

Prudential Health Limited

Annual FSA Insurance Returns for the year ended

31 December 2006

Appendices 9.1,9.2 & 9.3

Statement of solvency - general insurance businessName of insurer **Prudential Health Limited**

Global business

Financial year ended **31 December 2006**

Solo solvency calculation

	Company registration number	GL/ UK/ CM	day month year			Units	
	R1	5051253	GL	31	12	2006	£000
				As at end of this financial year		As at end of the previous year	
				1		2	

Capital resources

Capital resources arising outside the long-term insurance fund	11	18947	15447
Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund	12		
Capital resources available to cover general insurance business capital resources requirement (11-12)	13	18947	15447

Guarantee fund

Guarantee fund requirement	21	2119	1353
Excess (deficiency) of available capital resources to cover guarantee fund requirement	22	16828	14094

Minimum capital requirement (MCR)

General insurance capital requirement	31	6357	1677
Base capital resources requirement	33	1471	1353
Individual minimum capital requirement	34	6357	1677
Capital requirements of regulated related undertakings	35		
Minimum capital requirement (34+35)	36	6357	1677
Excess (deficiency) of available capital resources to cover 50% of MCR	37	15768	14608
Excess (deficiency) of available capital resources to cover 75% of MCR	38	14179	14189

Capital resources requirement (CRR)

Capital resources requirement	41	6357	1677
Excess (deficiency) of available capital resources to cover general insurance business CRR (13-41)	42	12590	13770

Contingent liabilities

Quantifiable contingent liabilities in respect of other than long-term insurance business as shown in a supplementary note to Form 15	51		
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Name of insurer **Prudential Health Limited**

Global business

Financial year ended **31 December 2006**

Director

Director

Director

Date

Components of capital resources

Name of insurer **Prudential Health Limited**

Global business

Financial year ended **31 December 2006**

	Company registration number	GL/UK/CM	day month year			Units	
	R3	5051253	GL	31	12	2006	£000
		General insurance business	Long-term insurance business	Total as at the end of this financial year		Total as at the end of the previous year	
		1	2	3		4	

Core tier one capital

Permanent share capital	11	667		667	467
Profit and loss account and other reserves	12	(47753)		(47753)	(25707)
Share premium account	13	66033		66033	46233
Positive valuation differences	14				
Fund for future appropriations	15				
Core tier one capital in related undertakings	16				
Core tier one capital (sum of 11 to 16)	19	18947		18947	20993

Tier one waivers

Unpaid share capital / unpaid initial funds and calls for supplementary contributions	21				
Implicit Items	22				
Tier one waivers in related undertakings	23				
Total tier one waivers as restricted (21+22+23)	24				

Other tier one capital

Perpetual non-cumulative preference shares as restricted	25				
Perpetual non-cumulative preference shares in related undertakings	26				
Innovative tier one capital as restricted	27				
Innovative tier one capital in related undertakings	28				

Total tier one capital before deductions (19+24+25+26+27+28)	31	18947		18947	20993
Investments in own shares	32				
Intangible assets	33				
Amounts deducted from technical provisions for discounting	34				
Other negative valuation differences	35				
Deductions in related undertakings	36				
Deductions from tier one (32 to 36)	37				
Total tier one capital after deductions (31-37)	39	18947		18947	20993

Components of capital resources

Name of insurer **Prudential Health Limited**

Global business

Financial year ended **31 December 2006**

	Company registration number	GL/UK/CM	day	month	year	Units	
	R3	5051253	GL	31	12	2006	£000
		General insurance business	Long-term insurance business	Total as at the end of this financial year	Total as at the end of the previous year		
		1	2	3	4		

Tier two capital

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

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

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

Components of capital resources

Name of insurer **Prudential Health Limited**

Global business

Financial year ended **31 December 2006**

	Company registration number	GL/ UK/ CM	day month year			Units
R3	5051253	GL	31	12	2006	£000
		General insurance business 1	Long-term insurance business 2	Total as at the end of this financial year 3	Total as at the end of the previous year 4	

Total capital resources

Positive adjustments for regulated non-insurance related undertakings	71				
Total capital resources before deductions (39+69+71)	72	18947		18947	20993
Inadmissible assets other than intangibles and own shares	73				5546
Assets in excess of market risk and counterparty limits	74				
Deductions for related ancillary services undertakings	75				
Deductions for regulated non-insurance related undertakings	76				
Deductions of ineligible surplus capital	77				
Total capital resources after deductions (72-73-74-75-76-77)	79	18947		18947	15447

Available capital resources for PRU tests

Available capital resources for guarantee fund requirement	81	18947		18947	15447
Available capital resources for 50% MCR requirement	82	18947		18947	15447
Available capital resources for 75% MCR requirement	83	18947		18947	15447

Financial engineering adjustments

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

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

Name of insurer **Prudential Health Limited**

Global business

Financial year ended **31 December 2006**

General insurance business

	Company registration number	GL/UK/CM	day	month	year	Units	
	R11	5051253	GL	31	12	2006	£000
						This financial year 1	Previous year 2
Gross premiums written			11			35559	9316
Premiums taxes and levies (included in line 11)			12				
Premiums written net of taxes and levies (11-12)			13			35559	9316
Premiums for classes 11, 12 or 13 (included in line 13)			14				
Premiums for "actuarial health insurance" (included in line 13)			15				
Sub-total A (13 + 1/2 14 - 2/3 15)			16			35559	9316
Gross premiums earned			21			23837	4078
Premium taxes and levies (included in line 21)			22				
Premiums earned net of taxes and levies (21-22)			23			23837	4078
Premiums for classes 11, 12 or 13 (included in line 23)			24				
Premiums for "actuarial health insurance" (included in line 23)			25				
Sub-total H (23 + 1/2 24 - 2/3 25)			26			23837	4078
Sub-total I (higher of sub-total A and sub-total H)			30			35559	9316
Adjusted sub-total I if financial year is not a 12 month period to produce an annual figure			31				
Division of gross adjusted premiums amount sub-total I (or adjusted sub-total I if appropriate)	x 0.18		32			6401	1677
	Excess (if any) over 53.1M EURO x 0.02		33			1	
Sub-total J (32-33)			34			6399	1677
Claims paid in period of 3 financial years			41			20137	1988
Claims outstanding carried forward at the end of the 3 year period	For insurance business accounted for on an underwriting year basis		42				
	For insurance business accounted for on an accident year basis		43			3157	675
Claims outstanding brought forward at the beginning of the 3 year period	For insurance business accounted for on an underwriting year basis		44				
	For insurance business accounted for on an accident year basis		45				
Sub-total C (41+42+43-44-45)			46			23294	2663
Amounts recoverable from reinsurers in respect of claims included in Sub-total C			47			153	
Sub-total D (46-47)			48			23141	2663
Reinsurance Ratio (Sub-total D /sub-total C or, if more, 0.5 or, if less, 1.00)			49			0.99	1.00
Premiums amount (Sub-total J x reinsurance ratio)			50			6357	1677
Provision for claims outstanding (before discounting and net of reinsurance)			51			3157	675
Brought forward amount (12.43.2 x 51.1 / 51.2 or, if less, 12.43.2)			52			1677	82
Greater of lines 50 and 52			53			6357	1677

