realistic components of the Regulatory basis, excluding the margins for adverse deviation (MADs). The elements of the resulting reserves that represent the bonus glidepath costs and prospective miscellaneous surpluses that will be distributed to with profits policyholders in future are identified and deducted from the prospective liability to determine the adjusted with-profits benefits reserves.

Prospective reserves are also determined for all major WPSF product lines as an additional check that with-profits benefits reserves fully reflect the provision for policyholders' benefits.

5.1.a.b&c The economic assumptions for WPSF and SAA UWP business are:

	31 Dec 2004	
	Gross	Net
	%	%
Investment return	6.530	5.730
Investment expenses	0.134	0.107
Discount rate	6.396	5.623
Expense Inflation (except IB business)	2.9	2.9
Expense Inflation (IB business)	4.9	4.9
Annuity interest rate (deferred annuity risk free rate of interest)	5.30	N/A

The economic assumptions used to value the prospective benefits are the same as those used for the company's Achieved Profits reporting, which represent our best estimate assumptions allowing for prevailing market conditions at the valuation date.

A prospective valuation is not performed for business in the DCPSF or SAIF, with the exception of SAA UWP business.

5.1.d Future annual and final bonus rates for WPSF significant product lines are shown in Appendix 3.

A prospective valuation is not performed for business in the DCPSF or SAIF, with the exception of SAA UWP business.

5.1.e Future expense assumptions for significant product lines are shown below:

PER POLICY EXPENSES		
Product	**Premium Paying (£)**	**PUP (% of premium paying)**
IB	25.18	16.7%
OB Assurance	23.66	85.0%
Deferred Annuities	27.78	85.0%
Personal Pensions	27.78	85.0%
Teachers' AVC	116.28	20%
Cash Accumulation Defined Benefit	384.85	20%

The expense assumptions are the realistic component of the peak 1 basis i.e. before the application of the margin for adverse deviation (MAD).

A prospective valuation is not performed for business in the DCPSF or SAIF, with the exception of SAA UWP business.

5.1.f Future persistency assumptions for significant product lines are shown in 6.6.

For persistency, there is no explicit peak 1 basis before MAD on which we might otherwise have based this assumption. The persistency assumptions used assume lower, and therefore more conservative, lapse rates then recent experience. The same persistency assumptions are used in both the base and RCM scenarios.

A prospective valuation is not performed for business in the DCPSF or SAIF with the exception of SAA UWP business.

5.2.1 Not applicable.

6. Cost of guarantees, options and smoothing

6.1 Not applicable.

6.2.a For the WPSF and SAIF, the value of guarantees, options and smoothing costs, net of the charge for such guarantees, other than for Personal Pension mis-selling guarantees and for GMPs, is determined by using market consistent stochastic models as follows:

- For WPSF business issued in the UK, the Prudential Stochastic Asset Liability Model (PSALM), an in-house model, is used to value product-related guarantees, except that the realistic reserve for the small volume of guaranteed annuity options (GAO's) is set equal to the regulatory reserve.
- For WPSF business issued in Hong Kong, the HK stochastic asset liability model (HKSALM) is used.
- For SAIF business, PSALM is used.

For the DCPSF, a bonus smoothing account is maintained and credited or debited as appropriate with any difference between claim payments made from the DCPSF and the relevant policies' underlying asset shares. It is intended that these smoothing transfers should generate no net gain over the long term. Claim payouts as a targeted percentage of asset share can be adjusted to cover the cost of guarantees and smoothing. If, however, in extreme circumstances, there is ultimately a shortfall in the DCPSF, additional capital support is provided by the WPSF. The WPSF receives an annual charge from the NPSF to provide this support. Within the WPSF a further reserve is therefore held in line with the cost on similar contracts. Our presentation of this is that for the DCPSF, the value of guarantee and smoothing costs are set equal to the current charge for such costs. In addition, the reserves and charges for guarantees and smoothing costs in the WPSF are increased in proportion to the relative asset shares of DCPSF and similar WPSF contracts.

For WPSF business, the reserves for:

- guarantees resulting from personal pension mis-selling, and
- the guaranteed minimum pensions on section 32 and bond 32 business,

are determined by averaging the results from a number of deterministic scenario tests. The probability of each scenario has regard to projections from PSALM, using market consistent assumptions. For this calculation individual policy data is used.

For SAIF business, guarantees for pensions mis-selling and GMPs are not significant and reserves are set equal to the regulatory reserves.

For DCPSF, guarantees for pensions mis-selling, GMPs and GAOs do not apply.

6.2.b(i)(ii)&(iii)

For Personal Pension mis-selling and GMP costs, individual policies are valued.

For Guaranteed Annuity Options, the approach used is:

Sub-fund	Valuation Method	Model point grouping	No of contracts	Number of Model Points
WPSF	Regulatory	Not applicable	5,516	N/a
SAIF	PSALM	Grouped	108,050	991

For other product related guarantees, the model points used in the valuation are all grouped data sets generated using one of the following:

- individual policy details
- grouped data from other similar contracts
- a representative set of policies

The business grouped by each method is:

Type of product	Valuation method	Model point grouping	Contracts	Model points
WPSF-UK	PSALM	Grouped	5,026,538	7,880
WPSF-HK	HKALM	Representative model points	377,212	281
SAIF	PSALM	Grouped	973,643	1,617

For WPSF and SAIF, PSALM model points are generated from in-force data extracted at 31 December 2003 and rolled forward to 31 December 2004, with allowance for claims and new business. The rolled forward model points were scaled up to the year end 2004 asset share.

