

VALUATION REPORT ON THE ROYAL LONDON MUTUAL INSURANCE SOCIETY

Structure of the long term business

The Royal London Mutual Insurance Society Limited (“RL”) acquired United Assurance Group plc (“UAG”) on 18 April 2000. The long term businesses of the five insurance subsidiaries of UAG, Refuge Assurance plc (“RA”); United Friendly Insurance plc (“UFI”); Refuge Investments Limited (“RIL”); United Friendly Life Assurance Limited (“UFLA”) and Canterbury Life Assurance Company Limited (“CL”) were transferred to RL on 1 January 2001 by way of a scheme of transfer under Section 49 and Schedule 2C of the Insurance Companies Act 1982 (“the UAG Scheme”).

RL acquired The Scottish Life Assurance Company (“SL”) by way of a demutualisation of SL, approved at an Extraordinary General Meeting on 31 May 2001, and the long term business of SL was transferred to RL on 1 July 2001 by way of a scheme of transfer under Section 49 and Schedule 2C of the Insurance Companies Act 1982 (“the SL Scheme”).

These two transfers have resulted in the creation of a number of separate categories of business allocated to six separate with-profits funds within RL (as defined in IPRU(INS)) as follows:

Royal London IB & OB Subfund

This consists of the ordinary business of RL, UFLA, RIL, non-profit fund business of RA and UFI, the unit-linked pension business of SL and the industrial assurance business of RL. It remains open to new ordinary business.

Refuge Assurance IB Subfund

This consists of the industrial assurance business relating to RA. New business is no longer accepted.

Refuge Assurance OB Subfund

This is the RA (OB) With-Profit Sub-Fund established under the UAG Scheme, mentioned above. This consists of the with-profits ordinary business of RA, together with all non-profit business previously written in the RA OB with-profits fund prior to the Schedule 2C transfer, the business of CL, which was an investment of the RA OB with-profits sub-fund, and the non-profit pension annuity and the unit-linked and non-profit life business of SL. It remains open to new business.

Scottish Life Fund

This is the Scottish Life Fund established under the SL Scheme, mentioned above. This consists of the SL conventional with-profits business, the investment element of the unitised with-profits business, deposit administration business and a small amount of non-profit business. It also has responsibility for the liabilities in respect of guaranteed annuity options under policies sold by SL, including policies where the basic liability is allocated to the Royal London IB & OB Fund or the Refuge Assurance OB Fund. It is closed to new business, other than new entrants under group schemes and increments up to the level of premium payable at the date of transfer.

United Friendly IB Subfund

This consists of the industrial assurance business relating to UFI. New business is no longer accepted.

United Friendly OB Subfund

This consists of the with-profits ordinary business of UFI. New business is no longer accepted except for rebates from the DWP.

Category of assets

Royal London Other Long Term Funds

This represents the common assets held for Royal London IB & OB Subfund, Refuge Assurance IB Subfund, Refuge Assurance OB Subfund, United Friendly IB Subfund and United Friendly OB Subfund.

Scottish Life Fund

This represents the segregated asset pool for the Scottish Life fund.

Contract identification

Within this document, reference is made to the following categories of policies:

RL Business – contracts originally sold by RL and all new business sold by divisions of the Society from 1 July 2001.

RL (intermediary) – Scottish Life branded contracts sold after 1 July 2001, a subset of RL Business.

Bright Grey – Bright Grey branded contracts, a subset of RL Business.

Former RA Business – contracts transferred in from RA.

Former UFI Business - contracts transferred in from UFI.

Former RIL Business - contracts transferred in from RIL.

Former UFLA Business - contracts transferred in from UFLA.

Former CL Business - contracts transferred in from CL.

Former SL Business - contracts transferred in from SL.

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1.

Introduction

1. (1)

This investigation relates to 31 December 2005.

1. (2)

The previous investigation related to 31 December 2004.

1. (3)

There were no interim investigations during 2005 within the scope of Rule 9.4, except those required for the realistic balance sheet submission as at 30 June 2005.

Product Range

2.

There were no changes to the product range in the Refuge Assurance IB Subfund, Scottish Life Subfund, United Friendly IB Subfund and United Friendly OB Subfund during the year as these funds are closed to new business.

Royal London IB & OB Subfund

There were a number of changes to the product range during the year:

Retirement Solutions – Group Personal Pension & Company Pension Scheme

The following changes apply to the description in the 2004 Annual FSA Insurance Returns:

Single premiums are allocated to secure benefits at 100% less the rate of single premium commission payable for the original version of the contract. Single premiums are allocated at 100% for later versions of the contract.

Units may be added to or cancelled from the fund value at the end of each month. The rate is dependent on the quality of the scheme and level of commission chosen. For the latest version of the contract the maximum rate of addition is 0.35% per annum and the maximum rate of cancellation is 1.375% per annum.

Commission can be taken by the IFA in the form of a Financial Adviser's Fee (FAF). If FAF is taken on single premiums or transfer payments, a single charge corresponding to the FAF payment is taken from the value of the plan by cancellation of units at outset. If initial FAF is taken on regular premiums, charges corresponding to the FAF payment are taken from the value of the plan by monthly cancellation of units over a period of up to five years. If ongoing FAF is taken on regular premiums, charges corresponding to the FAF payments are taken from the value of the plan by monthly cancellation of units over the duration of the contract.

Retirement Solutions – Group Stakeholder Pension Plan

The following change applies to the description in the 2004 Annual FSA Insurance Returns:

Units may be added to the fund value at the end of each month. The rate is dependent on the quality of the scheme and level of commission chosen with the maximum rate of addition being 0.35% per annum.

Individual Executive Pension Plan

The following changes apply to the description in the 2004 Annual FSA Insurance Returns:

The standard plan charge for the latest version of the contract is 0.7%.

For contracts taken out prior to 5 September 2005, a rebate of charges will be made if the fund value exceeds £15,500. The value of the rebate will depend on the size of the fund. The maximum rebate will occur if the fund value exceeds £155,000 and the rebate will have the effect of reducing the standard contract charge to 0.40%.

For contracts taken out after 4 September 2005 a rebate of charges will be made if the fund value exceeds £60,000. The rebate will have the effect of reducing the standard contract charge to 0.45%.

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2.

Individual Personal Pension Plan & Individual Section 32 Buy Out Plan

The following changes apply to the description in the 2004 Annual FSA Insurance Returns:

The standard plan charge for the latest version of the contract is 0.7%.

For contracts taken out prior to 5 September 2005, a rebate of charges will be made if the fund value exceeds £5,160. The value of the rebate will depend on the size of the fund. The maximum rebate will occur if the fund value exceeds £51,600 and the rebate will have the effect of reducing the standard contract charge to 0.40%.

For contracts taken out after 4 September 2005 a rebate of charges will be made if the fund value exceeds £20,000. The rebate will have the effect of reducing the standard contract charge to 0.45%.

Individual Stakeholder Pension Plan

The following changes apply to the description in the 2004 Annual FSA Insurance Returns:

For contracts taken out prior to 5 September 2005, a rebate of charges will be made if the fund value exceeds £5,160. The value of the rebate will depend on the size of the fund. The maximum rebate will occur if the fund value exceeds £51,600 and the rebate will have the effect of reducing the standard contract charge to 0.40%.

For contracts taken out after 4 September 2005 a rebate of charges will be made if the fund value exceeds £20,000. The rebate will have the effect of reducing the standard contract charge to 0.45%.

Refuge Assurance OB Subfund

There was one significant change to the product range in this fund during the year.

The Income Bonus Bond – Series 3

Prior to the Special Fund Maturity Date of 30 August 2005 each policy invested in one of three Income Bonus Bond 3 funds, as described in the 2004 Annual FSA Insurance Returns. With effect from 30 August 2005 each policy invests in either the SL UK Equity Fund or the SL Deposit Fund and the standard unit fund annual management charge applies.

Discretionary charges and benefits

3. (1)

Royal London IB & OB Subfund

RL Insurance ISA

Market value reductions have applied during the year on this contract in accordance with policy conditions. The scales are reviewed quarterly. Reductions were applied to mid September and affected the value of units originally purchased in 2001.

RL Unitised With-Profits Savings Plans

Market value reductions have applied during the year on this contract in accordance with policy conditions. The scales are reviewed quarterly. Reductions were applied to mid September and affected the value of units originally purchased in 2001.

Talisman, Retirement Solutions and Individual ranges

Market value reductions have applied during the year on those contracts which have a unitised with-profits investment option, in accordance with policy conditions. The scales are generally reviewed on a monthly basis. Reductions were applied only in January and affected the value of units originally purchased in 2001.

Crest Growth

Market value reductions have applied during the year on those contracts which have unitised with-profits benefits, in accordance with policy conditions. The scales are generally reviewed on a monthly basis. Reductions were applied in January – March and affected the value of units originally purchased in 1989 and 1999 – 2001. Reductions were applied in April – August and affected the value of units originally purchased in 1998 – 2001. Reductions were applied in September – December and affected the value of units originally purchased in 1998 – 2000.

RL Unitised Whole Life Assurance, European With-Profits Bond, Profitbuilder, Budget Plan (TP1) & Budget Plan (TP2)

See Refuge Assurance OB Subfund below.

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3. (1)

Refuge Assurance OB Subfund

RL With-Profits Bond (series 3)

Market value reductions have not been applied during the year on this contract.

RL Unitised Whole Life Assurance

Market value reductions have applied during the year on this contract in accordance with policy conditions. The scales are reviewed quarterly. Reductions were applied to mid November and affected the value of units originally purchased in 2001.

RL Unitised Personal Pension Series 2

Market value reductions have applied during the year on this contract in accordance with policy conditions. The scales are reviewed quarterly. Reductions were applied throughout the year and affected the value of units originally purchased in 2001.

Profitbuilder, Budget Plan (TP1) and Budget Plan (TP2)

Market value reductions were not applied during the year on these contracts. The scales are generally reviewed on a monthly basis.

European With-Profits Bond

Market value reductions have not been applied during the year on this contract.

RA Unitised Whole Life Assurance

Market value reductions have applied to unitised with-profits benefits during the year on this contract in accordance with policy conditions. The scales are reviewed quarterly. Reductions were applied throughout the year and affected the value of units originally purchased in 1996 – 2000.

RA Unitised Personal Pension Series 1

Market value reductions have applied during the year on this contract in accordance with policy conditions. The scales are reviewed quarterly. Reductions were applied throughout the year and affected the value of units originally purchased in 1999 – 2001.

RL Unitised With-Profits Savings Plans, Talisman, Retirement Solutions and Individual ranges, Crest Growth

See Royal London IB & OB Fund above.

Scottish Life Fund

Talisman Series 1 and 2

Market value reductions have applied during the year on those contracts which have with-profits benefits, in accordance with policy conditions. The scales are generally reviewed on a monthly basis. Reductions were applied in January and affected the value of benefits originally purchased in 1997 – 2001. Reductions were applied in February and March and affected the value of benefits originally purchased in 1997 – 2001 and 2005. Reductions were applied in April and affected the value of benefits originally purchased in 1996 – 2000 and 2005. Reductions were applied in May and affected the value of benefits originally purchased in 1996 – 2000. Reductions were applied from June to November and affected the value of benefits originally purchased in 1997 – 2000. Reductions were applied in December and affected the value of benefits originally purchased in 1998 – 2000.