Calculation of general insurance capital requirement - claims amount and resultName of insurer **Prudential Health Limited**

Global business

Financial year ended **31 December 2006**

General insurance business

		Company registration number	GL/ UK/ CM	day month year			Units	
		R12	5051253	GL	31	12	2006	£000
				This financial year 1			Previous year 2	
Reference period (No. of months) See PRU 7.2.63R				11	35			23
Claims paid in reference period				21	20137			1988
Claims outstanding carried forward at the end of the reference period	For insurance business accounted for on an underwriting year basis			22				
	For insurance business accounted for on an accident year basis			23	3157			675
Claims outstanding brought forward at the beginning of the reference period	For insurance business accounted for on an underwriting year basis			24				
	For insurance business accounted for on an accident year basis			25				
Claims incurred in reference period (21+22+23-24-25)				26	23294			2663
Claims incurred for classes 11, 12 or 13 (included in 26)				27				
Claims incurred for "actuarial health insurance" (included in 26)				28				
Sub-total E (26 +1/2 27 - 2/3 28)				29	23294			2663
Sub-total F - Conversion of sub-total E to annual figure (multiply by 12 and divide by number of months in the reference period)				31	7987			1389
Division of sub-total F (gross adjusted claims amount)	x 0.26			32	2076			361
	Excess (if any) over 37.2M EURO x 0.03			33				
Sub-total G (32-33)				39	2076			361
Claims amount Sub-total G x reinsurance ratio (11.49)				41	2063			361
Higher of premiums amount and brought forward amount (11.53)				42	6357			1677
General insurance capital requirement (higher of lines 41 and 42)				43	6357			1677

Analysis of admissible assets

Name of insurer **Prudential Health Limited**

Global business

Financial year ended **31 December 2006**

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

	Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
	R13	5051253	GL	31	12	2006	£000	1
	As at end of this financial year						1	As at end of the previous year
							2	
Land and buildings							11	

Investments in group undertakings and participating interests

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

Other financial investments

Equity shares	41		
Other shares and other variable yield securities	42		
Holdings in collective investment schemes	43		
Rights under derivative contracts	44		
Fixed interest securities	Approved	45	
	Other	46	
Variable interest securities	Approved	47	
	Other	48	
Participation in investment pools	49		
Loans secured by mortgages	50		
Loans to public or local authorities and nationalised industries or undertakings	51		
Loans secured by policies of insurance issued by the company	52		
Other loans	53		
Bank and approved credit & financial institution deposits	One month or less withdrawal	54	9250
	More than one month withdrawal	55	10413
Other financial investments	56		
Deposits with ceding undertakings	57		
Assets held to match linked liabilities	Index linked	58	
	Property linked	59	

Analysis of admissible assets

Name of insurer **Prudential Health Limited**

Global business

Financial year ended **31 December 2006**

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

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets
R13	5051253	31	12	2006	£000	1
					As at end of this financial year	As at end of the previous year
					1	2

Reinsurers' share of technical provisions

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

Debtors and salvage

Direct insurance business	Policyholders	71	16560	5599
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74		
	Ceded	75		
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	13620	1450
	due in more than 12 months	79		

Other assets

Tangible assets	80	251	373
Deposits not subject to time restriction on withdrawal with approved institutions	81		
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	287	122
Deferred acquisition costs (general business only)	85	4868	2419
Other prepayments and accrued income	86	4964	7065

Deductions from the aggregate value of assets	87		
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Grand total of admissible assets after deduction of market risk and counterparty limits (11 to 86 less 87)	89	49800	27441
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Analysis of admissible assets

Name of insurer **Prudential Health Limited**

Global business

Financial year ended **31 December 2006**

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

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets
R13	5051253	31	12	2006	£000	1
					As at end of this financial year	As at end of the previous year
					1	2

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

Total admissible assets after deduction of market risk and counterparty limits (as per line 89 above)	91	49800	27441
Assets in excess of market and counterparty limits	92		
Capital resources requirement deduction of regulated related undertakings	93		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	94		
Inadmissible assets of regulated related insurance undertakings	95		
Book value of related ancillary services undertakings	96		
Other differences in the valuation of assets (other than for assets not valued above)	97		
Deferred acquisition costs excluded from line 89	98		
Reinsurers' share of technical provisions excluded from line 89	99		
Other asset adjustments (may be negative)	100		5546
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 100)	101	49800	32987
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	102		

Liabilities (other than long term insurance business)Name of insurer **Prudential Health Limited**

Global business

Financial year ended **31 December 2006**

R15	Company registration number	GL/UK/CM	day month year			Units
			31	12	2006	
	5051253	GL				£000
			As at end of this financial year			As at end of the previous year
			1			2

Technical provisions (gross amount)

Provisions for unearned premiums	11	17346	5625
Claims outstanding	12	3157	675
Provision for unexpired risks	13	2267	620
Equalisation provisions	Credit business	14	
	Other than credit business	15	
Other technical provisions	16		
Total gross technical provisions (11 to 16)	19	22770	6920