The Prudential Sourcebook guidance requires that the grouping of policies for valuing the cost of guarantees, options and smoothing should not materially misrepresent the underlying exposure. In particular, policies with guarantees “in the money” should not be grouped with policies with guarantees well “out of the money”.

To meet this requirement WPSF (excluding HK) policies have been grouped together where they are subject to the same rate of bonus. For CWP and AWP business, this has been done by grouping policies separately for;

- major product categories
- single premium policies, regular premium policies, and paid-up policies
- year of inception
- year of maturity

For with-profits annuities, age and sex have been used as the grouping variables.

For SAIF products and rebate pensions business in WPSF, the grouping did not use year of inception but did use policy term. Checks were performed that this did not materially misstate the cost of guarantees and smoothing from aggregation of different moneyness.

Checks were performed to ensure that the model policies suitably reflected the underlying data. The ungrouped policy data and grouped model points were separately projected through the valuation models used for achieved profit reporting. Comparisons of revenue and balance sheet items over the projection period were produced to demonstrate the model points represented the policy data adequately. The key check was to ensure the run-off of asset share and fund value over the projection period was very similar.

HKALM model points are generated from a representative set of policies and scaled up to allow for non-modelled business.

6.2.c. Approximations are necessary for WPSF IB business because IB bonus rates are derived from the corresponding OB bonus rates as a result of the bonus harmonisation undertakings given in 1988 when the assets of the two funds were merged. IB bonuses are 100% of the OB ones for new business issued from July 1988 and at least 90% for prior business. The total liability is determined prospectively allowing for the expected OB-related bonuses, but the amount of this liability ascribed to guarantees and smoothing is approximate.

6.3 Not applicable.

6.4.a The following information is in respect of the business using the PSALM model. A similar approach has been taken for HKSALM but is not shown because the resulting costs are not significant.

6.4.a(i) For WPSF and SAIF, the guarantees valued using the full stochastic model include sums assured and projected reversionary bonuses (including any minimum guaranteed rates of reversionary bonus) payable on death, maturity, guaranteed regular withdrawal or vesting. For SAIF, guaranteed annuity options are also valued. A full description of the products and guarantees for individual contracts is given in the regulatory valuation abstract.

The extent to which guarantees are in or out of the money varies greatly across product lines and in particular by duration in-force within each product line. The ratio of reversionary bonus funds to asset shares for separate AWP product lines ranged between 72% and 97%, averaging 87% overall for WPSF and 85% overall for SAIF business.

6.4a(ii) The economic scenario generator

Economic scenarios are generated by the GeneSIS model developed by Mercer Oliver Wyman. This is a risk neutral stochastic asset model. The models used for each asset class are:

- Nominal interest rate model

  The interest rate model is a Hull and White two-factor model. Current forward rates (the UK gilts instantaneous nominal forward curve) are used to define an initial yield curve. The short rate in the model is assumed to fluctuate around this initial curve. A second random process disturbs the initial curve to which the short rate reverts.

- Equity model

  The equity return is generated using a risk-neutral log-normal model. It consists of a drift term and a random process. The drift term is the short rate taken from the nominal interest rate model described above. Equity returns fluctuate about this rate by means of a random process based on an annual volatility and a random number. The volatility assumption is time dependent.

- Corporate bond model

  Corporate bond returns are modelled as a gilt return plus additional volatility. This is an approximation to the Merton model which suggests that the return on a corporate bond can be decomposed into the return on a risk-free bond and the return on a put option on the value of a firm.

- Property model

  Property returns are modelled as a corporate bond (the lease) and an equity component (the residual price). The weightings between the bond and equity components are estimated, and are currently set at 40% and 60% respectively.

- Real interest rate and inflation model

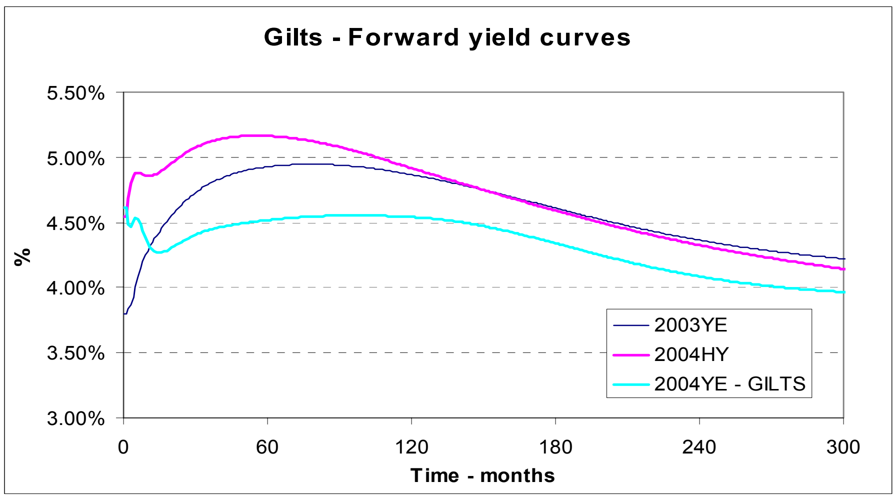
  Real interest rates are modelled using a one-factor Hull and White model. This model takes current forward rates (the UK gilts instantaneous real forward curve) to define an initial yield curve. The modelled interest rate is assumed to fluctuate around this initial curve. This fluctuation is correlated to the random variables used to derive nominal interest rates. The inflation rate is defined as the difference between the nominal and the real interest rate.