Talisman and Retirement Solutions ranges

Market value reductions have applied during the year on these contracts which have a unitised with-profits investment option, in accordance with policy conditions. The scales are generally reviewed on a monthly basis. Reductions were applied in January and affected the value of units originally purchased in 1997 – 2001. Reductions were applied from February to April and affected the value of units originally purchased in 1997 – 2001 and 2005. Reductions were applied in May and affected the value of units originally purchased in 1997 – 2001. Reductions were applied from June to December and affected the value of units originally purchased in 1998 – 2000.

Crest Growth

Market value reductions have applied during the year on those contracts which have unitised with-profits benefits, in accordance with policy conditions. The scales are generally reviewed on a monthly basis. Reductions were applied in January – March and affected the value of units originally purchased in 1989 and 1999 – 2001. Reductions were applied in April – August and affected the value of units originally purchased in 1998 – 2001. Reductions were applied in September – December and affected the value of units originally purchased in 1998 – 2000.

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3. (1)

Crest Secure and Protected Growth Plan

Market value reductions have applied during the year on these contracts in accordance with policy conditions. The scales are generally reviewed on a monthly basis. Reductions were applied in January – March and affected the value of benefits originally purchased in 1989 and 1999 – 2001. Reductions were applied in April and affected the value of benefits originally purchased in 1981 – 2001. Reductions were applied in May and affected the value of benefits originally purchased in 1983 – 1990 and 1997 – 2002. Reductions were applied in June and affected the value of benefits originally purchased in 1984 – 1990 and 1998 – 2001. Reductions were applied in July – September and affected the value of benefits originally purchased in 1989 and 1998 – 2001. Reductions were applied in October and affected the value of benefits originally purchased in 1989 and 1998 – 2000. Reductions were applied in November and affected the value of benefits originally purchased in 1988 – 1989 and 1997 – 2001. Reductions were applied in December and affected the value of benefits originally purchased in 1989 and 1998 – 2000.

Profitbuilder, Budget Plan (TP1) and Budget Plan (TP2)

Market value reductions have applied during the year on those contracts which have unitised with-profits benefits, in accordance with policy conditions. The scales are generally reviewed on a monthly basis. Reductions were applied in January and February and affected the value of units originally purchased in 1998 – 2000. Reductions were applied in March and affected the value of units originally purchased in 1998 – 2000 and 2005. Reductions were applied in April and May and affected the value of units originally purchased in 1998 – 2000. Reductions were applied from June to December and affected the value of units originally purchased in 1999 – 2000.

3. (2)

Certain contracts sold under the Bright Grey brand contain reviewable premiums. There were no policies under which premiums could have been changed in 2005.

There are also a handful of contracts administered on the Society's behalf by Swiss Life. There were no changes to these premiums during the year.

3. (3)

The rates of interest added to deposit administration policies are included in paragraph 10. (1) below.

3. (4)

The following changes were made to service charges on unit-linked policies during the year:

Talisman Group Pension Plan – Series 1 to 6, Talisman CPS – Series 1 to 6:

For policies where a member charge is levied, the charge increased by 3.2% with effect from the renewal date on or after 1 July 2005. For policies with a renewal date prior to 1 July 2005, the rate of increase was 2.6%.

Talisman Executive Pension Plan – 98 Series 1 and 2, Talisman Personal Pension Plan – 98 Series 1 and 2, Talisman Buyout Bond – 98 Series 1, Talisman Freestanding AVC Plan – 98 Series 1 and 2, Talisman Income Drawdown Personal Pension Plan – 98 Series 1:

For policies where a policy charge is levied, the charge increased by 3.2% with effect from the policy anniversary date on or after 1 July 2005. For policies with an anniversary date prior to 1 July 2005, the rate of increase was 2.6%.

Profitbuilder

For policies issued after 11 July 1999 the monthly administration charge increased by 3.2% with effect from the policy anniversary on or after 12 July 2005. For policies with an anniversary date prior to 12 July 2005, the rate of increase was 2.5%.

Former UFI and Former UFLA policies

Policy fees on Former UFI and Former UFLA unit-linked contracts increased by 4.1% and 5.1% respectively on 1 January 2005. There were no changes to service charges applied to any other unit-linked policies during the year.

3. (5)

There were no changes to benefit charges on any unit-linked contracts during the year.

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3. (6)

3. (6)

There were no changes to notional charges on accumulating with-profits business during the year except where any policies listed in paragraph 3. (4) have unitised with-profits benefits.

The following changes were made to unit-linked fund annual management charges on 10 May 2005:

Fund name	New annual management charge	Old annual management charge	Fund value at valuation date
Scottish Life/SocGen Global Managed	0.50%	0.95%	£4.879m
Scottish Life/SocGen Stockmarket Managed	0.50%	0.95%	£1.201m
Scottish Life/SocGen Global Managed A	0.25%	0.70%	£0.005m
Scottish Life/SocGen Stockmarket Managed A	0.25%	0.70%	£0.019m

3. (7)

(a) (i)

RL business stakeholder pension plan

Whenever existing units in a fund are created the fund is increased by an amount equal to the number of units created multiplied by the price of the existing units in the fund. Whenever existing units in a fund are cancelled the fund is decreased by an amount equal to the number of units cancelled multiplied by the price of the existing units in the fund. The fund operates with a single price for the purchase and sale of units and is currently fully invested in unit trusts.

The price is the value of the investments of the fund, calculated as if the assets were being purchased, plus an allowance for expenses of purchasing the assets and accrued income, tax credits and rebates, divided by the number of units in the fund, adjusted to the nearest multiple of 0.01 pence.

All units are accumulation units.

All other funds

Whenever additional units in a fund are created the fund is increased by an amount equal to the number of additional units created multiplied by a price based upon the value of the investments of the fund, calculated as if the assets were being purchased, allowing for any existing or anticipated tax liability or credit, plus, where appropriate, an allowance for expenses of purchasing the assets, and divided by the number of units in the fund. Creation is effected at the same time as units are priced.

Whenever existing units in a fund are cancelled, the fund is decreased by an amount equal to the number of units cancelled multiplied by a price based upon the value of the investments of the fund, calculated as if the assets were being sold, allowing for any existing or anticipated tax liability or credit, less, where appropriate, an allowance for expenses of selling the assets, and divided by the number of units in the fund. Cancellation is effected at the same time as units are priced.

All units are accumulation units.

(ii)-(iv)

RL business stakeholder pension plan

The notional allocation of units to policies is calculated on the basis of the first new price of the fund computed following the date of premium payment. Claim values are calculated on the basis of the price of the fund.

The price is the value of the investments of the fund, calculated as if the assets were being purchased, plus an allowance for expenses of purchasing the assets and accrued income, tax credits and rebates, divided by the number of units in the fund, adjusted to the nearest multiple of 0.01 pence. Unit prices are calculated daily, with the holdings of the investments of the unit-linked funds being those applicable at 4.30 pm on the working day before the pricing. Unit trust holdings are valued at the creation prices (offer price before addition of preliminary charge). The price for unit trusts is that applicable at 12 noon on the day of the pricing, this being the price applicable to transactions effected on the morning of that day.

To provide the liquidity needed to deal with daily fluctuation in net cash flows the company operates a box system whereby the number of units in creation exceeds the matching unit liability by a specified margin. Investment profits and losses on the box accrue to the Society.

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3. (7)

All other funds

The price at which units are allocated to a policy is called the offer price. The price at which units are cancelled is called the bid price.

The maximum and minimum values of each fund are determined from the corresponding values of the assets with appropriate allowances for any liabilities then chargeable against the fund, uninvested cash, accrued income and accrued or prospective charges. The maximum value of any asset is not more than the market price at which it might be bought plus the relative commissions and other expenses and charges and the minimum value of such asset is not less than the price at which it might be sold less the relative commissions and other expenses and charges.

The maximum offer price of a unit is calculated as the maximum value of the portion of the fund attributable to that type of unit divided by the number of units then in issue and multiplied by a factor as described below, the result being rounded as also described below. The actual offer price may vary below this level.

The minimum bid price of a unit is calculated as the minimum value of the portion of the fund attributed to that type of unit divided by the number of units then in issue, the result being rounded as described below. The actual bid price may vary above this level.

The factors applied to determine the offer prices are as follows:

RL business unit-linked personal pension plan	100/94
RL business unit-linked FSAVC pension plan	100/94
All other business	100/95

The rounding rules are:

	Offer price	Bid price
RL business Unitplan	lower multiple of 0.1p	higher multiple of 0.1p
RL business unit-linked personal pension plan	lower multiple of 0.1p	higher multiple of 0.1p
RL business unit-linked FSAVC pension plan	lower multiple of 0.1p	higher multiple of 0.1p
RL business Libertas/ RL safe combination TM	higher multiple of 0.1p	lower multiple of 0.1p
Former CL business	higher multiple of 0.1p	lower multiple of 0.1p
Former RA business and former RIL business	higher multiple of 0.1p	lower multiple of 0.1p
RL (intermediary) and former SL business	higher multiple of 0.1p	lower multiple of 0.1p
Former UFI business	lower multiple of 0.1p	higher multiple of 0.1p
Former UFLA business	nearer multiple of 0.01p	nearer multiple of 0.01p

At the valuation date, for the following funds the ruling bid price was equal to the minimum bid price:

RL business	Unitplan, Unit-linked personal pension plan, Unit-linked FSAVC pension plan, Libertas/ RL safe combination TM .
Former CL business	all funds
Former RA business and former RIL business	all life funds
RL (intermediary) and former SL business	Managed Fund, Defensive Managed Fund, Global Managed Fund, UK Equity Fund, American Fund, Pacific Fund, European Fund, Worldwide Fund
Former UFI business	all funds
Former UFLA business	all funds

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3. (7)

At the valuation date, for the following funds the ruling offer price was equal to the maximum offer price:

Former RA business and former RIL business	all pension funds
RL (intermediary) and former SL business	all funds other than those listed above.

The values of Stock Exchange securities are based on quoted prices. The values of investments in real or heritable property are based on valuations prepared and certified by independent valuers adjusted to take into account the variations in prices between valuations. The values of other assets are determined by the Society.

The holdings of the investments of the unit-linked funds are those applicable at 12 noon on the day of the pricing. For direct investments, the price is also that applicable at 12 noon on the day of the pricing. For Royal London/Scottish Life unit trusts, the price is that applicable to transactions effected on the morning of the day of the unit-linked pricing and for external unit trusts/funds the price is that applicable to transactions effected on the morning of the day before the unit-linked pricing.

At each valuation each internal fund is charged with a management charge calculated as a percentage of the current maximum value of the fund multiplied by the number of days since the previous valuation.

Unit prices are calculated as follows:

RL business Unitplan	Weekly, usually Tuesday
RL business unit-linked personal pension plan	Weekly, usually Thursday
RL business unit-linked FSAVC pension plan	Weekly, usually Thursday
Former CL business	Monthly, first working day of each month
Former RA and former RIL business	Weekly, usually Wednesday
All other business	Daily

To provide the liquidity needed to deal with daily fluctuation in net cash flows the company operates a box system on funds priced daily whereby the number of units in creation exceeds the matching unit liability by a specified margin. Investment profits and losses on the box accrue to the Society.

(b)

There are no circumstances in which different pricing bases apply to different policies within the same fund at any one time.

(c)

For Royal London/Scottish Life unit trusts, the price is that applicable to transactions effected on the morning of the day of the unit-linked pricing and for external unit trusts/funds the price is that applicable to transactions effected on the morning of the day before the unit-linked pricing.