Provisions and creditors

Provisions	Taxation	21	9	
	Other risks and charges	22		
Deposits received from reinsurers		31		
Creditors	Direct insurance business	41		
	Reinsurance accepted	42		
	Reinsurance ceded	43		
Debenture loans	Secured	44		
	Unsecured	45		
Amounts owed to credit institutions		46		
Creditors	Taxation	47	754	105
	Declared dividend	48		
	Other	49	4050	2215
Accruals and deferred income		51	3270	2754
Total (19 to 51)		59	30853	11994
Provision for "reasonably foreseeable adverse variations"		61		
Cumulative preference share capital		62		
Subordinated loan capital		63		
Total (59 to 63)		69	30853	11994

Amounts included in line 69 attributable to liabilities to related insurers, other than those under contracts of insurance or reinsurance	71	2069	1080
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Reinsurers' share of DAC	81		
Amounts deducted from technical provisions for discounting	82		
Other adjustments (may be negative)	83		
Capital and reserves	84	18947	20993
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (69+81-82+83+84)	85	49800	32987

Proposed Dividend	91		
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Profit and loss account (non-technical account)Name of insurer **Prudential Health Limited**

Global business

Financial year ended **31 December 2006**

		Company registration number	GL/ UK/ CM	day	month	year	Units	
		R16	5051253	GL	31	12	2006	£000
				This financial year			Previous year	
				1			2	
Transfer (to)/from the general insurance business technical account	From Form 20		11			(32639)	(21624)	
	Equalisation provisions		12					
Transfer from the long term insurance business revenue account			13					
Investment income	Income		14			1090	1231	
	Value re-adjustments on investments		15					
	Gains on the realisation of investments		16					
Investment charges	Investment management charges, including interest		17					
	Value re-adjustments on investments		18					
	Loss on the realisation of investments		19					
Allocated investment return transferred to the general insurance business technical account			20					
Other income and charges (particulars to be specified by way of supplementary note)			21					
Profit or loss on ordinary activities before tax (11+12+13+14+15+16-17-18-19-20+21)			29			(31549)	(20393)	
Tax on profit or loss on ordinary activities			31			(14989)	(6198)	
Profit or loss on ordinary activities after tax (29-31)			39			(16560)	(14195)	
Extraordinary profit or loss (particulars to be specified by way of supplementary note)			41					
Tax on extraordinary profit or loss			42					
Other taxes not shown under the preceding items			43					
Profit or loss for the financial year (39+41-(42+43))			49			(16560)	(14195)	
Dividends (paid or declared)			51					
Profit or loss retained for the financial year (49-51)			59			(16560)	(14195)	

Analysis of derivative contractsName of insurer **Prudential Health Limited**

Global business

Financial year ended **31 December 2006**Category of assets **Total other than long term insurance business assets**

		Company registration number	GL/ UK/ CM	day month year			Units	Category of assets	
		R17	5051253	GL	31	12	2006	£000	1
Derivative contracts			As at the end of this financial year			As at the end of the previous year			
			Assets 1		Liabilities 2		Assets 3		Liabilities 4
Futures contracts	Fixed-interest securities	11							
	Equity shares	12							
	Land	13							
	Currencies	14							
	Other	15							
Options	Fixed-interest securities	21							
	Equity shares	22							
	Land	23							
	Currencies	24							
	Other	25							
Contracts for differences	Fixed-interest securities	31							
	Equity shares	32							
	Land	33							
	Currencies	34							
	Other	35							
Adjustment for variation margin		41							
Total (11 to 41)		49							

General insurance business : Summary of business carried on

Name of insurer **Prudential Health Limited**

Global business

Financial year ended **31 December 2006**

		Company registration number	GL/UK/CM	day month year			units	
		R20A	5051253	GL	31	12	2006	£000
Category number	FSA return general insurance business reporting category	Gross Premium written in this financial year	Provision for undiscounted gross claims outstanding at the end of this financial year		Provision for gross unearned premium at the end of the financial year			
			Reported	Incurred but not reported				
		1	2	3	4			
1	Total business	1	35559		3157	17346		
2	Total primary (direct) and facultative business	2	35559		3157	17346		
3	Total treaty reinsurance accepted business	3						
110	Total primary (direct) and facultative accident and health (category numbers 111 to 114)	4	35559		3157	17346		
120	Total primary (direct) and facultative personal lines motor business (category numbers 121 to 123)	5						
160	Primary (direct) and facultative household and domestic all risks	6						
180	Total primary (direct) and facultative personal lines financial loss (category numbers 181 to 187)	7						
220	Total primary (direct) and facultative commercial motor business (category numbers 221 to 223)	8						
260	Total primary (direct) and facultative commercial lines property (category numbers 261 to 263)	9						
270	Total primary (direct) and facultative commercial lines liability business (category numbers 271 to 274)	10						
280	Total primary (direct) and facultative commercial lines financial loss (category numbers 281 to 284)	11						
330	Total primary (direct) and facultative aviation (category numbers 331 to 333)	12						
340	Total primary (direct) and facultative marine (category numbers 341 to 347)	13						
350	Total primary (direct) and facultative goods in transit	14						
400	Miscellaneous primary (direct) and facultative business	15						
500	Total non-proportional treaty reinsurance business accepted (category numbers 510 to 590)	16						
600	Total proportional treaty reinsurance business accepted (category numbers 610 to 690)	17						
700	Miscellaneous treaty reinsurance accepted business	18						
	Total (lines 4 to 18)	20	35559		3157	17346		

General insurance business : Summary of business carried on

Name of insurer **Prudential Health Limited**

Global business

Financial year ended **31 December 2006**

		Company registration number	GL/UK/CM	day month year			units	
		R20A	5051253	GL	31	12	2006	£000
Category number	FSA return general insurance business reporting category	Gross Premium written in this financial year	Provision for undiscounted gross claims outstanding at the end of this financial year		Provision for gross unearned premium at the end of the financial year			
			Reported	Incurred but not reported				
		1	2	3	4			