Calibration of asset model

The GeneSIS model has been calibrated to the market prices of traded derivative instruments as at 31 December 2004. The assumptions used in the calibration are:

- Risk free interest rate

  The yield curve used to calibrate the nominal interest rate model is shown below:



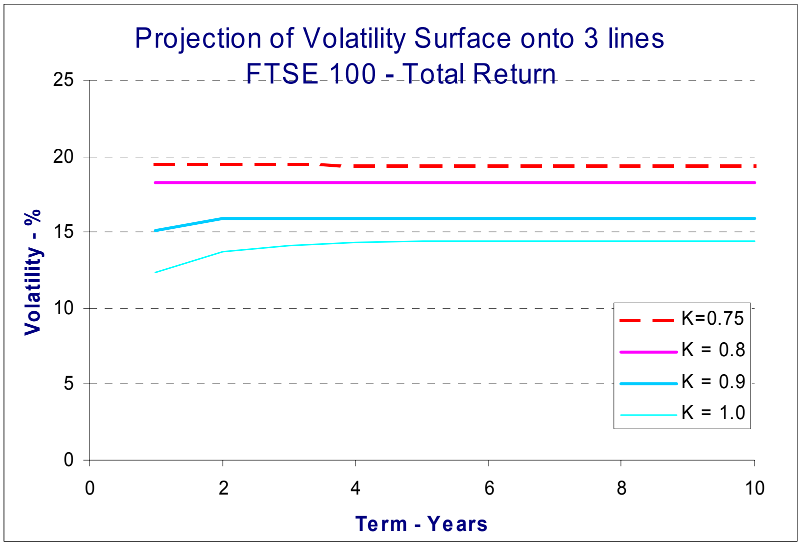
  The 2004 year end risk-free rate has been determined as 10 bp over the gilt rate, reflecting the decrease in yield on gilts arising from their repo abilities and other factors.

  It has been assumed the parameters defining the fluctuation in modelled interest rates around this yield curve are obtained by calibrating the model to replicate observed swaption rates.

- Equity volatility

  For UK equities, total return option prices were obtained with exercise dates from 1 to 10 years, and for (forward) strikes K = {0.8, 0.9, 1.0}. The resulting volatility surface (based on moneyness and term) was converted into a structure dependent only on term through determining the moneyness of the policy guarantees. The average strike was 0.75 for the first ten years, so the volatility was extrapolated to this level, whilst keeping the shape of the term structure.

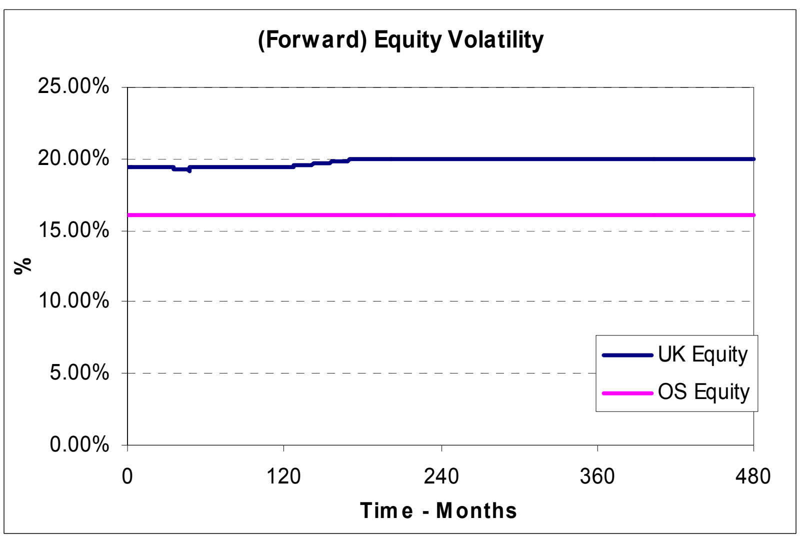
The resulting volatilities are as follows for UK equities.



Due to the geographical diversification, the returns on our overseas equities do not resemble any single overseas index on which market option prices can be obtained. We have assumed that our internal experts' (Prudential Portfolio Management Group - PMG) long-term assumption (16%) holds at all durations. The lower volatility assumption than on the UK equity portfolio reflects the geographical diversification of the assets.

For periods over 15 years, market observation is not possible and we have assumed 20% volatility for UK equities and 16% for overseas equities.

The final volatility term structure can be shown in the graph below.



- Corporate bonds

  The annualised additional volatility over the gilt return for corporate bonds was 1.704. This volatility was determined from a historical index of corporate bond returns.

- Property

  Property returns were decomposed into a corporate bond return plus the value of upward only rent increases. Due to scarcity of market data and the serial correlation of published indices, the property parameters were based on expert opinion.

- Real interest rates

  The model was calibrated using 5 years of real forward rates data, instantaneous nominal forward rates for 25 years and historic CPI inflation index data.

- Correlations

  Correlations between asset classes have been determined based on internal expert opinion and analysis of historical values. The correlations used within the economic scenarios for the valuation are as follows.

	Cash	Corp B	UK Eq	OS Eq	Prop
Cash	100%	10.9%	3.8%	4.7%	5.0%
Corporate Bonds	10.9%	100%	40.6%	34.6%	29.3%
UK Equities	3.8%	40.6%	100%	53.6%	38.0%
OS Equities	4.7%	34.6%	53.6%	100%	26.6%
Property	5.0%	29.3%	38.0%	26.6%	100%

6.4.a (iii) The asset model was used to value the required example options. The same table applies to WPSF UK liabilities and SAIF. The results are set out in Appendix 1.