3. (8)

Unit pricing for internal linked life funds provided for deferred tax in respect of unrealised chargeable gains at the following rates:

Former RA Special Situations Fund

- Equity and equity unit trust holdings: 20% of the indexed gain/unindexed loss throughout the report period.

All other life funds

- Equity and equity unit trust holdings: 18.25% of the indexed gain/unindexed loss throughout the report period.
- Fixed interest and fixed interest unit trust holdings: 20% of the unindexed gain/loss throughout the report period.
- Property holdings: 17.75% of the indexed gain/unindexed loss throughout the report period.
- Index linked holdings: 20% of the indexed gain/loss throughout the report period.
- Index linked unit trust holdings: 20% of the unindexed gain/loss throughout the report period.

Unit pricing for internal linked life funds provided for tax in respect of realised chargeable gains at the following rates:

- Equity and equity unit trust holdings: 20% of the indexed gain/unindexed loss throughout the report period.
- Fixed interest and fixed interest unit trust holdings: 20% of the unindexed gain/loss throughout the report period.
- Property holdings: 20% of the indexed gain/unindexed loss throughout the report period.
- Index linked holdings: 20% of the indexed gain/loss throughout the report period.
- Index linked unit trust holdings: 20% of the unindexed gain/loss throughout the report period.

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3. (8)

Where benefits under Former CL Endowment Investment and Endowment Investment Escalator Plans become payable, the linked Scottish Widows Global Growth OEIC (Class A) shares are deemed sold and the proceeds adjusted for an amount equal to the tax due, at the current rate on the indexed gain as if the policyholder had directly purchased the shares. The rate used during the report period was 20%.

These allowances within the unit prices are settled for cash annually, with the exception of unrealised gains/losses in the Former RA Special Situations Fund and the property funds where cash settlement is only made of realised gains.

3. (9)

Tax provisions for internal linked life funds are established for deferred tax in respect of unrealised chargeable gains at the following rates:

Former RA Special Situations Fund

- Equity and equity unit trust holdings: 20% of the indexed gain/unindexed loss throughout the report period.

All other life funds

- Equity and equity unit trust holdings: 18.25% of the indexed gain/unindexed loss throughout the report period.
- Fixed interest and fixed interest unit trust holdings: 20% of the unindexed gain/loss throughout the report period.
- Property holdings: 17.75% of the indexed gain/unindexed loss throughout the report period.
- Index linked holdings: 20% of the indexed gain/loss throughout the report period.
- Index linked unit trust holdings: 20% of the unindexed gain/loss throughout the report period.

Tax provisions for internal linked life funds are established for realised chargeable gains at the following rates:

- Equity and equity unit trust holdings: 20% of the indexed gain/unindexed loss throughout the report period.
- Fixed interest and fixed interest unit trust holdings: 20% of the unindexed gain/loss throughout the report period.
- Property holdings: 20% of the indexed gain/unindexed loss throughout the report period.
- Index linked holdings: 20% of the indexed gain/loss throughout the report period.
- Index linked unit trust holdings: 20% of the unindexed gain/loss throughout the report period.

3. (10)

RL Stakeholder Pension Plan

Unit trusts managed by the Society's wholly-owned subsidiary company The Royal London Unit Trust Managers Limited ("RLUTM") are held by the Royal London Stakeholder Pension Managed Fund. Purchase and sale of unit trust units is at creation price unless the fund sells in excess of a value of £15,000 of unit trusts when the cancellation price may be applied. The creation price is used in the calculation of the daily price of the internal linked fund passing the full benefit on to the policyholder.

The whole of the regular management charge made on the unit trust together with audit, trustee, FSA and custody fees incurred by the unit trust are refunded to the fund to ensure that no additional charges are incurred by the policyholders.

Other than RL Stakeholder Pension Plan

Unit trusts managed by the Society's wholly-owned subsidiary company RLUTM are held by some of the investment funds. On the purchase of such units the preliminary charge is waived. The price net of such preliminary charge is used in the calculation of the unit prices of the relevant funds so passing the benefit to the policyholder.

Some internal funds hold, as investments, units in authorised unit trusts and OEICs operated by external fund managers. Units may be purchased from these fund managers at a discount from the full purchase price, the benefit of which is passed on to the policyholder. This discount varies according to the external fund manager in question as follows:

External fund manager	Discount
Barclays Global Investors	No initial charges apply
Close TEAMS	No initial charges apply
Fidelity Investments	4.0% Special Situations Fund 3.0% Managed and UK Equity Funds
INVESCO Perpetual	5.0%
INVESCO	No initial charges apply
Schroder Hermes	No initial charges apply
Schroder Investments	2.91% Managed Fund, 4.98% UK Equity Fund
SG Asset Management	5.25%
UBS Global Asset Management	No initial charges apply

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3. (10)

In respect of the purchase of shares of the Scottish Widows Global Growth OEIC to which are linked the benefits of the Former CL Endowment Investment and Endowment Investment Escalator Plans the Society receives a discount of 3.2% on the initial charge of such shares. This discount is not passed on to policyholders, but is used to defray the Society's costs.

The management service charge is rebated as follows:

RL Business

The whole of the regular management charge made on the unit trusts is rebated to the relevant internal linked funds.

Former CL Business

The whole of the regular management charge made on unit trusts managed by RLUTM is rebated to the relevant internal linked funds to ensure that policyholders pay only the same management charges as if the underlying assets had been held directly by the internal linked fund.

Former RA Business and Former RIL Business

The whole of the regular management charge made on the unit trusts is rebated to the relevant internal linked funds to ensure that policyholders pay only the same management charges as if the underlying assets had been held directly by the internal linked fund.

RL (intermediary) and Former SL Business

The whole of the regular management charge made on unit trusts managed by RLUTM is rebated to the relevant internal linked funds to ensure that policyholders pay only the same management charges as if the underlying assets had been held directly by the internal linked fund.

Annual fund management charges for these unit trusts and OEICs are accrued and collected by the fund managers on holdings in respect of the internal linked funds. Rebates of part of the management charges are payable on some of these funds, the benefit of these rebates being passed on to the policyholder. The rebates are as follows:

Fund	Annual percentage rate
Scottish Life/Fidelity Managed Equity	0.45%
Scottish Life/Fidelity UK Growth	0.45%
Scottish Life/INVESCO Perpetual Managed Equity	0.80%
Scottish Life/INVESCO Perpetual UK Equity	0.80%
Scottish Life/Schroder UK Equity	0.50%
Scottish Life/SocGen Global Managed A	0.75%
Scottish Life/SocGen Stockmarket Managed A	0.75%

Former UFI Business

Series 1 units

The whole of the regular management charge made on the unit trusts is rebated to the relevant internal linked funds to ensure that policyholders pay only the same management charges as if the underlying assets had been held directly by the internal linked fund.

Former UFLA Business

Series 2 units

	Unit Trust Charge % pa	Rebate % pa	Effective Net Charge % pa
Money Trust	0.50%	0.50%	0.00%
Fixed Income Trust	0.75%	0.50%	0.25%
Index Linked Gilt Trust	0.75%	0.50%	0.25%
UK Equity Income Trust	1.25%	1.00%	0.25%
Equity Income Trust	1.25%	1.00%	0.25%
European Growth Trust	1.25%	1.00%	0.25%
All other trusts	1.00%	0.75%	0.25%

4. (1)

Valuation basis (other than special reserves)

4. (1)

The mathematical reserves have been calculated as follows:

- (i) for non-linked business, other than accumulating with-profits business, mathematical reserves have been calculated as the total of the present value of benefits (including existing annual bonus) plus the value of future expenses less the present value of future office premiums. There are a few exceptions which are detailed below.

Mathematical reserves on with-profits contracts incorporate an allowance for a persistency decrement. Surrender values have been assumed to be equal to policy reserves for this purpose.

Mathematical reserves were subject to a minimum of the surrender value of guaranteed benefits. Minimum reserves were assumed to move in line with the change in asset values in the resilience scenarios.

Allowance is made when calculating expense reserves in the Royal London IB & OB Subfund for some contracts which are valued in the Scottish Life fund. Allowance is made when calculating reserves in the Scottish Life fund for any future monies payable from the Scottish Life Fund to the Royal London Other Long Term Funds.

- (ii) for accumulating with-profits business, in accordance with PRU 7.3.70R to PRU 7.3.72G of the Integrated Prudential Sourcebook, as the greater of a bonus reserve valuation and the lower of the surrender value under the policy having regard to the representations of the Society and that amount disregarding all discretionary adjustments. For the United With-Profits Savings Plan, Protected Growth Plan and the accumulating with-profits elements of Crest Growth Final Salary business the reserve has been taken as the value of the units or deposit administration account deemed allocated to policies in force at the valuation date, such amount being greater than the reserve required under PRU 7.3.70R to PRU 7.3.72G.

For United Personal Pension Plan (Series 1 and 2), Budgetplan (TP1 and TP2), Profitbuilder, Crest Growth, Talisman Executive Pension Plan - 98 Series 1 and 2, Talisman Personal Pension Plan - 98 Series 1 and 2, Talisman Buyout Bond – 98 Series 1, Talisman Group Pension Plan - Series 1 to 6, Talisman CPS – Series 1 to 6, Talisman Freestanding AVC Pension Plan – 98 Series 1 and 2, Retirement Solutions - Group Personal Pensions, Retirement Solutions – Company Pension Scheme, Individual Executive Pension Plan, Individual Personal Pension Plan and Individual Section 32 Buy Out Plan, a sterling reserve has been assessed in a similar manner as described below for linked business.

- (iii) for linked business as a combination of a unit reserve and a sterling reserve, where the sterling reserve is determined on a cash flow approach by calculating the projected outgo and the projected amount available to meet the outgo. Each year's projected net cash flow was discounted to the valuation date. A series of summations was then carried out to determine the sterling reserve ensuring that, if the valuation assumptions were fulfilled, no valuation strains would emerge in future years. For premium paying policies, the sterling reserve for an individual policy was determined as the greater of:

- sterling reserve assuming policies continue as premium paying, and
- sterling reserve assuming all policies become paid up at the valuation date.

Policy fees payable by customers were assumed to inflate where there is an established practice of increasing such fees. The valuation assumed no changes from current levels of risk benefit charges for these policies. No sterling reserves were set up for pension policies in the Scottish Life fund as the liability is in respect of guaranteed annuity options on policies in the Royal London IB & OB Subfund.

Explicit reserves for expenses have been calculated in respect of policies under which no future premiums are payable.

Negative reserves were eliminated on a policy by policy basis.

In accordance with PRU 7.3.9R of the Integrated Prudential Sourcebook, no allowance has been made for final bonuses within the valuation of with-profits policies. In addition, as a realistic basis life firm, no allowance has been made for future annual bonuses except for Former UFI business in the United Friendly OB Subfund. UFI guaranteed a minimum annual bonus on its with-profits policies issued before 1987 at the rate of 1.50% for whole life assurances and 1.00% for endowment assurances. This minimum bonus has been valued as a liability throughout the remaining duration of the policies.

No additional reserves are held for investment performance guarantees.