Primary (direct) and facultative personal lines business

Category number	Description	1	2	3	4
111	Medical insurance	21	35559		17346
112	HealthCare cash plans	22		3157	
113	Travel	23			
114	Personal accident or sickness	24			
121	Private motor - comprehensive	25			
122	Private motor - non-comprehensive	26			
123	Motor cycle	27			
160	Household and domestic all risks (equals line 6)	28			
181	Assistance	29			
182	Creditor	30			
183	Extended warranty	31			
184	Legal expenses	32			
185	Mortgage indemnity	33			
186	Pet insurance	34			
187	Other personal financial loss	35			

Primary (direct) and facultative commercial lines business

Category number	Description	1	2	3	4
221	Fleets	41			
222	Commercial vehicles (non-fleet)	42			
223	Motor other	43			
261	Commercial property	44			
262	Consequential loss	45			
263	Contractors or engineering all risks	46			
271	Employers liability	47			
272	Professional indemnity	48			
273	Public and products liability	49			
274	Mixed commercial package	50			
281	Fidelity and contract guarantee	51			
282	Credit	52			
283	Suretyship	53			
284	Commercial contingency	54			

Primary (direct) and facultative aviation

Category number	Description	1	2	3	4
331	Aviation liability	61			
332	Aviation hull	62			
333	Space and satellite	63			

General insurance business : Summary of business carried on

Name of insurer **Prudential Health Limited**

Global business

Financial year ended **31 December 2006**

Category number	FSA return general insurance business reporting category	Company registration number	GL/UK/CM	day month year			units
		R20A	5051253	GL	31	12	2006
		Gross Premium written in this financial year	Provision for undiscounted gross claims outstanding at the end of this financial year		Provision for gross unearned premium at the end of the financial year		
		1	Reported	Incurred but not reported	3		4
			2	3			

Primary (direct) and facultative marine and transport

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

Primary (direct) and facultative miscellaneous

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

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

Proportional treaty

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

Treaty Reinsurance Miscellaneous

700	Miscellaneous treaty reinsurance accepted business (equals line 18)	101				
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	Total (lines 21 to 101)	111	35559		3157	17346
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General insurance business : Technical account (excluding equalisation provisions)Name of insurer **Prudential Health Limited**

Global business

Financial year ended **31 December 2006****Total business**

		Company registration number	GL/ UK/ CM	day	month	year	Units	Category number	
		R20	5051253	GL	31	12	2006	£000	001
Items to be shown net of reinsurance				This financial year				Previous year	
				1				2	
This year's underwriting (accident year accounting)	Earned premium (21.19.5)		11	23427				4078	
	Claims incurred (22.17.4)		12	21191				2654	
	Claims management costs (22.18.4)		13						
	Adjustment for discounting (22.52.4)		14						
	Increase in provision for unexpired risks (22.19.4)		15	1647				620	
	Other technical income or charges (particulars to be specified by way of supplementary note)		16	1189				262	
	Net operating expenses (22.42.4)		17	34394				22695	
	Balance of year's underwriting (11-12-13+14-15+16-17)		19	(32615)				(21629)	
Adjustment for prior years' underwriting (accident year accounting)	Earned premium (21.11.5)		21						
	Claims incurred (22.13.4)		22	24				(5)	
	Claims management costs (22.14.4)		23						
	Adjustment for discounting (22.51.4)		24						
	Other technical income or charges (particulars to be specified by way of supplementary note)		25						
	Net operating expenses (22.41.4)		26						
	Balance (21-22-23+24+25-26)		29	(24)				5	
Balance from underwriting year accounting	Per Form 24 (24.69.99-99)		31						
	Other technical income or charges (particulars to be specified by way of supplementary note)		32						
	Total		39						
Balance of all years' underwriting (19+29+39)			49	(32639)				(21624)	
Allocated investment income			51						
Transfer to non-technical account (49+51)			59	(32639)				(21624)	

General insurance business : Technical account (excluding equalisation provisions)Name of insurer **Prudential Health Limited**

Global business

Financial year ended **31 December 2006****Total primary (direct) and facultative business**

		Company registration number	GL/ UK/ CM	day	month	year	Units	Category number	
		R20	5051253	GL	31	12	2006	£000	002
Items to be shown net of reinsurance				This financial year				Previous year	
				1				2	
This year's underwriting (accident year accounting)	Earned premium (21.19.5)		11				23427	4078	
	Claims incurred (22.17.4)		12				21191	2654	
	Claims management costs (22.18.4)		13						
	Adjustment for discounting (22.52.4)		14						
	Increase in provision for unexpired risks (22.19.4)		15				1647	620	
	Other technical income or charges (particulars to be specified by way of supplementary note)		16				1189	262	
	Net operating expenses (22.42.4)		17				34394	22695	
	Balance of year's underwriting (11-12-13+14-15+16-17)		19				(32615)	(21629)	
Adjustment for prior years' underwriting (accident year accounting)	Earned premium (21.11.5)		21						
	Claims incurred (22.13.4)		22				24	(5)	
	Claims management costs (22.14.4)		23						
	Adjustment for discounting (22.51.4)		24						
	Other technical income or charges (particulars to be specified by way of supplementary note)		25						
	Net operating expenses (22.41.4)		26						
	Balance (21-22-23+24+25-26)		29				(24)	5	
Balance from underwriting year accounting	Per Form 24 (24.69.99-99)		31						
	Other technical income or charges (particulars to be specified by way of supplementary note)		32						
	Total		39						
Balance of all years' underwriting (19+29+39)			49				(32639)	(21624)	
Allocated investment income			51						
Transfer to non-technical account (49+51)			59				(32639)	(21624)	

General insurance business : Technical account (excluding equalisation provisions)Name of insurer **Prudential Health Limited**

Global business

Financial year ended **31 December 2006****Total primary (direct) and facultative accident and health**