6.4.a (iv) The initial and long-term yields assumed for assets backing WPSF and SAIF liabilities in the UK are:

	31 December 2004	
	UK	OS
	%	%
Equity dividend yield		
Current	3.05	2.58
Long term	3.25	2.25
Property rental yield		
Current	5.75	N/A
Long term	6.25	N/A

All overseas territories for the UK business are treated together, so we do not isolate significant territories within these. Hong Kong is not a significant territory for the WPSF.

6.4.a (v) All overseas territories are treated together, so we do not isolate significant territories within these.

6.4.a (vi) A table of the outstanding mean durations of significant guarantees for material products is:

Product	Proportion of total RB guarantee	Duration
	%	Years
WPSF Pru Bond and PSA	17	10
WPSF OB/IB	8	8
WPSF Personal Pensions	10	19
WPSF Deferred Annuities	36	12
WPSF Group Pensions	10	14
With Profit Annuities	4	13
SAIF	11	12
Total	96	N/A

A check of the model was carried out to calculate the (Monte Carlo) prices of the equity put options, after calibrating to a moneyness of 0.8 in order to be consistent with the market prices for Strike = 80% ATM forward. The results are shown below and demonstrate that the GeneSIS model is capable of reproducing market prices. .

Term (yrs)	Strike (ATM forward)	Market Price (%)	GeneSIS Price (%): k = 0.80
Strike = 80% of ATM forward			
1	83.9%	0.90	0.88
2	88.0%	2.50	2.51
3	92.3%	3.97	3.99
4	96.8%	5.36	5.33
5	101.6%	6.63	6.45
6	106.6%	7.82	7.45
7	111.8%	8.92	8.60
8	117.4%	9.97	9.58
9	123.1%	10.95	10.60
10	129.1%	11.89	11.50

6.4.a(vii) The model has further been tested by demonstrating that it reproduces asset values for a wide range of securities, equity options and swaptions by projecting them and discounting back.

6.4.a(viii) The PSALM model projects 5000 scenarios over 40 years. We have demonstrated that this produces statistically credible results, both using statistical theory and empirically by running the model several times on randomly different economic scenarios and demonstrating that the results are materially close.

6.4.b Guarantee, option and smoothing costs have not been valued using the market cost of hedging.

6.4.c For the WPSF, the reserve for guarantees resulting from personal pension misselling, and the guaranteed minimum pensions on section 32 and bond 32 business, are determined by averaging the results from a number of deterministic scenario tests.

The probability of each scenario has regard to PSALM projections using market consistent assumptions.

(i) 63 scenarios are modelled. Each scenario is applied to individual policies**.**

(ii) A spread of scenarios is chosen taking into account the extent to which a guarantee could become valuable. The attributed probabilities were chosen by reference to the probabilities of obtaining a given rate of return from the PSALM stochastic model using the market consistent calibration described in 6(4)(a).

(iii) A table of option values is included in Appendix 1. As the scenarios chosen were based on portfolio returns rather than individual asset classes, we have shown the values based on the portfolio used only.

(iv) A table of the outstanding durations of material guarantees is

Guarantee	Duration (in years)
Pension mis-selling	9
GMPs	9

For SAIF, guarantees in respect of pensions misselling and guaranteed minimum pensions are not significant. The statutory basis is assumed for this business.

6.5 The management actions assumed are:

6.5.a For the WPSF UK business and SAIF, modelled management decisions are consistent with the Principles and Practices of Financial Management (PPFM) available to the public, and with the Financial Condition Reports submitted annually to the Board. Details are given for UK business; a similar approach applies to the Hong Kong business.

In practice, a range of management actions would be considered at any time of stress. The actions taken would depend on the economic outlook and the financial position of the fund at that time. The stochastic model cannot reflect all possible actions and so it includes assumptions to broadly reflect the likely decisions. The assumptions made, as described below, are therefore indicative of the actions that might be taken in practice.

The results are sensitive to the bonus, MVR and investment policy the company employs. The annual bonuses and investment mix are dynamically modelled in PSALM stochastic projections. Dynamic management actions are assumed to depend on the PAC solvency position during the projection. For this purpose a PAC solvency ratio is calculated as (Assets/Regulatory liability -1) for the combined with-profits sub funds. Two ratios are calculated either including or excluding the cost of personal pension mis-selling costs (accumulated past and potential future costs) as an additional asset. In particular the following actions are assumed in PSALM.

6.5.a(i) Reversionary bonuses (RB)

WPSF business:

- The RB rates shown in Appendix 2 are assumed to apply when the PAC solvency ratio (excluding the cost of personal pension mis-selling) is at or above 8%.
- If (on the RB declaration month) the PAC solvency ratio is below 8%, then RB rates are reduced by 50%. If solvency recovers back above 8%, then RB rates are assumed to revert back to their original level.

SAIF business:

- The RB rates shown in Appendix 2 are assumed to apply when the PAC solvency ratio (including the cost of personal pension mis-selling) is at or above 16.6%.
- If (on the RB declaration month) PAC solvency is below 8.3%, SAIF RB rates are assumed to reduce by 90%. Between 16.6% and 8.3% PAC solvency, the SAIF RB rate is reduced linearly. When PAC solvency rises above 16.6%, RB rates return to their previous levels.
- If the WPSF RB rates have been cut by 50%, SAIF bonuses derived above are also assumed to reduce by 50%.

6.5.a(ii) Smoothing rules

Smoothing costs are determined in line with expected company practice to the extent that this can be modelled (given the practical constraints of stochastic modelling).

The stochastic asset liability model does not hold specific final bonus rates. Instead the approach used is to determine:

- the opening claim values by applying a ratio of claim value to asset share (derived from the most recent bonus declaration) to each model point asset share, and
- all future claim values as equal to asset shares, subject to the smoothing of claim values and the reversionary bonus underpin (where applicable).