Additional reserving information by origin of business:

VALUATION REPORT ON THE ROYAL LONDON MUTUAL INSURANCE SOCIETY

4. (1)

RL Business

- (i) The value of office premiums has been reduced to reflect a concession whereby the Society gives credit for LAPR not received from the Inland Revenue in respect of a small number of cases issued on or before 13 March 1984.
- (ii) Most whole life assurances under which premiums are payable throughout life have been valued as though premium payments cease at the policy anniversary preceding age 85 for ordinary branch business and at an advanced age for industrial branch business, in view of a concession currently in operation.
- (iii) Policies on under-average lives, issued at an extra premium or with a contingent debt upon the sum assured, have been valued at the true ages as if the policies in all cases had been issued for the full sum assured at ordinary rates. An additional reserve of the current year's extra premiums has been included.
- (iv) For waiver of premium business (both direct business and reinsurance ceded), the reserve has been taken as the annual office premium.
- (v) In the valuation of group deferred annuities, the reserve has been taken as the sum of:
 - (a) the present value of pensions purchased up to and including 5 April 2005, with allowance for future expenses of 2.25% of the pension, and
 - (b) the premiums paid between 6 April 2005 and 31 December 2005 (which are not allocated to purchase pensions until 5 April 2006).
- (vi) The reserve for group life policies, for most of which the premiums are due monthly on the 6th of each month, has been taken as the total of premiums paid between 6 July 2005 and 6 December 2005, both dates inclusive.
- (vii) For permanent health insurance policies, additional reserves have been included in respect of claims currently being paid.
- (viii) An additional provision has been made for Bright Grey policies which provide instant cover. The reserve has been calculated by applying one month's risk cost, net of reinsurance, to the sum assured on application forms received in the month prior to the valuation date.
- (ix) Deferred maturity pure endowments issued as industrial business have been valued as the full original maturity value together with all bonuses credited to the valuation date.

Former CL Business

- (i) For assurances subject to an extra premium a reserve of one year's extra premium has been established.
- (ii) The mathematical reserves include explicit provisions in respect of the cost of undertakings given by the company to certain policyholders whose applications were under consideration at the time of the removal of Life Assurance Premium Relief.

Former RA Business

- (i) For under-average lives, in respect of which the sums assured are reduced in the event of the lives dying within stated periods, the full sums assured are assumed to be at risk. A full year's extra premium has been reserved in respect of policies under which such a premium has been charged.

Former SL Business

Individual Contracts

- (i) In cases where free cover had been granted at the outset of the contract a reserve equal to 6 months' chargeable premiums in respect of the sum at risk was held.
- (ii) Policies on under-average lives, issued at an extra premium or with a contingent debt upon the sum assured, have been valued at the true ages as if the policies in all cases had been issued for the full sum assured at ordinary rates. An additional reserve of the current year's extra premiums has been included. Policies issued on rated up terms were valued at corresponding increased ages.
- (iii) The reserves in the following classes were calculated as follows:
 - (1) Sovereign Plan - The reserve for the temporary assurance benefit is calculated as the proportion of the year's premium required to meet the unexpired risk.
 - (2) Talisman Executive Pension Plan - Series 1 and 2 Lump Sum and Widow's Death in Service Benefits, Talisman Executive Pension Plan - 98 Series 1 and 2 Lump Sum Benefits, Talisman Freestanding AVC Pension Plan - 98

VALUATION REPORT ON THE ROYAL LONDON MUTUAL INSURANCE SOCIETY

4. (1)

Series 1 and 2 Lump Sum Benefits and Talisman Personal Pension Plan - 98 Series 1 and 2 Lump Sum Benefits - The proportion of the year's premium required to meet the unexpired risk.

- (3) Capital Investment Bond & Flexible Life Plan – An additional mortality reserve equal to $1/6$ of q_x times (sum assured less the value of units) is held.
- (4) Waiver of Premium Benefit - The proportion of the year's premium required to meet the unexpired risk plus an additional reserve in respect of claims currently being paid.
- (5) Profitbuilder Plan – For contracts including Living Cover (Critical Illness) Benefit, the reserve for that benefit is calculated as one full year's current premium.
- (6) Mortgage Interest Benefit - The proportion of the year's premium required to meet the unexpired risk.
- (7) Capitalplan – The reserve is that for an equivalent with-profits endowment assurance for an original term of 10 years with basic sum assured equal to the guaranteed maturity benefit, increased by 1.5% of that maturity value for each year elapsed to cover the guaranteed surrender value.

Group Contracts

- (i) For Group Deferred Annuities (including the Section 591 Buy Out Bond), Group Deferred Cash and Group Endowments the liability was obtained by taking the present value of the benefits purchased by the actual premiums paid to the date of valuation. Adjustments were made in respect of premiums paid to the date of valuation which had not been used to purchase benefits as at the valuation date and in respect of exits which had not been fully processed. Similar adjustments were made under Crest Growth Plan, Protected Growth Plan (Deposit Administration) and Crest Secure Plan. The method of valuation used in dealing with these adjustments was such as to reproduce approximately the correct reserve according to the basis described elsewhere in these Returns.
- (ii) The reserves for the following classes were calculated as follows:
 - (1) Group Life Assurances and Death in Service Widow's Benefit - The proportion of the year's premium required to meet the unexpired risk, including allowances for possible late notification of claims and any rate guarantees.
 - (2) Group Permanent Health Policies - The proportion of the year's premium required to meet the unexpired risk, including allowances for possible late notification of claims and any rate guarantees plus an additional reserve in respect of claims currently being paid.

Former UFI and UFLA Business

- (i) For under-average lives, in respect of which the sums assured are reduced in the event of the lives dying within stated periods, the full sums assured are assumed to be at risk. A full year's extra premium has been reserved in respect of policies under which such a premium has been charged.
- (ii) Whole life policies with recurring endowments issued before 6 April 1979 in the UF IB fund are valued on the assumption that the policyholder will take whatever endowment sum is due on the quinquennial policy anniversary next following the valuation date.

VALUATION REPORT ON THE ROYAL LONDON MUTUAL INSURANCE SOCIETY

4. (2)

4. (2)

The following table shows the valuation interest rates used to calculate the liabilities at this valuation together with the interest rates assumed in the previous investigation:

	Scottish Life Fund		All other subfunds	
	2005	2004	2005	2004
UK Life assurance:				
Conventional and accumulating with-profits business:	3.30%	3.40%	3.50%	3.50%
Conventional non-profit business:	3.30%	3.40%	3.50%	3.50%
Sterling reserve discount rate:	2.90%	3.10%	2.90%	3.10%
Purchased life annuities				
- gross	n/a	n/a	4.375%	4.75%
- net	n/a	n/a	3.50%	3.80%
Insurance ISA	n/a	n/a	4.00%	4.00%
PHI & sickness benefits	4.375%	4.75%	4.00%	4.00%
Pensions:				
Conventional and accumulating with-profits business:	4.125%	4.375%	4.00%	4.00%
Conventional non-profit business:	4.125%	4.375%	4.00%	4.00%
Sterling reserve discount rate	3.625%	3.875%	3.625%	3.875%
Compulsory purchase pension annuities in payment – RPI linked	n/a	n/a	1.25%	1.625%
Compulsory purchase pension annuities in payment	n/a	n/a	4.375%	4.75%
Overseas business:				
Conventional and accumulating with-profits business:	n/a	n/a	4.00%	4.00%
Conventional non-profit business:	n/a	n/a	4.00%	4.00%
Sterling reserve discount rate:	n/a	n/a	3.625%	3.875%

Paragraph 4. (1)(ii) stated that the reserves for certain accumulating with-profits contracts consisted of a with-profits benefit reserve and a sterling reserve. These calculations used the appropriate valuation interest rates from the table.

The in payment rate for Scottish Life Fund deferred annuities was 3.625% (2004: 3.875%).

The 2004 valuation of certain deferred annuity business containing guaranteed annuity options on Form 51 used interest rates derived from underlying swaption assets. The 2005 valuation of these contracts has been amended to a stochastic approach described in paragraph 5. (1). The interest rates used have not been provided.

VALUATION REPORT ON THE ROYAL LONDON MUTUAL INSURANCE SOCIETY

4. (3)

4. (3)

The yields on assets have been adjusted in accordance with PRU 4.2.41R of the Integrated Prudential Sourcebook as set out below:

- (i) UK Equities The yields were reduced by a 5% margin and the risk adjusted return was subject to a maximum of the FT-Actuaries 15 year gilt index plus 2.0%.
- (ii) Overseas Equities The risk adjustment was consistent with that made in respect of UK equities, but with a 7.5% margin.
- (iii) Land The yields were reduced by a fixed margin of 0.5% and the risk adjusted return was subject to a maximum of the FT-Actuaries 15 year gilt index plus 2.5%.
- (iv) Other fixed interest securities The yields were reduced by a margin which varied by rating and term to maturity, with external ratings used where available otherwise equivalent internal ratings were applied. The margins were as follows:

Outstanding Term	Credit Rating						
	AAA	AA	A	BBB	BB	B	CCC
0 to 5 years	0.09%	0.22%	0.34%	0.75%	1.99%	4.23%	7.78%
5+ to 10 Years	0.12%	0.27%	0.37%	0.78%	1.82%	3.45%	5.36%
10+ to 15 Years	0.15%	0.31%	0.40%	0.77%	1.65%	2.87%	4.12%
15+ to 20 Years	0.17%	0.33%	0.40%	0.73%	1.51%	2.44%	3.36%
20+ to 25 Years	0.19%	0.36%	0.42%	0.71%	1.39%	2.12%	2.84%
25+ Years	0.22%	0.38%	0.43%	0.69%	1.27%	1.87%	2.47%

Adjusted yields were capped at 2½% above the gilt yield for the same term. Negative yields were set to zero.

- (v) Other variable yield securities The risk adjustment was consistent with that made in respect of other fixed interest securities, but with a fixed margin of 0.5% and a cap of 1.5% above the FT-Actuaries index-linked gilt yield index for the nearest term.
- (vi) Cash Yields on cash on deposit were pegged to the yield on 1 month Treasury Bills at the valuation date.
- (vii) Policy Loans A fixed margin of 0.25% has been taken.