		Company registration number	GL/ UK/ CM	day	month	year	Units	Category number
R20		5051253	GL	31	12	2006	£000	110
Items to be shown net of reinsurance				This financial year			Previous year	
				1			2	
This year's underwriting (accident year accounting)	Earned premium (21.19.5)		11			23427		4078
	Claims incurred (22.17.4)		12			21191		2654
	Claims management costs (22.18.4)		13					
	Adjustment for discounting (22.52.4)		14					
	Increase in provision for unexpired risks (22.19.4)		15			1647		620
	Other technical income or charges (particulars to be specified by way of supplementary note)		16			1189		262
	Net operating expenses (22.42.4)		17			34394		22695
	Balance of year's underwriting (11-12-13+14-15+16-17)		19			(32615)		(21629)
Adjustment for prior years' underwriting (accident year accounting)	Earned premium (21.11.5)		21					
	Claims incurred (22.13.4)		22			24		(5)
	Claims management costs (22.14.4)		23					
	Adjustment for discounting (22.51.4)		24					
	Other technical income or charges (particulars to be specified by way of supplementary note)		25					
	Net operating expenses (22.41.4)		26					
	Balance (21-22-23+24+25-26)		29			(24)		5
Balance from underwriting year accounting	Per Form 24 (24.69.99-99)		31					
	Other technical income or charges (particulars to be specified by way of supplementary note)		32					
	Total		39					
Balance of all years' underwriting (19+29+39)			49			(32639)		(21624)
Allocated investment income			51					
Transfer to non-technical account (49+51)			59			(32639)		(21624)

General insurance business (accident year accounting) : Analysis of premiumsName of insurer **Prudential Health Limited**

Global business

Financial year ended **31 December 2006****Total business**

		Company registration number	GL/ UK/ CM	day month year			Units	Category number	
		R21	5051253	GL	31	12	2006	£000	001
Premiums receivable during the financial year		Gross premiums written		Reinsurers' share			Net of reinsurance		
		Earned in previous financial years 1		Earned in previous financial years 3		Earned in previous financial years 5			
In respect of risks incepted in previous financial years		11							
		Earned In this financial year 1	Unearned at end of this financial year 2	Earned In this financial year 3	Unearned at end of this financial year 4	Earned In this financial year 5	Unearned at end of this financial year 6		
In respect of risks Incepted in previous financial years		12							
In respect of risks incepted in this financial year	For periods of less than 12 months	13							
	For periods of 12 months	14	18213	17346	410	17803	17346		
	For periods of more than 12 months	15							
Premiums receivable (less rebates and refunds) in previous financial years not earned in those years and brought forward to the financial year		16	5625			5625			
Total (12 to 16)		19	23837	17346	410	23427	17346		

General insurance business (accident year accounting) : Analysis of premiumsName of insurer **Prudential Health Limited**

Global business

Financial year ended **31 December 2006****Total primary (direct) and facultative business**

		Company registration number	GL/ UK/ CM	day month year			Units	Category number	
		R21	5051253	GL	31	12	2006	£000	002
Premiums receivable during the financial year		Gross premiums written		Reinsurers' share			Net of reinsurance		
		Earned in previous financial years 1		Earned in previous financial years 3				Earned in previous financial years 5	
In respect of risks incepted in previous financial years		11							
		Earned In this financial year 1	Unearned at end of this financial year 2	Earned In this financial year 3	Unearned at end of this financial year 4			Earned In this financial year 5	Unearned at end of this financial year 6
In respect of risks Incepted in previous financial years		12							
In respect of risks incepted in this financial year	For periods of less than 12 months	13							
	For periods of 12 months	14	18213	17346	410			17803	17346
	For periods of more than 12 months	15							
Premiums receivable (less rebates and refunds) in previous financial years not earned in those years and brought forward to the financial year		16	5625					5625	
Total (12 to 16)		19	23837	17346	410			23427	17346

General insurance business (accident year accounting) : Analysis of premiumsName of insurer **Prudential Health Limited**

Global business

Financial year ended **31 December 2006****Total primary (direct) and facultative accident and health**

		Company registration number	GL/ UK/ CM	day month year			Units	Category number	
		R21	5051253	GL	31	12	2006	£000	110
Premiums receivable during the financial year		Gross premiums written		Reinsurers' share			Net of reinsurance		
		Earned in previous financial years 1		Earned in previous financial years 3		Earned in previous financial years 5			
In respect of risks incepted in previous financial years		11							
		Earned In this financial year 1	Unearned at end of this financial year 2	Earned In this financial year 3	Unearned at end of this financial year 4	Earned In this financial year 5	Unearned at end of this financial year 6		
In respect of risks Incepted in previous financial years		12							
In respect of risks incepted in this financial year	For periods of less than 12 months	13							
	For periods of 12 months	14	18213	17346	410	17803	17346		
	For periods of more than 12 months	15							
Premiums receivable (less rebates and refunds) in previous financial years not earned in those years and brought forward to the financial year		16	5625			5625			
Total (12 to 16)		19	23837	17346	410	23427	17346		

General insurance business (accident year accounting) : Analysis of claims, expenses and technical provisions

Name of company **Prudential Health Limited**

Global business

Financial year ended **31 December 2006****Total business**

		Company registration number	GL/ UK/ CM	day	month	year	Units	Category number	
		R22	5E+06	GL	31	12	2006	£000	001
				Amount brought forward from previous financial year 1	Amount payable/receivable in this financial year 2		Amount carried forward to next financial year 3	Amount attributable to this financial year 4	
Claims incurred in respect of incidents occurring prior to this financial year	Gross amount	11		675			699		24
	Reinsurers' share	12							
	Net (11-12)	13		675			699		24
	Claims management costs	14							
Claims incurred in respect of incidents occurring in this financial year	Gross amount	15					18187	3157	21344
	Reinsurers' share	16					153		153
	Net (15-16)	17					18034	3157	21191
	Claims management costs	18							
Provision for unexpired risks		19		620				2267	1647
Net operating expenses	Commissions	21		616			4604	2243	2977
	Other acquisition expenses	22		1803			27450	2625	26628
	Administrative expenses	23					4789		4789
	Reinsurance commissions and profit participations	24							
	Total (21+22+23-24)	29		2419			36843	4868	34394
Adjustments for discounting in respect of the items shown at lines 11 to 18 above	Gross amount	31							
	Reinsurers' share	32							
	Claims management costs	33							
	Total (31-32+33)	39							
Split of line 29	Prior financial years	41							
	This financial year	42		2419			36843	4868	34394
Split of line 39	Incidents occurring prior to this financial year	51							
	Incidents occurring in this financial year	52							