The smoothed claim value between year ends is determined by accumulating the previous year end claim value at a long term rate of return of 6% (subject to tax and charges). The yearly reviews adjust the claim value to the asset share, subject to the revised claim value:

- being limited to a range of ± 5% around the current claim value projected forward at 6%.
- for the UK WPSF business, moving at least one third up or down to asset share, where this leads to a larger adjustment. For SAIF, the corresponding limits are 25% up or one third down to asset share, and
- being at least equal to the RB fund (where the RB underpin is applicable).

In the RCM scenario, it is assumed that less generous smoothing limits would be applied, and that the long-term investment return reduces in line with the interest rate event. Claim values would then generally change by up to 5% each year around a reduced long-term growth rate of 5%. It is also assumed that the WPSF and SAIF's smoothing limits would be widened to allow claim values to move 50% of the way down to asset share in any one year.

6.5.a(iii) Market value reductions (MVRs)

Projections have been produced using two alternative bases for determining MVRs. No reversionary bonus underpin applies to surrenders and early retirements under either basis.

In the base case, it is assumed that a £15,000 MVR-free limit will be applied to all business from 5 years' time, this being a proxy for the assumption that we will apply a £25,000 MVR-free limit in normal investment conditions, but that we will reduce the MVR-free limit to a £10,000 (or lower) level in adverse conditions. The resulting MVR deductions do not exceed the smoothing costs arising on surrender claims on products for which we impose an MVR.

In the RCM scenario, it is assumed that we would apply active MVRs in order to pay out bare asset shares on all surrenders and early retirements on AWP contracts before age 60.

6.5.a(iv) Asset rebalancing and switching

The asset allocations are assumed to be rebalanced on an annual basis towards the long-term benchmark asset allocation. There is no assumed limit on the maximum amount that can be rebalanced in any month.

In addition to rebalancing, asset switching (pro rata from UK and overseas equities into corporate bonds) is triggered when the PAC solvency level (including the cost of personal pension mis-selling) falls below 6%. The amounts to be switched are determined as follows:

- At 6% solvency or above, UK and overseas equities are assumed to remain at their long-term benchmark proportions (if switching has not yet taken place). If switching has already taken place in the model, switching from corporate bonds back into equities (in order to return to the long-term benchmark) can only occur when solvency rises above 8%.

- At 2.5% solvency, UK and overseas equities are assumed to be fully switched into corporate bonds.
- Between 6% and 2.5% solvency, the required switch amount is determined by linear interpolation between the limits specified above.

The maximum amount that can be switched in any month is 2% of total assets.

The SAIF asset allocation is assumed to be the same as PAC but with 6% more corporate bonds (and 6% less in UK and overseas equities).

The property portfolio is assumed to be illiquid over the short term, so no switching of property assets occurs in the model.

6.5.a(v) Tax on shareholders' transfers

If the PAC solvency level (excluding the cost of personal pensions mis-selling) is above 8%, tax on shareholders' transfers is assumed to be paid from the WPSF's free assets.

6.5.a(vi) Operation of SAIF

PSALM contains rules to model the SAIF Principles of Financial Management. As well as the rules set out above, this includes;

- recalculating the enhancement factor applied to SAIF asset shares, with the intention of distributing all SAIF assets (including future profits arising in SAIF) to SAIF policies, and
- merging SAIF into the other PAC long-term funds when SAIF assets (including the bonus smoothing account but excluding SACF) fall below £1bn, increased in line with RPI from the date of the Scheme of Transfer (1997).

6.5.b The proportion of equities and level of reversionary bonus rates after 5 and 10 years are shown below, projected by the PSALM model assuming various specific constant rates of return.

(i) Based on forward rates derived from the risk free interest rate curve

Year	Rate of return	Equity proportion		Proportion of initial RB rate	
		PAC	SAIF	PAC	SAIF
	%	%	%	%	%
Current	n/a	50.2	44.2	100	65
5 years	4.53	50.2	44.2	100	100
10 years	4.59	50.2	44.2	100	100

(ii) Based on 117.5% of the risk free rate.

Year	Rate of return	Equity proportion		Proportion of initial RB rate	
		PAC	SAIF	PAC	SAIF
	%	%	%	%	%
Current	n/a	50.2	44.2	100	65
5 years	5.30	50.2	44.2	100	100
10 years	5.36	50.2	44.2	100	100

(iii) Based on 82.5% of the risk free rate.

Year	Rate of return	Equity proportion		Proportion of initial RB rate	
		PAC	SAIF	PAC	SAIF
	%	%	%	%	%
Current	n/a	50.2	44.2	100	65
5 years	3.76	50.2	44.2	100	100
10 years	3.81	50.2	44.2	100	74

The initial reversionary bonus rates are shown in Appendix 2.

6.6 For SAIF guaranteed annuity options, modelled in PSALM, no decrements are assumed in deferment and 10% of the annuity is assumed to be taken as cash (i.e. the guarantee cost applies only to the remaining 90%). Due to constrained information on age at vesting and nature of the annuity, GAR costs are calculated using an annuity certain for 22 years.