VALUATION REPORT ON THE ROYAL LONDON MUTUAL INSURANCE SOCIETY

4. (4)

4. (4)

The following table shows the valuation mortality assumptions used to calculate the liabilities at this valuation together with the equivalent assumptions from the previous investigation:

	2005	2004
Industrial branch business	80% ELT15(M) unrated	80% ELT15(M) unrated
Ordinary branch business:		
Life and pension annuities currently in payment:		
- RL (intermediary) and former SL group business	105% PMA92 mc (U = 2005) & 105% PFA92 mc (U = 2005)	105% PMA92 mc (U = 2004) & 105% PFA92 mc (U = 2004)
- RL (intermediary) and former SL individual business	100% PMA92 mc (U = 2005) & 100% PFA92 mc (U = 2005)	100% PMA92 mc (U = 2004) & 100% PFA92 mc (U = 2004)
- Other business	105% PMA92 mc (U = 2005) & 105% PFA92 mc (U = 2005)	105% PMA92 mc (U = 2004) & 105% PFA92 mc (U = 2004)
Life and pension deferred annuities in possession:		
- RL (intermediary) and former SL group business	100% PMA92 mc (U = 2005) & 100% PFA92 mc (U = 2005)	105% PMA92 mc (U = 2004) & 105% PFA92 mc (U = 2004)
- RL (intermediary) and former SL individual business	95% PMA92 mc (U = 2005) & 95% PFA92 mc (U = 2005)	100% PMA92 mc (U = 2004) & 100% PFA92 mc (U = 2004)
- Other business	100% PMA92 mc (U = 2005) & 100% PFA92 mc (U = 2005)	105% PMA92 mc (U = 2004) & 105% PFA92 mc (U = 2004)
Pensions in deferment:		
- RL (intermediary) and former SL group business	60% AM92 ult unrated & 60% AF92 ult unrated	60% AM92 ult unrated & 60% AF92 ult unrated
- RL (intermediary) and former SL individual business	70% AM92 ult unrated & 70% AF92 ult unrated	60% AM92 ult unrated & 60% AF92 ult unrated
- former RA business and former UF business (non-linked pure endowments)	Nil	Nil
- former RA business (non-linked other)	70% AM92 ult unrated & 75% AF92 ult unrated	80% AM92 ult unrated & 80% AF92 ult unrated
- RL business (non-linked) and former UF business (non-linked other)	90% AM92 ult unrated & 95% AF92 ult unrated	100% AM92 ult unrated & 100% AF92 ult unrated
- RL business, former RIL business and former UFLA business (linked)	100% AM92 ult unrated & 100% AF92 ult unrated	100% AM92 ult unrated & 100% AF92 ult unrated
- former CL business (linked)	100% AM92 ult unrated	100% AM92 ult unrated
- former UF business (linked)	54.5% AM80 ult unrated	54.5% AM80 ult unrated
Assured Lives:		
- RL (intermediary) and former SL business	80% AM92 ult unrated & 100% AF92 ult unrated	80% AM92 ult unrated & 80% AF92 ult unrated
- Bright Grey Protection Plan Life cover (UK and overseas)	120% modified TM92(5) & 120% modified TF92(5) See note [1].	120% modified TM92(5) & 120% modified TF92(5) See note [1].
- European Bond, Libertas and Safe Combination™ (UK and overseas)	120% AM80 ult - 1 yr & 120% AF80 ult - 1 yr	120% AM80 ult - 1 yr & 120% AF80 ult - 1 yr
- RL business, former RA business and former UF business (non-linked)	105% AM92 ult unrated & 105% AF92 ult unrated	105% AM92 ult unrated & 105% AF92 ult unrated
- former CL business (non-linked)	105% AM92 ult unrated	105% AM92 ult unrated
- RL business, former RA business, former RIL business and former UFLA business (linked)	100% AM92 ult unrated & 100% AF92 ult unrated	100% AM92 ult unrated & 100% AF92 ult unrated
- former CL business (linked)	100% AM92 ult unrated	100% AM92 ult unrated
- former UF business (linked)	54.5% AM80 ult unrated	54.5% AM80 ult unrated

VALUATION REPORT ON THE ROYAL LONDON MUTUAL INSURANCE SOCIETY

4. (4)

Note [1]: Bright Grey Protection Plan Life Cover

For calculating the valuation reserves for this cover a loading of 20% above ultimate risk rates based on TM92(5) and TF92(5) has been used. The base table rates have been adjusted in line with the CMI's 1995-98 experience investigation and then further adjusted in line with the CMI's 1995-98 investigation into the differentials between smokers and non-smokers. The resultant rates were smoothed. The 20% loading incorporates a discount to reflect the expected better than average experience of the office and a loading to cover the cost of terminal illness benefit and benefit increase options. A further allowance is made for terminal illness benefit in the final year of the contract.

Sample ultimate risk rates before the 20% loading is applied are as follows:

Age	Male non smoker	Male smoker	Female non smoker	Female smoker
25	0.00032	0.00047	0.00019	0.00029
35	0.00036	0.00057	0.00032	0.00051
45	0.00080	0.00160	0.00072	0.00137
55	0.00227	0.00474	0.00168	0.00355

For annuities currently in payment, the required expectation of life information is contained in the following table:

	Sex	Age	2005	2004
RL (intermediary) and former SL group business	Male	65	21.36	21.28
RL (intermediary) and former SL individual business	Male	65	21.73	21.65
Other business	Male	65	21.36	21.28
RL (intermediary) and former SL group business	Female	65	24.24	24.17
RL (intermediary) and former SL individual business	Female	65	24.64	24.57
Other business	Female	65	24.24	24.17
RL (intermediary) and former SL group business	Male	75	12.83	12.71
RL (intermediary) and former SL individual business	Male	75	13.14	13.03
Other business	Male	75	12.83	12.71
RL (intermediary) and former SL group business	Female	75	15.43	15.32
RL (intermediary) and former SL individual business	Female	75	15.78	15.67
Other business	Female	75	15.43	15.32

For deferred annuity pension contracts, the required expectation of life information is contained in the following table:

	Sex	Age	2005	2004
RL (intermediary) and former SL group business	Male	45	22.93	22.52
RL (intermediary) and former SL individual business	Male	45	23.31	22.88
Other business	Male	45	22.93	22.52
RL (intermediary) and former SL group business	Female	45	25.75	25.32
RL (intermediary) and former SL individual business	Female	45	26.15	25.70
Other business	Female	45	25.75	25.32
RL (intermediary) and former SL group business	Male	55	22.41	21.98
RL (intermediary) and former SL individual business	Male	55	22.79	22.35
Other business	Male	55	22.41	21.98
RL (intermediary) and former SL group business	Female	55	25.27	24.82
RL (intermediary) and former SL individual business	Female	55	25.68	25.21
Other business	Female	55	25.27	24.82

There is sufficient margin within the mortality rates assumed in the valuation to allow for significant changes in the incidence of disease or developments in medical science. No additional provision has been made.

For all annuity business, allowance is made for future reductions in the rates of mortality assumed in line with mortality improvements underlying the published mortality tables used. No additional improvements have been assumed.

VALUATION REPORT ON THE ROYAL LONDON MUTUAL INSURANCE SOCIETY

4. (5)

4. (5)

The following table shows the valuation morbidity assumptions used to calculate the liabilities at this valuation together with the equivalent assumptions from the previous investigation:

	2005	2004
Bright Grey Protection Plan Life or Critical Illness cover (UK and overseas) – reviewable business	126% modified reinsurers’ risk rates See note [1]	126% modified reinsurers’ risk rates See note [1]
Bright Grey Protection Plan Life or Critical Illness cover (UK and overseas) – guaranteed business	180% modified reinsurers’ risk rates See note [1]	180% modified reinsurers’ risk rates See note [1]
Bright Grey Protection Plan Critical Illness cover (UK and overseas) – reviewable business	126% modified reinsurers’ risk rates See note [2]	126% modified reinsurers’ risk rates See note [2]
Bright Grey Protection Plan Income Cover for Sickness (UK and overseas)	Modified CMIR 12 See note [3]	Modified CMIR 12 See note [3]
Former UFLA Protection Plan – critical illness benefit	Modified reinsurer’s risk rates See note [4]	Modified reinsurer’s risk rates See note [4]
Former UFLA Protection Plan – income replacement benefit	Modified reinsurer’s risk rates See note [5]	Modified reinsurer’s risk rates See note [5]
RL (intermediary) and former SL Profitbuilder – critical illness benefit	Modified reinsurer’s risk rates See note [6]	Modified reinsurer’s risk rates See note [6]

Note [1]: Bright Grey Protection Plan Life or Critical Illness Cover

For calculating the valuation reserves for this cover a loading of 26% (reviewable business) or 80% (guaranteed business) above risk rates supplied by a leading reinsurer has been used. The risk rates are ultimate and apply to the ‘own occupation’ definition of total permanent disability. Where a ‘working tasks’ definition of total permanent disability is used the risk rates are reduced by 3.5%. Where total permanent disability benefit is not included the risk rates are reduced by 5%.

Sample ultimate risk rates before the 26% or 80% loading is applied are as follows:

Age	Male non smoker	Male smoker	Female non smoker	Female smoker
25	0.000724	0.001168	0.000548	0.000877
35	0.001013	0.001611	0.001101	0.001927
45	0.002505	0.004900	0.002588	0.004641
55	0.006627	0.014673	0.005754	0.011589

An allowance has been made for future deterioration of experience at rates of 1.25% pa.

Note [2]: Bright Grey Protection Plan Critical Illness Cover

For calculating the valuation reserves for this cover a loading of 26% above risk rates supplied by a leading reinsurer has been used. The risk rates are ultimate and apply to the ‘own occupation’ definition of total permanent disability. Where a ‘working tasks’ definition of total permanent disability is used the risk rates are reduced by 3.5%. Where total permanent disability benefit is not included the risk rates are reduced by 5%.

Sample ultimate risk rates before the 26% loading is applied are as follows:

Age	Male non smoker	Male smoker	Female non smoker	Female smoker
25	0.000411	0.000624	0.000443	0.000695
35	0.000824	0.001286	0.001041	0.001797
45	0.002209	0.004192	0.002465	0.004407
55	0.006170	0.013105	0.005480	0.010751

An allowance has been made for future deterioration of experience at rates of 1.25% pa.

VALUATION REPORT ON THE ROYAL LONDON MUTUAL INSURANCE SOCIETY

4. (5)

Note [3]: Bright Grey Protection Plan Income Cover for Sickness

CMIR 12 inception and recovery rates are used, adjusted to take into account the 1991-1994 CMI experience analysis and expected office experience and to include a further valuation loading. Sample percentage adjustments to the CMIR 12 inception rates for a Class 1 occupation with an own occupation definition of incapacity are as follows:

Age	4 weeks	13 weeks	26 weeks	52 weeks
25	121.40	139.13	274.16	356.00
35	91.39	129.58	218.24	268.71
45	77.75	126.85	190.96	223.70
55	68.20	126.85	173.23	193.69

With further adjustments of:

	%
Females	75
Non smokers	-10
Smokers	20
Class 2 occupation	50
Class 3 occupation	100
Class 4 occupation	225
Working tasks	-40

Sample adjustments to the CMIR 12 termination rates are as follows:

Duration Sick (months)	4 weeks	13 weeks	26 weeks	52 weeks
1	0.504	-	-	-
6	0.552	0.552	0.464	-
12	0.648	0.648	0.648	0.600
24	0.600	0.600	0.600	0.600

Note [4]: Former UFLA Protection Plan – critical illness benefit

For calculating the valuation reserves for this benefit, risk rates supplied by a leading reinsurer have been used. The risk rates are ultimate and the benefit ceases at age 65.

Sample ultimate risk rates are as follows:

Age	Male non smoker	Male smoker	Female non smoker	Female smoker
25	0.000271	0.000469	0.000287	0.000497
35	0.000623	0.001079	0.000763	0.001321
45	0.002353	0.004075	0.001911	0.003309
55	0.006593	0.011417	0.004772	0.008264

No allowance has been made for deterioration of future experience.

Note [5]: Former UFLA Protection Plan – income replacement benefit

For calculating the valuation reserves for this benefit, risk rates supplied by a leading reinsurer have been used. The risk rates are ultimate.

Sample ultimate risk rates for a level benefit ceasing at age 65, deferred period 13 weeks, class 1 occupation are as follows:

Age	Male non smoker	Male smoker	Female non smoker	Female smoker
25	0.003105	0.004140	0.004658	0.006210
35	0.003708	0.004944	0.005562	0.007416
45	0.009090	0.012120	0.013635	0.018180
55	0.024489	0.032652	0.036734	0.048978

Additional loadings apply for occupation classes 2, 3 or 4.

No allowance has been made for deterioration of future experience.