General insurance business (accident year accounting) : Analysis of claims, expenses and technical provisions

Name of company Prudential Health Limited

Global business

Financial year ended 31 December 2006

Total primary (direct) and facultative business

		Company registration number	GL/ UK/ CM	day	month	year	Units	Category number	
		R22	5E+06	GL	31	12	2006	£000	002
				Amount brought forward from previous financial year 1	Amount payable/receivable in this financial year 2		Amount carried forward to next financial year 3	Amount attributable to this financial year 4	
Claims incurred in respect of incidents occurring prior to this financial year	Gross amount	11		675			699		24
	Reinsurers' share	12							
	Net (11-12)	13		675			699		24
	Claims management costs	14							
Claims incurred in respect of incidents occurring in this financial year	Gross amount	15					18187	3157	21344
	Reinsurers' share	16					153		153
	Net (15-16)	17					18034	3157	21191
	Claims management costs	18							
Provision for unexpired risks		19		620				2267	1647
Net operating expenses	Commissions	21		616			4604	2243	2977
	Other acquisition expenses	22		1803			27450	2625	26628
	Administrative expenses	23					4789		4789
	Reinsurance commissions and profit participations	24							
	Total (21+22+23-24)	29		2419			36843	4868	34394
Adjustments for discounting in respect of the items shown at lines 11 to 18 above	Gross amount	31							
	Reinsurers' share	32							
	Claims management costs	33							
	Total (31-32+33)	39							
Split of line 29	Prior financial years	41							
	This financial year	42		2419			36843	4868	34394
Split of line 39	Incidents occurring prior to this financial year	51							
	Incidents occurring in this financial year	52							

General insurance business (accident year accounting) : Analysis of claims, expenses and technical provisions

Name of company **Prudential Health Limited**

Global business

Financial year ended **31 December 2006****Total primary (direct) and facultative accident and health**

		Company registration number	GL/ UK/ CM	day	month	year	Units	Category number	
		R22	5E+06	GL	31	12	2006	£000	110
				Amount brought forward from previous financial year 1	Amount payable/receivable in this financial year 2		Amount carried forward to next financial year 3	Amount attributable to this financial year 4	
Claims incurred in respect of incidents occurring prior to this financial year	Gross amount	11	675	699				24	
	Reinsurers' share	12							
	Net (11-12)	13	675	699				24	
	Claims management costs	14							
Claims incurred in respect of incidents occurring in this financial year	Gross amount	15		18187			3157	21344	
	Reinsurers' share	16		153				153	
	Net (15-16)	17		18034			3157	21191	
	Claims management costs	18							
Provision for unexpired risks		19	620				2267	1647	
Net operating expenses	Commissions	21	616	4604			2243	2977	
	Other acquisition expenses	22	1803	27450			2625	26628	
	Administrative expenses	23		4789				4789	
	Reinsurance commissions and profit participations	24							
	Total (21+22+23-24)	29	2419	36843			4868	34394	
Adjustments for discounting in respect of the items shown at lines 11 to 18 above	Gross amount	31							
	Reinsurers' share	32							
	Claims management costs	33							
	Total (31-32+33)	39							
Split of line 29	Prior financial years	41							
	This financial year	42	2419	36843			4868	34394	
Split of line 39	Incidents occurring prior to this financial year	51							
	Incidents occurring in this financial year	52							

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

Name of insurer **Prudential Health Limited**

Global business

Financial year ended **31 December 2006**

Total business

		Company registration number	GL/UK/CM	day month year			Units	Category number						
		R23	5051253	GL	31	12	2006	£000	001					
Accident year ended		Claims paid (net) during the accident year	Claims outstanding (net) as at end of the accident year	Total claims paid (net) since the end of the accident year, but prior to this financial year	Claims paid (net) during this financial year	Claims outstanding carried forward		Claims outstanding brought forward		Claims incurred (latest year) or developed (other years) during this financial year (4+5+6-7-8)	Deduction for discounting from claims outstanding carried forward (net)	Earned premiums (net)	Deterioration/ (surplus) of original claims reserve %	Claims ratio %
Month	Year					Reported (net)	Incurred but not reported (net)	Reported (net)	Incurred but not reported (net)					
		1	2	3	4	5	6	7	8	9	10	11	12	13
12	2006	11			18034		3157			21191		23427		90.5
12	2005	12	1979	675	699			130	545	24		4078	3.6	65.7
12	2004	13	2	13	8							32	(35.3)	32.5
12	2003	14												
12	2002	15												
12	2001	16												
12	2000	17												
12	1999	18												
12	1998	19												
12	1997	20												
Prior accident years		21												
Reconciliation		22												
Total (11 to 22)		29			18733		3157	130	545	21215				

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

Name of insurer **Prudential Health Limited**

Global business

Financial year ended **31 December 2006****Total primary (direct) and facultative business**

		Company registration number	GL/UK/CM	day month year			Units	Category number						
		R23	5051253	GL	31	12	2006	£000	002					
Accident year ended		Claims paid (net) during the accident year	Claims outstanding (net) as at end of the accident year	Total claims paid (net) since the end of the accident year, but prior to this financial year	Claims paid (net) during this financial year	Claims outstanding carried forward		Claims outstanding brought forward		Claims incurred (latest year) or developed (other years) during this financial year (4+5+6-7-8)	Deduction for discounting from claims outstanding carried forward (net)	Earned premiums (net)	Deterioration/ (surplus) of original claims reserve %	Claims ratio %
Month	Year					Reported (net)	Incurred but not reported (net)	Reported (net)	Incurred but not reported (net)					
		1	2	3	4	5	6	7	8	9	10	11	12	13
12	2006	11			18034		3157			21191		23427		90.5
12	2005	12	1979	675	699			130	545	24		4078	3.6	65.7
12	2004	13	2	13	8							32	(35.3)	32.5
12	2003	14												
12	2002	15												
12	2001	16												
12	2000	17												
12	1999	18												
12	1998	19												
12	1997	20												
Prior accident years		21												
Reconciliation		22												
Total (11 to 22)		29			18733		3157	130	545	21215				