For WPSF and SAIF business, PSALM projections use lower, and therefore more conservative, lapse rates then recent experience. This gives a margin of prudence to allow for anti-selective persistency behaviour arising from policyholder actions. The persistency assumptions are used in both the base and RCM scenario. For IB and OB assurances, AWP personal pensions, deferred annuities and PruBond, the decrement assumptions (including surrender and premium cessation) are set below:

Future decrement rates (per annum)	**Curtate duration (years)**				
	5	**10**	**15**	**20**	**30+**
IB					
With profit endowments	3.00	2.50	2.50	1.50	1.50
With profit whole life	3.50	2.00	2.00	2.00	1.50
OB CWP					
With profit endowments	5.50	2.50	2.50	1.50	0.50
With profit whole life	4.50	3.00	3.00	1.50	0.50
With profit deferred annuities	5.50	4.50	4.50	4.50	4.50
OB AWP					
PruBond	10.0	8.50	8.50	8.50	8.50
Unitised with profit pensions	8.50	6.00	6.00	4.00	4.00

6.7 The decrement assumptions are as shown in 6.6 above. No variation in rates is assumed in the RCM stress tests.

7. Financing costs

No financing arrangements are recognised for realistic balance sheet purposes.

8. Other long-term insurance liabilities

Other liabilities include pensions mis-selling liabilities and:

- for WPSF, the tax payable in future from the estate in respect of shareholders' transfers from the fund for in-force business, subject to it remaining prudent for the estate to meet such amounts, of £556m.
- for SAIF, the value of the total SACF capital support fee, net of the expected capital support ultimately received, of £84m.
- for DCPSF, the value of the Capital Support Content of the annual fund change, of £19m.

9. Realistic current liabilities

The current liabilities are those shown in the FSA returns except that the reserve for unrealised capital gains is determined assuming a discounted capital gains tax rate of 17.5% rather than the undiscounted rate of 20%. Credit is taken in SAIF for any negative SAIF CGT reserve, subject to it not exceeding the realistic CGT liability held in the PAC WPSF.

The reconciliation of realistic to regulatory current liabilities is :

	Regulatory reserve (A)	Realistic reserve (B)
WPSF	£m	£m
CGT reserve	1,345	1,177*
Other Current Liabilities	988	988
Total Current Liabiities	2,333	2,165
SAIF		
CGT reserve	111	97*
Other Current Liabilities	330	330
Total Current Liabiities	441	427

**(B) = (0.175/0.20) x (A) to allow for the different CGT rate assumed*

10. Risk capital margin

10.a The risk capital margin is £1,311m for the WPSF, £488m for SAIF and nil for the DCPSF.

This has been calculated assuming:

(i) a percentage change in market values, in accordance with PRU7.4.68R, of 20.0% for equities and 12.5% for property. A fall in market value is most onerous.

(ii) a change in fixed interest yield, in accordance with PRU 7.4.68R for the purpose of the market risk scenario for UK assets in PRU 7.4.62R (1) (a) of 83bps (17.5% of gilt yield). A fall in the yield is most onerous.

(iii) an average change in spread for bonds and a consequent percentage change in asset value, in accordance with PRU 7.4.78R, in respect of credit risk of:

(a) for non-approved assets, an increase in the default risk allowance of 86bps (WPSF and DCPSF) and 77 bps (SAIF). A fall in fixed interest asset values of 5.9% (WPSF and DCPSF) and 5.1% (SAIF) occurs in this scenario. Assumed future investment returns are unchanged.

(b) (c) (d) & (e) No change is assumed for debts, reinsurance, analogous non-reinsurance financing agreements, and other assets. These are not considered to present a significant credit risk.

(iv) a change in policy termination rates, in accordance with PRU7.4.100R, of 32.5% of those rates. A fall in the policy termination rate is most onerous. Policy termination rates include paid up rates, but exclude take-up rates for MVR-free regular withdrawals, MVR free spot guarantees, conventional policy guarantees or GAR benefits.

(v) that any change in bond values as a result of credit risk events is considered to have negligible impact on termination rates.

10.b The following management actions are assumed in addition to those stated in 6(5)(a) above for WPSF and SAIF.

- Asset shares, after charges for guarantees, are always paid on surrender and early retirement before age 60. In these circumstances the model is cost neutral. This active approach is assumed in the RCM scenario whereas a passive approach, under which the MVR policy is explicitly modelled, is used in the unstressed scenario. (see 6.5.a(iii) above)
- Initial reversionary bonuses are reduced to 1/3 of the long term supportable rates at the next declaration. See bonus table in Appendix 2.

- It is also assumed that the WPSF's smoothing limits would be widened to allow claim values to move 50% of the way down to asset share in any one year.

Similar assumptions are made for the HKALM. For the DCPSF, it is assumed that claim payouts are reduced to a level so that over the outstanding term of the in force business that aggregate asset shares are sufficient to meet claims and expenses.

10.c (i) For PAC, the assets allocated to support the with profits benefits reserve, future policy related liabilities and the reserve for unrealised capital gains reflect the actual asset mix of the with-profits fund, while current assets are used to support current liabilities. The assets allocated to cover the RCM are chosen so as to minimise the RCM.

(ii) For the WPSF, SAIF and the DCPSF, none of the assets held to cover the risk capital margin are outside the respective fund.

11. Tax

The treatment of tax is set out below.

(i) The with-profits benefits reserves, include an allowance for life fund tax deducted from the asset shares at the rates shown in (ii) below, which reflect the tax rates that applied to investment returns and expense relief in previous years. The rate of CGT is reduced to reflect the lower effective rate of tax which results from deferral of realisations within the fund. Further adjustments may be made from time to time to bring the tax charged to asset shares into line with the aggregate tax paid and outstanding. Tax on shareholders transfers is not currently deducted from asset shares.