VALUATION REPORT ON THE ROYAL LONDON MUTUAL INSURANCE SOCIETY

4. (5)

Note [6]: RL (intermediary) and former SL Profitbuilder –critical illness benefit

Living Cover (Critical Illness) Benefit under Profitbuilder contracts has been valued using the risk rates supplied by a leading reinsurer.

Sample ultimate risk rates for accelerated comprehensive critical illness including total and permanent disability (own occupation) are as follows:

Age	Male non smoker	Male smoker	Female non smoker	Female smoker
25	0.000876	0.001512	0.000684	0.001164
35	0.001092	0.001908	0.001440	0.002568
45	0.003024	0.005280	0.003576	0.006288
55	0.009612	0.016728	0.007944	0.013692

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Royal London IB & OB Subfund

The following expense assumptions were used in calculating the mathematical reserves for annuities in payment and deferred annuities in possession:

	Current year assumptions			Prior year assumptions		
	Per Policy (per annum)	% annuity	Investment	Per Policy (per annum)	% annuity	Investment
All life and pension annuities in payment	£0.00	2%	0.06%	£0.00	2%	0.06%
RL deferred annuities in possession	£0.00	2.25%	0.08%	£0.00	2.25%	0.08%
RL (intermediary) and former SL PHI claims in payment	£16.47	0%	0.06%	£0.00	2%	0.06%

The following expense assumptions were used in calculating the mathematical reserves for conventional business and accumulating with-profits business:

	Current year assumptions			Prior year assumptions		
	Per Policy (per annum)	% Office Premium	Investment	Per Policy (per annum)	% Office Premium	Investment
RL IB with-profits	£5.94	10%	0.08%	£5.74	10%	0.08%
RL IB non-profit	£4.15	0%	0.06%	£5.74	10%	0.06%
RL with-profits issued prior to 2001	£11.88	5%	0.08%	£11.46	5%	0.08%
RL Insurance ISA – regular premium	£0.00	3%	0.08%	£0.00	3%	0.08%
RL Insurance ISA – single premium	£0.00	0.6%	0.08%	£0.00	0.6%	0.08%
RL Unitised Whole Life Assurance	£11.88	0%	0.08%	£11.46	0%	0.08%
RL Regular Savings Plan	£11.88	5%	0.08%	£11.46	5%	0.08%
RL non-profit issued prior to 2001	£6.38	5%	0.06%	£11.46	5%	0.06%
RL non-profit issued after 2000	£8.30	1.5%	0.06%	£11.46	5%	0.06%
RL (intermediary) Individual EPP issued July 2001 – Dec 2003 – regular premium – see notes 1), 2)	£85.01	0%	0.08%	£33.17	0%	0.08%
RL (intermediary) Individual EPP issued July 2001 – Dec 2003 – single premium and paid up – see notes 1), 2)	£62.35	0%	0.08%	£13.63	0%	0.08%
RL (intermediary) Individual EPP issued > Dec 2003 – regular premium – see notes 1), 2)	£85.01	0%	0.08%	£27.70	0%	0.08%
RL (intermediary) Individual EPP issued > Dec 2003 – single premium and paid up – see notes 1), 2)	£62.35	0%	0.08%	£13.85	0%	0.08%
RL (intermediary) Individual PPP issued July 2001 – Dec 2003 – regular premium – see notes 1), 2)	£30.13	0%	0.08%	£33.17	0%	0.08%
RL (intermediary) Individual PPP issued July 2001 – Dec 2003 – single premium and paid up – see notes 1), 2)	£26.85	0%	0.08%	£13.63	0%	0.08%
RL (intermediary) Individual PPP issued > Dec 2003 – regular premium – see notes 1), 2)	£30.13	0%	0.08%	£27.70	0%	0.08%
RL (intermediary) Individual PPP issued > Dec 2003 – single premium and paid up – see notes 1), 2)	£26.85	0%	0.08%	£13.85	0%	0.08%

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	Current year assumptions			Prior year assumptions		
	Per Policy (per annum)	% Office Premium	Investment	Per Policy (per annum)	% Office Premium	Investment
RL (intermediary) Individual Section 32 Buyout issued July 2001 – Dec 2003 – single premium – see notes 1), 2)	£26.85	0%	0.08%	£13.63	0%	0.08%
RL (intermediary) Individual Section 32 Buyout issued > Dec 2003 – single premium – see notes 1), 2)	£26.85	0%	0.08%	£13.85	0%	0.08%
RL (intermediary) Retirement Solutions GPP and CPS issued July 2001 – Dec 2003 – regular premium – see notes 1), 2)	£58.68	0%	0.08%	£27.64	0%	0.08%
RL (intermediary) Retirement Solutions GPP and CPS issued July 2001 – Dec 2003 – single premium and paid up – see notes 1), 2)	£28.74	0%	0.08%	£11.36	0%	0.08%
RL (intermediary) Retirement Solutions GPP and CPS issued > Dec 2003 – regular premium – see notes 1), 2)	£58.68	0%	0.08%	£36.45	0%	0.08%
RL (intermediary) Retirement Solutions GPP and CPS issued > Dec 2003 – single premium and paid up – see notes 1), 2)	£28.74	0%	0.08%	£18.23	0%	0.08%
RL (intermediary) Talisman EPP and Freestanding AVC series 1, 2, 98 series 1 and 2 issued July 2001 – Dec 2003 – regular premium – see notes 1), 2)	£98.88	0%	0.08%	£55.29	0%	0.08%
RL (intermediary) Talisman EPP and Freestanding AVC series 1, 2, 98 series 1 and 2 issued July 2001 – Dec 2003 – single premium and paid up – see notes 1), 2)	£63.41	0%	0.08%	£22.73	0%	0.08%
RL (intermediary) Talisman EPP and Freestanding AVC series 1, 2, 98 series 1 and 2 issued > Dec 2003 – regular premium – see notes 1), 2)	£98.88	0%	0.08%	£66.42	0%	0.08%
RL (intermediary) Talisman EPP and Freestanding AVC series 1, 2, 98 series 1 and 2 issued > Dec 2003 – single premium and paid up – see notes 1), 2)	£63.41	0%	0.08%	£33.21	0%	0.08%
RL (intermediary) Talisman PP series 1 and 2 issued July 2001 – Dec 2003 – regular premium – see notes 1), 2)	£29.09	0%	0.08%	£55.29	0%	0.08%
RL (intermediary) Talisman PP series 1 and 2 issued July 2001 – Dec 2003 – single premium and paid up – see notes 1), 2)	£24.25	0%	0.08%	£22.73	0%	0.08%
RL (intermediary) Talisman PP series 1 and 2 issued > Dec 2003 – regular premium – see notes 1), 2)	£29.09	0%	0.08%	£27.70	0%	0.08%
RL (intermediary) Talisman PP series 1 and 2 issued > Dec 2003 – single premium and paid up – see notes 1), 2)	£24.25	0%	0.08%	£13.85	0%	0.08%
RL (intermediary) Talisman 98 PP series 1 and 2 issued July 2001 – Dec 2003 – regular premium – see notes 1), 2)	£30.24	0%	0.08%	£55.29	0%	0.08%

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	Current year assumptions			Prior year assumptions		
	Per Policy (per annum)	% Office Premium	Investment	Per Policy (per annum)	% Office Premium	Investment
RL (intermediary) Talisman 98 PP series 1 and 2 issued July 2001 – Dec 2003 – single premium and paid up – see notes 1), 2)	£25.26	0%	0.08%	£22.73	0%	0.08%
RL (intermediary) Talisman 98 PP series 1 and 2 issued > Dec 2003 – regular premium – see notes 1), 2)	£30.24	0%	0.08%	£27.70	0%	0.08%
RL (intermediary) Talisman 98 PP series 1 and 2 issued > Dec 2003 – single premium and paid up – see notes 1), 2)	£25.26	0%	0.08%	£13.85	0%	0.08%
RL (intermediary) Talisman 98 Section 32 Buyout issued July 2001 – Dec 2003 – single premium – see notes 1), 2)	£25.26	0%	0.08%	£22.73	0%	0.08%
RL (intermediary) Talisman 98 Section 32 Buyout issued > Dec 2003 – single premium - see notes 1), 2)	£25.26	0%	0.08%	£13.85	0%	0.08%
RL (intermediary) Talisman GPP and CPS series 1 to 6 issued July 2001 – Dec 2003 – regular premium – see notes 1), 2)	£66.00	0%	0.08%	£55.29	0%	0.08%
RL (intermediary) Talisman GPP and CPS series 1 to 6 issued July 2001 – Dec 2003 – single premium and paid up – see notes 1), 2)	£30.26	0%	0.08%	£22.73	0%	0.08%
RL (intermediary) Talisman GPP and CPS series 1 to 6 issued > Dec 2003 – regular premium – see notes 1), 2)	£66.00	0%	0.08%	£45.83	0%	0.08%
RL (intermediary) Talisman GPP and CPS series 1 to 6 issued > Dec 2003 – single premium and paid up – see notes 1), 2)	£30.26	0%	0.08%	£22.92	0%	0.08%
RL (intermediary) Crest Growth Plan issued July 2001 – Dec 2003 – regular premium – see note 1)	£58.04	0%	0.08%	£154.17	0%	0.08%
RL (intermediary) Crest Growth Plan issued July 2001 – Dec 2003 – single premium and paid up – see note 1)	£35.39	0%	0.08%	£17.20	0%	0.08%
RL (intermediary) Crest Growth Plan issued > Dec 2003 – regular premium – see note 1)	£58.04	0%	0.08%	£41.06	0%	0.08%
RL (intermediary) Crest Growth Plan issued > Dec 2003 – single premium and paid up – see note 1)	£35.39	0%	0.08%	£41.06	0%	0.08%
Former RA non-profit life	£8.30	1.5%	0.06%	£16.71	5%	0.06%
Former SL Retirement Solutions GPP and CPS – regular premium – see notes 1), 2)	£58.68	0%	0.05% - 0.08%	£27.64	0%	0.05% - 0.08%
Former SL Retirement Solutions GPP and CPS – single premium and paid up – see notes 1), 2)	£28.74	0%	0.05% - 0.08%	£11.36	0%	0.05% - 0.08%
Former SL Talisman EPP and Freestanding AVC series 1, 2, 98 series 1 and 2 – regular premium – see notes 1), 2)	£98.88	0%	0.05% - 0.08%	£55.29	0%	0.05% - 0.08%