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

Name of insurer **Prudential Health Limited**

Global business

Financial year ended **31 December 2006**

Total primary (direct) and facultative accident and health

		Company registration number	GL/UK/CM	day month year			Units	Category number						
		R23	5051253	GL	31	12	2006	£000	110					
Accident year ended		Claims paid (net) during the accident year	Claims outstanding (net) as at end of the accident year	Total claims paid (net) since the end of the accident year, but prior to this financial year	Claims paid (net) during this financial year	Claims outstanding carried forward		Claims outstanding brought forward		Claims incurred (latest year) or developed (other years) during this financial year (4+5+6-7-8)	Deduction for discounting from claims outstanding carried forward (net)	Earned premiums (net)	Deterioration/ (surplus) of original claims reserve %	Claims ratio %
Month	Year					Reported (net)	Incurred but not reported (net)	Reported (net)	Incurred but not reported (net)					
		1	2	3	4	5	6	7	8	9	10	11	12	13
12	2006	11			18034		3157			21191		23427		90.5
12	2005	12	1979	675	699			130	545	24		4078	3.6	65.7
12	2004	13	2	13	8							32	(35.3)	32.5
12	2003	14												
12	2002	15												
12	2001	16												
12	2000	17												
12	1999	18												
12	1998	19												
12	1997	20												
Prior accident years		21												
Reconciliation		22												
Total (11 to 22)		29			18733		3157	130	545	21215				

General insurance business (accident year accounting) : Analysis of gross claims and premiums by risk category for direct insurance and facultative reinsurance

Name of insurer **Prudential Health Limited**

Currency **British Pound**

Global business

Reporting Territory **United Kingdom other than home foreign**

Financial year ended **31 December 2006**

Company registration number

GL/UK/CM

day month year

Monetary units

Category number

Currency code

Reporting territory code

Medical insurance

R31	5051253	GL	31	12	2006	000	111	GBP	AA
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Accident year ended			Number of claims		Gross claims paid		Gross claims outstanding carried forward		Gross claims outstanding brought forward		Claims incurred (latest year) or developed (other years) during this financial year (4+5+6-7-8)	Gross earned premiums	Claims ratio %
Month	Year		Closed at some cost during this or previous financial years	Reported claims outstanding	In previous financial years	In this financial year	Reported	Incurred but not reported	Reported	Incurred but not reported			
			1	2	3	4	5	6	7	8	9	10	11
12	2006	11	78108	912		18187		3157			21344	23837	89.5
12	2005	12	10017		1979	699			130	545	24	4078	65.7
12	2004	13	55		10							32	32.5
12	2003	14											
12	2002	15											
12	2001	16											
12	2000	17											
12	1999	18											
12	1998	19											
12	1997	20											
Prior accident years		21											
Total (11 to 21)		29		912		18886		3157	130	545	21368		
Line 29 expressed in sterling		30				18886		3157	130	545	21368		

Prudential Health Limited

Financial Year ended 31 December 2006

Supplementary Notes to the Forms

Appendix 9.1

0301 <u>Net admissible asset reconciliation</u>	£'000
Net admissible assets (Form 13 line 89 less Form 15 line 69)	18,947
Total capital resources after deductions (Form 3 line 79)	18,947

1304 Use of set off

Amounts have been set off to the extent permitted by generally accepted accounting principles.

1305 Counterparty limits

Under the Company's investment guidelines, the maximum permitted exposure to any one approved credit institution is set at 20% of the general business amount. There is no permitted exposure to any unapproved credit institution. Neither of these guidelines were exceeded at any point during the year.

1306 Year end exposures to counterparties

Exposure to counterparties at the end of the financial year that exceed the sum of 20,000 Euro and 5% of liabilities:

Exposure	Counterparty	Nature of exposure
£1,900,000	Rabobank	Short term deposit
£1,900,000	Ulster Bank	Short term deposit
£1,900,000	ABN Amro	Short term deposit
£1,900,000	ING	Short term deposit
£1,900,000	UBS	Short term deposit

1318 Particulars of other assets adjustments

There are no other asset adjustments.

1320 Analysis of derivative contracts

Form 17 has been submitted in blank, as no such contracts were used.

Prudential Health Limited

***1501* Provision for reasonably foreseeable adverse variations**

No provision has been made for adverse changes as the Company does not make use of derivative contracts. Sufficient assets are held to cover liabilities.

***1502* Details of charges, contingent liabilities and guarantees**

There are no charges over assets or contingent liabilities.

There is no potential liability to taxation on capital gains, nor were there any guarantees, indemnities or contractual commitments made by the Company.

Appendix 9.2

***2005* Other technical income or charges**

Other technical income represents those amounts received and receivable from policyholders in respect of health and wellness membership (such as gym membership fees). The total is paid over to vitality partners (such as gyms), and is included in line 23 column 2 of Form 22.

***2007* Material connected party transactions**

During 2004, the Company entered into an agreement with The Prudential Assurance Company Limited for the provision of support services. During 2006, The Prudential Assurance Company Limited invoiced the Company £2,313,005 (2005: £2,241,329) for the provision of services and the balance outstanding as at 31 December 2006 was £738,637 (2005: £574,094).

During 2004, the Company entered into an agreement with Discovery Insurance Intermediary Services Limited for the provision of insurance intermediary and back office administrative services. This agreement was subsequently novated from Discovery Insurance Intermediary Services Limited to Discovery Health (Proprietary) Limited. During the year, Discovery Health (Proprietary) Limited invoiced the Company £9,252,680 (2005: £6,536,755) for the provision of services and the balance outstanding as at 31 December 2006 was £1,330,028 (2005: £1,080,002).

On 10 September 2004, Discovery Offshore Holdings Limited provided The Prudential Assurance Company Limited with a bank guarantee, through HSBC Bank plc, in respect of its capital contributions to the Company. The maximum amount of this guarantee was £35million and has subsequently been reduced by capital contributions made by Discovery Offshore Holdings Limited to the Company. At the 31 December 2006 the bank guarantee stood at £1.65m (2005: £11.65m).