(ii) The future policy related liabilities include allowance for tax on future investment returns and tax relief on expenses at current rates of tax allowing for any likely deferral of tax on capital gains, as shown below:

TAX RATES	**WPSF and SAIF #**
Source	**Rate of tax**
Franked Investment Income	0.0%
Unfranked Investment Income (FI and cash)	20.0%
Unfranked Investment Income (property)	20.0%
Capital Gains	17.5%
Initial Expense Relief	15%
Renewal Expense Relief	20.0%
Shareholder Transfers (gross business)	43.0%
Shareholder Transfers (net business)	10.0%

Tax is not applied to pensions or DCPSF business other than in respect of tax on shareholders' transfers from the WPSF.

(iii) The realistic current liabilities include a reserve for unrealised capital gains which is the regulatory reserve except that a discounted rate of 17.5% rather than 20% is applied. Credit has been taken in SAIF for any negative SAIF CGT reserve, subject to it not exceeding the realistic CGT liability held in the PAC WPSF.

12. Derivatives

The WPSF and SAIF hold:

- exchange traded equity index futures in the following markets: UK, US, Canada, Europe, Japan, Australia, Korea and South Africa. They also held exchange traded fixed income futures in the US market. All positions except Japan and Canada are used to reflect tactical asset allocation (short term) views around the strategic (long term) benchmark. The Japanese futures position is a short term measure to ensure that the fund meets FSA localisation requirements. The small futures position in Canada helps the Scottish Amicable Capital Funds (SACF) achieve its strategic weighting in Canadian equities.
- forward currency contracts primarily to hedge currency risk arising from US and European bond exposures, but also to implement tactical asset allocation positions
- over-the-counter (OTC) equity single stock options to increase the equity exposure of the convertible bond sub-fund.
- OTC fixed income derivatives positions to convert floating rate assets into fixed rate assets.
- OTC total return swaps based on the IPD Annual All Property index to reduce tactically the fund's exposure to property.
- SAIF holds OTC receiver swaptions to partially hedge its guaranteed annuity liabilities.

13 Not applicable.

Appendix 1

The table below shows the option prices generated from the economic calibration used to value the main guarantee and smoothing costs for WPSF and SAIF.

	K=0.75				K=1				K=1.5			
n	5.00	15.00	25.00	35.00	5.00	15.00	25.00	35.00	5.00	15.00	25.00	35.00
r.	4.63%	4.68%	4.53%	4.42%	4.63%	4.68%	4.53%	4.42%	4.63%	4.68%	4.53%	4.42%
1.	797405	503,068	328,974	216,803	x	x	x	x	x	x	x	x
2.	54,553	143,534	220,761	288,366	168,723	285,753	378,518	458,213	544,706	654,524	753,962	845,469
3.	44,623	101,166	142,492	172,852	144,418	209,327	252,586	283,632	488,349	504,877	526,290	541,616
4.	31,682	108,309	176,952	235,219	134,056	241,357	326,670	396,828	523,282	609,364	697,774	776,070
5.	24,254	70,463	106,054	131,256	110,527	168,885	206,832	230,845	464,202	458,072	470,799	477,791
6.	2,964	5,632	9,119	24,766	70,135	79,533	89,255	120,707	499,888	502,913	508,460	514,917
7.	1,484	926	725	2,805	49,138	27,517	17,477	23,263	435,255	320,898	237,944	192,516
8.	9,280	24,594	39,270	64,984	89,488	121,925	147,587	182,547	500,959	516,409	535,637	557,404
9.	5,795	9,309	11,162	18,048	67,612	61,834	56,023	62,451	438,015	347,135	288,284	255,242
10.	31,545	101,478	167,038	229,645	133,312	231,596	314,385	389,696	521,953	599,998	685,969	768,894
11.	24,264	65,500	99,285	126,902	109,819	160,384	195,918	225,292	463,048	448,021	458,482	470,139
12.	20,783	70,335	123,174	176,810	115,065	190,092	258,478	324,619	511,441	561,298	623,731	692,161
13.	14,944	40,752	65,191	87,474	92,144	122,309	149,020	172,925	450,768	405,882	397,495	400,935
14.	9,344	39,135	79,269	125,338	89,910	145,466	201,510	261,447	503,364	527,852	571,981	626,904
15.	5,916	18,365	34,392	53,211	67,981	82,463	101,229	121,976	440,308	365,229	339,314	335,591
L=15					L=20				L=25			
16.	6.74%	7.01%	5.16%	3.62%	8.46%	8.44%	6.15%	4.34%	9.89%	9.58%	6.92%	4.90%

The table below shows the option prices generated from the economic scenarios used to value personal pension mis-selling and GMP guarantees in WPSF.

	K=0.75				K=1				K=1.5			
n	5.00	15.00	25.00	35.00	5.00	15.00	25.00	35.00	5.00	15.00	25.00	35.00
17.	4.73%	4.54%	4.15%	4.15%	4.73%	4.54%	4.15%	4.15%	4.73%	4.54%	4.15%	4.15%
18.	0	58,926	153,701	310,659	66,880	214,359	341,096	560,448	535,747	652,422	796,515	1,112428
19.	0	24,198	74,586	152,742	41,807	129,359	199,026	315,714	467,672	479,041	540,516	699,632