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	Current year assumptions			Prior year assumptions		
	Per Policy (per annum)	% Office Premium	Investment	Per Policy (per annum)	% Office Premium	Investment
Former SL Talisman EPP and Freestanding AVC series 1, 2, 98 series 1 and 2 – single premium and paid up – see notes 1), 2)	£63.41	0%	0.05% - 0.08%	£22.73	0%	0.05% - 0.08%
Former SL Talisman PP series 1 and 2 – regular premium – see notes 1), 2)	£29.09	0%	0.05% - 0.08%	£55.29	0%	0.05% - 0.08%
Former SL Talisman PP series 1 and 2 – single premium and paid up – see notes 1), 2)	£24.25	0%	0.05% - 0.08%	£22.73	0%	0.05% - 0.08%
Former SL Talisman 98 PP series 1 and 2 – regular premium – see notes 1), 2)	£30.24	0%	0.05% - 0.08%	£55.29	0%	0.05% - 0.08%
Former SL Talisman 98 PP series 1 and 2 – single premium and paid up – see notes 1), 2)	£25.26	0%	0.05% - 0.08%	£22.73	0%	0.05% - 0.08%
Former SL Talisman Section 32 Buyout series 2 - single premium – see notes 1), 2)	£47.01	0%	0.05%	£22.73	0%	0.05%
Former SL Talisman 98 Section 32 Buyout – single premium – see notes 1), 2)	£25.26	0%	0.05% - 0.08%	£22.73	0%	0.05% - 0.08%
Former SL Talisman GPP and CPS series 1 to 6 – regular premium – see notes 1), 2)	£66.00	0%	0.05% - 0.08%	£55.29	0%	0.05% - 0.08%
Former SL Talisman GPP and CPS series 1 to 6 – single premium and paid up – see notes 1), 2)	£30.26	0%	0.05% - 0.08%	£22.73	0%	0.05% - 0.08%
Former SL Crest Growth Plan – regular premium – see notes 1), 2)	£58.04	0%	0.05% - 0.08%	£154.17	0%	0.05% - 0.08%
Former SL Crest Growth Plan – single premium and paid up – see notes 1), 2)	£35.39	0%	0.05% - 0.08%	£17.20	0%	0.05% - 0.08%
Former UFI non-profit	£7.52	2%	0.06%	£16.71	5%	0.06%

Notes:

- 1) The expenses shown for RL (intermediary) and Former SL business also apply to the valuation of unit-linked business in this fund. For unit-linked business, the investment charges increase to 0.09% [2004: 0.09%] unit funds and 0.06% [2004: 0.06%] sterling reserves. The references to 0.05% are where the benefit is in the Scottish Life Fund and the expenses are incurred in the Royal London IB & OB Subfund.
- 2) The following expenses apply upon policy termination:

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	Current year assumption	Prior year assumption
RL (intermediary) Individual EPP, PPP, Section 32 Buyout, Stakeholder Pension issued July 2001 – Dec 2003	£0.00	£99.52
RL (intermediary) Individual EPP, PPP, Section 32 Buyout, Stakeholder Pension issued > Dec 2003	£0.00	£114.26
RL (intermediary) Retirement Solutions – GPP, CPS, Stakeholder Pension issued July 2001 – Dec 2003	£0.00	£82.93
RL (intermediary) Retirement Solutions – GPP, CPS, Stakeholder Pension issued > Dec 2003	£0.00	£113.60
RL (intermediary) Talisman – EPP and Freestanding AVC Plan series 1, 2, 98 series 1 and 2 issued July 2001 – Dec 2003	£0.00	£165.85
RL (intermediary) Talisman – EPP and Freestanding AVC Plan series 1, 2, 98 series 1 and 2 issued > Dec 2003	£0.00	£249.00
RL (intermediary) Talisman PP series 1, 2, 98 series 1 and 2 issued July 2001 – Dec 2003	£0.00	£165.85
RL (intermediary) Talisman PP series 1, 2, 98 series 1 and 2 issued > Dec 2003	£0.00	£114.26
RL (intermediary) Talisman – GPP and CPS series 1 to 6 issued July 2001 – Dec 2003	£0.00	£165.85
RL (intermediary) Talisman – GPP and CPS series 1 to 6 issued > Dec 2003	£0.00	£139.10
RL (intermediary) Talisman Income Drawdown PPP series 2 and 98 series 1 issued July 2001 – Dec 2003	£0.00	£165.85
RL (intermediary) Talisman Income Drawdown PPP series 2 and 98 series 1 issued > Dec 2003	£0.00	£114.26
Former SL Retirement Solutions – GPP, CPS, Stakeholder Pension	£0.00	£82.93
Former SL Talisman – EPP and Freestanding AVC Plan series 1, 2, 98 series 1 and 2	£0.00	£165.85
Former SL Talisman PP series 1, 2, 98 series 1 and 2	£0.00	£165.85
Former SL Talisman Section 32 Buyout series 2 and 98	£0.00	£165.85
Former SL Talisman – GPP and CPS series 1 to 6	£0.00	£165.85
Former SL Talisman Income Drawdown PPP series 2 and 98 series 1	£0.00	£165.85

The following expense assumptions were used in calculating the mathematical reserves for unit-linked business:

	Current year assumptions			Prior year assumptions		
	Per Policy (per annum)	% Office Premium	Investment % unit fund	Per Policy (per annum)	% Office Premium	Investment % unit fund
RL life (Unitplan)	£3.32	4%	0.24%	£11.46	5%	0.24%
RL Stakeholder Pension	£0.00	0%	1.00%	£0.00	0%	1.00%
RL Personal Pension and FSAVC plans	£3.32	1%	0.24%	£11.46	5%	0.24%
RL DWP pension policies issued in 2001	£8.46	0%	0.24%	£8.24	0%	0.24%
RL (intermediary) Individual Stakeholder issued July 2001 – Dec 2003 – regular premium – see note 2)	£30.13	0%	0.09%	£33.17	0%	0.09%
RL (intermediary) Individual Stakeholder issued July 2001 – Dec 2003 – single premium and paid up – see note 2)	£26.85	0%	0.09%	£13.63	0%	0.09%
RL (intermediary) Individual Stakeholder issued > Dec 2003 – regular premium – see note 2)	£30.13	0%	0.09%	£27.70	0%	0.09%

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	Current year assumptions			Prior year assumptions		
	Per Policy (per annum)	% Office Premium	Investment % unit fund	Per Policy (per annum)	% Office Premium	Investment % unit fund
RL (intermediary) Individual Stakeholder issued > Dec 2003 – single premium and paid up – see note 2)	£26.85	0%	0.09%	£13.85	0%	0.09%
RL (intermediary) Retirement Solutions Stakeholder issued July 2001 – Dec 2003 – regular premium – see note 2)	£58.68	0%	0.09%	£27.64	0%	0.09%
RL (intermediary) Retirement Solutions Stakeholder issued July 2001 – Dec 2003 – single premium and paid up – see note 2)	£28.74	0%	0.09%	£11.36	0%	0.09%
RL (intermediary) Retirement Solutions Stakeholder issued > Dec 2003 – regular premium – see note 2)	£58.68	0%	0.09%	£36.45	0%	0.09%
RL (intermediary) Retirement Solutions Stakeholder issued > Dec 2003 – single premium and paid up – see note 2)	£28.74	0%	0.09%	£18.23	0%	0.09%
RL (intermediary) Talisman Income Drawdown PPP series 2 and 98 series 1 issued July 2001 – Dec 2003 – see note 2)	£81.03	0%	0.09%	£22.73	0%	0.09%
RL (intermediary) Talisman Income Drawdown PPP series 2 and 98 series 1 issued > Dec 2003 – see note 2)	£81.03	0%	0.09%	£92.47	0%	0.09%
Former RA life	£16.34	2%	0.24%	£18.73	10%	0.24%
Former RIL pensions – DWP policies	£3.63	0%	0.24%	£8.24	0%	0.24%
Former RIL pensions – non DWP policies	£7.26	2.5%	0.24%	£8.24	7.1%	0.24%
Former SL Retirement Solutions Stakeholder Pension – regular premium – see note 2)	£58.68	0%	0.09%	£27.64	0%	0.09%
Former SL Retirement Solutions Stakeholder Pension – single premium and paid up – see note 2)	£28.74	0%	0.09%	£11.36	0%	0.09%
Former SL Talisman Income Drawdown PPP series 2 and 98 series 1 – see note 2)	£81.03	0%	0.09%	£22.73	0%	0.09%
Former UFI life single premium	£20.59	0%	0.24%	£20.05	0%	0.24%
Former UFI life regular premium	£27.47	7%	0.24%	£26.75	7%	0.24%
Former UFI pension DWP policies	£8.46	0%	0.24%	£8.24	0%	0.24%
Former UFI pension single premium	£20.59	0%	0.24%	£20.05	0%	0.24%
Former UFI pension regular premium	£34.33	7%	0.24%	£33.43	7%	0.24%
Former UFLA life single premium	£28.92	0%	0.24%	£27.96	0%	0.24%
Former UFLA life regular premium	£46.44	2.5%	0.24%	£44.88	2.5%	0.24%
Former UFLA life paid up	£22.68	0%	0.24%	£21.96	0%	0.24%
Former UFLA Personal Pension Plan / Additional Contribution Plan – regular premium	£46.44	2.5%	0.24%	£44.88	2.5%	0.24%
Former UFLA Personal Pension Plan / Additional Contribution Plan – paid up	£22.68	0%	0.24%	£21.96	0%	0.24%
Former UFLA Personal Pension Plan / Additional Contribution Plan – single premium	£28.92	0%	0.24%	£27.96	0%	0.24%
Former UFLA Directors' Plan	£68.04	2.5%	0.24%	£65.64	2.5%	0.24%

In addition, investment expenses of 0.06% p.a. [2004: 0.06% p.a.] were assumed on sterling reserves.

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Refuge Assurance IB Subfund

The following expense assumptions were used in calculating the mathematical reserves for conventional business:

	Current year assumptions			Prior year assumptions		
	Per Policy (per annum)	% Office Premium	Investment	Per Policy (per annum)	% Office Premium	Investment
With-profits	£7.68	17.5%	0.08%	£7.48	17.5%	0.08%
Non-profit	£7.68	17.5%	0.06%	£7.48	17.5%	0.06%

Refuge Assurance OB Subfund

The following expense assumptions were used in calculating the mathematical reserves for annuities in payment and deferred annuities in possession:

	Current year assumptions			Prior year assumptions		
	Per Policy (per annum)	% annuity	Investment	Per Policy (per annum)	% annuity	Investment
RL (intermediary) annuities in payment issued July 2001 – Dec 2003	£16.47	0%	0.06%	£20.27	0%	0.06%
RL (intermediary) annuities in payment issued > Dec 2003	£16.47	0%	0.06%	£18.52	0%	0.06%
Former CL and RA annuities in payment	£0.00	2%	0.06%	£0.00	2%	0.06%
Former RA deferred annuities in possession	£0.00	2.25%	0.06%	£0.00	2.25%	0.08%
Former SL annuities in payment	£16.47	0%	0.06%	£20.27	0%	0.06%

The following expense assumptions were used in calculating the mathematical reserves for conventional business and accumulating with-profits business:

	Current year assumptions			Prior year assumptions		
	Per Policy (per annum)	% Office Premium	Investment	Per Policy (per annum)	% Office Premium	Investment
Bright Grey – see note 1)	£15.24	1.1%	0.06%	£14.15	1%	0.06%
RL With-Profits Bond (series 3)	£11.88	0%	0.08%	£11.46	0%	0.08%
RL Regular Savings Plan	£11.88	5%	0.08%	£11.46	5%	0.08%
RL Unitised Whole Life Assurance	£11.88	0%	0.08%	£11.46	0%	0.08%
RL Unitised Personal Pension Plan (series 2) – regular premium and paid up	£26.89	0%	0.08%	£26.19	0%	0.08%
RL Unitised Personal Pension Plan (series 2) – single premium	£20.16	0%	0.08%	£19.63	0%	0.08%
RL (intermediary) Profitbuilder, Budget Plan (TP1) & (TP2) issued July 2001 – Dec 2003 – regular premium – see note 2)	£22.95	0%	0.08%	£24.57	0%	0.08%
RL (intermediary) Profitbuilder, Budget Plan (TP1) & (TP2) issued July 2001 – Dec 2003 – paid up – see note 2)	£21.08	0%	0.08%	£11.67	0%	0.08%
RL (intermediary) Profitbuilder, Budget Plan (TP1) & (TP2) issued > Dec 2003 – regular premium – see note 2)	£22.95	0%	0.08%	£21.22	0%	0.08%
RL (intermediary) Profitbuilder, Budget Plan (TP1) & (TP2) issued > Dec 2003 – paid up – see note 2)	£21.08	0%	0.08%	£10.61	0%	0.08%