On 28 February 2005, the Company made an advance payment of £6,687,472 in respect of the insurance intermediary and back office administrative services that Discovery Health (Proprietary) Limited are anticipated to provide between 1 July 2006 and 31 December 2007. In accordance with the terms of the advance payment, the outstanding balance as at 31 December 2006 is £4,964,245 (2005: £7,065,330).

Prudential Health Limited

***2102* Basis of calculation of provision for unearned premiums**

Premiums earned represent the proportion of written premiums relating to cover provided for the year. The proportion of premiums written in the year relating to periods of risk beyond the end of the year are carried forward as unearned premiums. These amounts are calculated on a time apportionment basis.

***2202* Claims management expenses**

Claims management expenses have not been provided as the amount involved is considered to be immaterial in the opinion of the directors.

***2204* Basis for determining acquisition expenses**

Acquisition costs comprise fixed and variable costs arising from the completion of an insurance contract including commission, initial processing costs, underwriting costs and marketing costs. Other overhead costs are included in administrative expenses. Acquisition costs which relate to a subsequent period are deferred only where they are expected to be fully recoverable, and charged to accounting periods in which the related premiums are earned.

***2600* Analysis of net claims and premiums for treaty reinsurance**

This form has been omitted, as all entries (including comparatives) would be blank.

***2700* Analysis of gross claims and premiums for treaty reinsurance**

This form has been omitted, as all entries (including comparatives) would be blank.

***3000* Expected income and yield from admissible assets covering discounted provisions**

This form has been omitted, as all entries (including comparatives) would be blank.

***3700* Equalisation provisions**

This form has been omitted, as all entries (including comparatives) would be blank.

***3800* Equalisation provisions technical account**

This form has been omitted, as all entries (including comparatives) would be blank.

Prudential Health Limited

Statement of information pursuant to Rule 9.25 of the Interim Prudential Sourcebook for Insurers

<u>Name of Reinsurer</u>	<u>Type of Reinsurance</u>	<u>Premiums Payable (£000)</u>	<u>Anticipated Recovery from Reinsurer (£000)</u>
Sirius International Insurance Corporation (publ) UK Branch 3 Minster Court Mincing Lane London EC3R 7DD	Non-Proportional	(205)	76.5
Catlin / Wellington Underwriting Agencies Limited 3 Minster Court Mincing Lane London EC3R 7DD	Non-Proportional	(205)	76.5

Statement of additional information on general insurance business ceded pursuant to Rule 9.32 of the Interim Prudential Sourcebook for Insurers

On 1st June 2006 Prudential Health Limited entered into an excess of loss treaty to provide risk cover for large claims incurred in one year, the policy period ends on 31st May 2007. The treaty was negotiated by Aon Brokers, and all claims and premium administration are managed by Aon. The reinsurers that are providing cover for this treaty are Wellington and Sirius.

In return for a fixed premium per life covered, the reinsurer agrees to pay PruHealth the following:

- For Individual members: The value of claims incurred in the year from 1 June 2006 to 31 May 2007 in excess of £50,000 for any life covered
- For SME and Corporate members: The value of claims incurred in the year from 1 June 2006 to 31 May 2007 in excess of £25,000 for any life covered

Directors' Certificate required by Rule 9.34 of the Accounts and Statements Rules

Prudential Health Limited

Financial Year ended 31 December 2006

We certify that:

the return has been properly prepared in accordance with the requirements in IPRU(INS), GENPRU and INSPRU.

the directors are satisfied that:

throughout the financial year in question, the insurer has complied in all material respects with the requirements in SYSC and PRIN as well as the provisions of IPRU(INS) and either PRU, or GENPRU and INSPRU, as applicable; and

it is reasonable to believe that the insurer has continued so to comply subsequently, and will continue so to comply in future.

Chief Executive

Director

Director

Report of the auditor to the Directors pursuant to rule 9.35 of IPRU (INS) the Interim Prudential Sourcebook for Insurers

Prudential Health Limited

Financial Year ended 31 December 2006

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

- Forms 1, 3, 11 to 13, 15 to 17, 20A, 20 to 23 and 31 (including the supplementary notes) on pages 1 to 32 ('the Forms'); and
- the statements required by IPRU(INS) rules 9.25, 9.26, 9.27 and 9.29 on page 33 ('the Statements');

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

- the statement required by IPRU(INS) rules 9.30, 9.32 and 9.32A on page 33; and
- the certificate required by IPRU(INS) rule 9.34 on page 34 ('the certificate').

This report is made solely to the company's directors, as a body, in accordance with the requirements of IPRU(INS) rule 9.35. We acknowledge that the directors are required to submit this report to the FSA, to enable the FSA to verify that an auditor's report has been commissioned by the company's directors and issued in accordance with the requirements of IPR(INS) rule 9.35 and to facilitate the discharge by the FSA of its regulatory functions in respect of the company, conferred on the FSA by or under the Financial Services and Markets Act 2000. Our audit work has been undertaken so that we might state to the company's directors those matters we are required to state to them in an auditor's report issued pursuant to IPR(INS) rule 9.35 and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's directors as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the company and its auditors

The company is responsible for the preparation of an annual return (including the Forms, the Statements, the statements not examined by us and the certificate) under the provisions of the Rules. Under IPU(INS) rule 9.11 the Forms, the Statements, the statements not examined by us and the certificate are required to be prepared in the manner specified by the Rules and to state fairly the information provided on the basis required by the Rules.

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

Basis of opinion

We conducted our work in accordance with Practice Note 20 “The audit of insurers in the United Kingdom”(Revised) issued by the Auditing Practices Board. Our work included examination, on a test basis, of evidence relevant to the amounts and disclosures in the Forms and Statements. The evidence included that obtained by us relating to the audit of the financial statements of the company for the financial year. It also, included an assessment of the significant estimates and judgements made by the company in the preparation of the Forms and Statements.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Forms and Statements are free from material misstatement, whether caused by fraud or other irregularity or error, and comply with IPRU(INS) rule 9.11.

Opinion

In our opinion:

the Forms and the Statements fairly state the information provided on the basis required by the Rules and have been properly prepared in accordance with the provisions of those Rules.

KPMG Audit Plc
Registered Auditor
London

Date