Asset Type References:

r. Annualised compound equivalent of the risk free rate assumed for the period
1. Risk-free zone coupon bond
2. FTSE All Share Index (p=1)
3. FTSE All Share Index (p=0.8)
4. Property (p=1)
5. Property (p=0.8)
6. 15 year risk free zero coupon bonds (p=1)
7. 15 year risk free zero coupon bonds (p=0.8)
8. 15 year corporate bonds (p=1)
9. 15 year corporate bonds (p=0.8)
10. Portfolio of 65% FTSE All Share and 35% property (p=1)
11. Portfolio of 65% FTSE All Share and 35% property (p=0.8)
12. Portfolio of 65% FTSE All Share and 35% 15 year risk free zero coupon bonds (p=1)
13. Portfolio of 65% FTSE All Share and 35% 15 year risk free zero coupon bonds (p=0.8)
14. Portfolio of 40% equity, 15% property, 22.5% 15 year risk free zero coupon bonds and 22.5% 15 year corporate bonds (p=1)
15. Portfolio of 40% equity, 15% property, 22.5% 15 year risk free zero coupon bonds and 22.5% 15 year corporate bonds (p=0.8)
16. Receiver Swaptions with a strike of 5%, exercisable n years after the valuation date, swap duration = L years
17. Annualised compound equivalent of risk free rate assumed for the period
18. Portfolio Put Option (p=1)
19. Portfolio Put Option (p=0.8)

Appendix 2

Assumed annual bonus rates

	Actual 2005	Assumed 2006 and thereafter	
		Base Case	**RCM Scenarios**
WPSF			
Life & Pensions			
1. PSA/PIB	3.25	3.25	1.00
2. Personal Pensions	3.25	3.25	1.25
3. OB assurances	1.0/2.0	1.0/2.0	0.5/1.0
4. IB assurances	0.9/1.8	0.9/1.8	0.5/0.9
5. Deferred Annuities	0.25/0.50	0.25/0.50	Nil/Nil
Annuities			
6. Annuities	2.75	2.75	1.25
7. Flexible Retirement Income Account	2.75	2.75	1.25
Corporate			
8. Unitised	3.50	3.50	1.25
9a. DC Cash Accumulation	3.00**	3.00**	1.00**
9b. DB Cash Accumulation	2.75**	2.75**	1.00**
10. AVC Cash Accumulation	3.00**	3.00**	1.25**
11. Group Personal Pension	3.25	3.25	1.25
12. Pension Savings Plan	2.50	2.50	1.00
IFA			
13. Prudence Bond			
- Standard	3.25	3.25	1.00
- High RB	4.00	4.00	1.25
- Prospect – Standard	2.85	2.85	1.00
- Prospect – High RB	3.60	3.60	1.25
14. Prudential Pensions	3.25	3.25	1.25
15. SAL Life	3.00	3.00	1.00
16. SAL ISA	N/a	N/a	N/a
17. SAL Pensions			
- Funds 5, 6	3.375	3.375	1.25
- Funds 7, 8	3.25	3.25	1.25
SAIF		_Before Solvency Adjustment*_	_Before Solvency Adjustment*_
18. Principle Endowment			
19. Flexidowment (series 2)	0.80/1.50	1.30/2.30	0.40/0.70
20. Flexisave (series 2)	0.70/1.70	1.00/2.60	0.30/0.80
21. Flexipension (series 1)	0.70/1.30	100/2.10	0.30/0.60
22. Superannuation	0.40/1.00	0.70/1.60	0.30/0.60
23. Group	0.40/1.00	0.70/1.60	0.30/0.60
24. Life	1.10	1.70	0.70
25. Pensions – Fund 2	2.00	3.25	1.00
26. Pensions – Funds 1,3,4	2.00	3.25	1.25
	2.25	3.50	1.25

* SAIF projected rates need to be reduced by applying PAC solvency adjustment factor

** Subject to a guarantee of 4.75% for certain earlier business

Appendix 3

The tables below show the Reversionary Bonus rates and the Terminal Bonus as a proportion of the Sum Assured (£1000)

OB Assurances

Reversionary Bonus Rates				
	2004	2005	2006	Ultimate
RB on SA	1.0%	1.0%	0.8%	0.8%
RB on RB	2.0%	2.0%	1.5%	1.5%

TB as a proportion of Sum Assured (£1000)					
Term	2004	2005	2006	2007	2008
10	12%	13%	7%	5%	16%
15	32%	36%	34%	27%	27%
20	42%	52%	56%	57%	58%
25	124%	106%	92%	80%	71%
30	332%	286%	232%	189%	149%

Deferred Annuities Regular Premium

Reversionary Bonus Rates				
	2004	2005	2006	Ultimate
RB on SA	0.25%	0.25%	0.25%	0.25%
RB on RB	0.50%	0.50%	0.50%	0.50%

TB as a proportion of Sum Assured (£1000)					
Term	2004	2005	2006	2007	2008
10	3%	9%	2%	2%	5%
15	10%	23%	11%	7%	8%
20	1%	18%	11%	19%	22%
25	60%	52%	20%	11%	5%
30	207%	192%	125%	93%	66%

Deferred Annuities Single Premium

Reversionary Bonus Rates				
	2004	2005	2006	Ultimate
RB on SA	0.25%	0.25%	0.25%	0.25%
RB on RB	0.50%	0.50%	0.50%	0.50%

TB as a proportion of Sum Assured (£1000)					
Term	2004	2005	2006	2007	2008
10	15%	14%	3%	0%	0%
15	14%	13%	5%	9%	34%
20	71%	67%	40%	29%	19%
25	179%	196%	174%	150%	131%
30	309%	334%	283%	248%	211%

UWP Personal Pensions Regular Premium

Reversionary Bonus Rates					
	2004	2005	2006	2007	Ultimate
RB rate	3.25%	3.25%	2.75%	2.75%	2.75%

TB as a proportion of Claim Value (£1000)					
Term	2004	2005	2006	2007	2008
10	5%	7%	7%	7%	9%
15	14%	16%	17%	16%	16%