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	Current year assumptions			Prior year assumptions		
	Per Policy (per annum)	% Office Premium	Investment	Per Policy (per annum)	% Office Premium	Investment
Former CL non-profit life and pensions	£13.73	0%	0.06%	£13.36	0%	0.06%
Former RA with-profits life regular premium issued after 1998	£16.40	2%	0.08%	£15.97	2%	0.08%
Former RA with-profits life regular premium issued before 1999	£17.16	5%	0.08%	£16.71	5%	0.08%
Former RA with-profits life single premium	£17.16	5%	0.08%	£16.71	5%	0.08%
Former RA Unitised Whole Life Assurance issued after 1998 –see note 3)	£16.40	0%	0.08%	£15.97	0%	0.08%
Former RA Unitised Whole Life Assurance issued before 1999 – see note 3)	£17.16	0%	0.08%	£16.71	0%	0.08%
Former RA non-profit life	£8.30	1.5%	0.06%	£16.71	5%	0.06%
Former RA pensions in deferment	£17.16	5%	0.08%	£16.71	5%	0.08%
Former RA Unitised Personal Pension Plan (series 1) – regular premium and paid up	£26.89	0%	0.08%	£26.19	0%	0.08%
Former RA Unitised Personal Pension Plan (series 1) – single premium	£20.16	0%	0.08%	£19.63	0%	0.08%
Former SL with-profits life	£22.95	0%	0.05% - 0.08%	£24.57	0%	0.05% - 0.08%
Former SL non-profit life	£23.00	0%	0.06%	£24.57	0%	0.06%
Former SL with-profits life paid up	£21.08	0%	0.05% - 0.08%	£11.67	0%	0.05% - 0.08%
Former SL non-profit life paid up	£20.60	0%	0.06%	£11.67	0%	0.06%
Former SL Profitbuilder, Budget Plan (TP1) & (TP2) - regular premium – see note 2)	£22.95	0%	0.05% - 0.08%	£24.57	0%	0.05% - 0.08%
Former SL Profitbuilder, Budget Plan (TP1) & (TP2) - paid up – see note 2)	£21.08	0%	0.05% - 0.08%	£11.67	0%	0.05% - 0.08%

Notes:

- 1) A claim termination expense of £335.11 (per annum for income protection claims) applies [2004: £311.25].
- 2) The expenses shown for RL (intermediary) and Former SL business also apply to the valuation of unit-linked business in this fund. For unit-linked business, the investment charges increase to 0.09% [2004: 0.09%] unit funds and 0.06% [2004: 0.06%] sterling reserves. The references to 0.05% are where the benefit is in the Scottish Life Fund and the expenses are incurred in the Refuge Assurance OB Fund.
- 3) The expenses shown for Former RA Unitised Whole Life Assurance also apply to the valuation of unit-linked benefits in the Royal London IB & OB Fund. For the unit funds, unit fund expenses of 0.24% apply.

The following expense assumptions were used in calculating the mathematical reserves for unit-linked business:

VALUATION REPORT ON THE ROYAL LONDON MUTUAL INSURANCE SOCIETY

4. (6)

	Current year assumptions			Prior year assumptions		
	Per Policy (per annum)	% Office Premium	Investment % unit fund	Per Policy (per annum)	% Office Premium	Investment % unit fund
RL Libertas / RL safe combination™ (overseas)	£119.31	0.0%	0.24%	£40.46	0.202%	0.24%
RL (intermediary) Capital Investment Bond issued July 2001 – Dec 2003	£22.41	0.0%	0.09%	£11.67	0.0%	0.09%
RL (intermediary) Capital Investment Bond issued > Dec 2003	£22.41	0.0%	0.09%	£10.61	0.0%	0.09%
Former CL life – Endowment Investment Plan, Endowment Investment Escalator Plan	£13.73	0.0%	0.06%	£13.36	0.0%	0.06%
Former CL life – other contracts	£13.73	0.0%	0.24%	£13.36	0.0%	0.24%
Former CL pension single premium	£13.73	0.0%	0.24%	£13.36	0.0%	0.24%
Former CL pension regular premium	£41.18	0.0%	0.24%	£40.10	0.0%	0.24%
Former SL UK Deposit Bonus Bond	£25.02	0.0%	0.09%	£24.12	0.0%	0.09%
Former SL Income Bonus Bond series 1 - 3	£25.02	0.0%	0.09%	£24.12	0.0%	0.09%
Former SL Capital Investment Bond	£22.41	0.0%	0.09%	£11.67	0.0%	0.09%

In addition, investment expenses of 0.06% p.a. [2004: 0.06% p.a.] were assumed on sterling reserves.

Scottish Life Fund

The following expense assumptions were used in calculating the mathematical reserves for conventional business and accumulating with-profits business:

	Current year assumptions			Prior year assumptions		
	Per Policy (per annum)	% Office Premium	Investment	Per Policy (per annum)	% Office Premium	Investment
Former SL conventional with-profits and non-profit life – regular premium	£25.52	0%	0.05%	£24.57	0%	0.05%
Former SL paid up (conventional with-profits and non-profit)	£12.13	0%	0.05%	£11.67	0%	0.05%
Former SL conventional with-profits and non-profit pensions – regular premium	£57.44	0%	0.05%	£55.29	0%	0.05%
Former SL conventional with-profits and non-profit pensions – single premium and paid up	£23.61	0%	0.05%	£22.73	0%	0.05%

For single premium non-linked individual and group pension business the valuation rate of interest has been reduced by 0.25% to provide an allowance for future expenses.

The following expense assumptions were used in calculating the mathematical reserves for deposit administration business:

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4. (6)

	Current year assumptions			Prior year assumptions		
	Per Policy (per annum)	% Office Premium	Investment	Per Policy (per annum)	% Office Premium	Investment
Former SL Crest Secure issued July 2001 – Dec 2003 – regular premium	£104.76	0%	0.05%	£154.17	0%	0.05%
Former SL Crest Secure issued July 2001 – Dec 2003 – single premium and paid up	£23.56	0%	0.05%	£17.20	0%	0.05%
Former SL Crest Secure issued > Dec 2003 – regular premium	£104.76	0%	0.05%	£41.06	0%	0.05%
Former SL Crest Secure issued > Dec 2003 – single premium and paid up	£23.56	0%	0.05%	£41.06	0%	0.05%
Former SL Talisman EPP and FSAVC Secure Account – regular premium	£98.88	0%	0.05%	£55.29	0%	0.05%
Former SL Talisman EPP and FSAVC Secure Account – single premium and paid up	£63.41	0%	0.05%	£22.73	0%	0.05%
Former SL Talisman PP Secure Account – regular premium	£29.09	0%	0.05%	£55.29	0%	0.05%
Former SL Talisman PP Secure Account – single premium and paid up	£24.25	0%	0.05%	£22.73	0%	0.05%
Former SL Talisman Section 32 Buyout Secure Account – single premium	£47.01	0%	0.05%	£22.73	0%	0.05%

In addition, investment expenses of 0.06% p.a. [2004: 0.06% p.a.] were assumed on sterling reserves.

United Friendly IB Subfund

The following expense assumptions were used in calculating the mathematical reserves for conventional business:

	Current year assumptions			Prior year assumptions		
	Per Policy (per annum)	% Office Premium	Investment	Per Policy (per annum)	% Office Premium	Investment
Policies issued before 1993	£7.68	17.5%	0.08%	£7.48	17.5%	0.08%
Policies issued in 1993	£7.68	14.0%	0.08%	£7.48	14.0%	0.08%
Policies issued after 1993	£7.68	10.5%	0.08%	£7.48	10.5%	0.08%

United Friendly OB Subfund

The following expense assumptions were used in calculating the mathematical reserves for conventional business:

	Current year assumptions			Prior year assumptions		
	Per Policy (per annum)	% Office Premium	Investment	Per Policy (per annum)	% Office Premium	Investment
DWP policies	£0.00	0%	0.08%	£0.00	0%	0.08%
All other policies	£17.16	5%	0.08%	£16.71	5%	0.08%

All funds

For single premium business, premium related expenses do not apply unless specifically stated. Paid up expenses follow regular premium expenses unless there is a specific entry in the tables, premium related expenses do not apply.

Per policy and termination expenses were assumed to inflate at 3.75% per annum. Where there is an established practice of increasing policy fees on unit-linked business, policy fees were assumed to inflate in line with expenses.

For conventional business, investment expenses (net of tax for UK life business) were generally modelled by reducing the valuation interest rate. For accumulating with-profits business and unit-linked business, investment expenses were modelled explicitly.

VALUATION REPORT ON THE ROYAL LONDON MUTUAL INSURANCE SOCIETY

4. (6)

All UK life business expenses were netted down for tax relief at 20%.

Where a policyholder has benefits invested in the unitised with-profits fund and unit-linked funds, separate sterling reserves are calculated for the with-profits and unit-linked components. Where a regular premium is payable, the expenses are allocated between the unit-linked and the unitised with-profits components in proportion to the regular premiums payable. If no regular premiums are payable then the expenses are generally allocated in proportion to the value of units allocated – the exception is the Former RA Unitised Whole Life Assurance contract where expenses are apportioned using the premiums paid.

Unit fund growth rates

The following unit growth assumptions were used to calculate non unit liabilities for unit-linked business:

	2005	2004
Life assurance and general annuity business	4.90%	5.00%
Pension and overseas business	5.25%	5.25%

The growth rate is before the deduction of regular management charges.

4. (7)

As a realistic basis firm no specific reserve has been made for future bonus within the valuation of conventional or unitised with-profits business except for certain contracts in the United Friendly OB fund as described in paragraph 4. (1).

4. (8)

The mathematical reserves were calculated incorporating the following additional material assumptions:

- (i) RL and former RA Unitised Whole Life Assurance contracts were assumed to surrender at the rate of 5% per annum. In addition, contracts written prior to April 2001 contain an MVR free date on the 10th anniversary of the date on which the with-profits units were created. For valuation purposes, it has been assumed that contracts with this option will terminate on this anniversary.
- (ii) Certain unit-linked single premium life bonds were sold with the option to effect regular withdrawals. The valuation of these contracts assumed the withdrawal of 5% unit value per annum.
- (iii) Conventional pension annuities which increase in line with limited price indexation were assumed to increase at 3% per annum.
- (iv) For Talisman Personal Pension Plan – Series 1 and 2, lapse assumptions varying between 0.25% per annum and 1.5% per annum have been assumed for regular premium contracts and lapse assumptions varying between 0.75% per annum and 2.75% per annum have been assumed for single premium contracts.
- (v) Talisman Executive Pension Plan – Series 1 and 2, lapse assumptions varying between 0.75% per annum and 2.5% per annum have been assumed for regular premium contracts and lapse assumptions varying between 1% per annum and 3.5% per annum have been assumed for single premium contracts.

4. (9)

Use of derivative contracts and similar instruments is limited to the requirements of efficient portfolio management and the reduction of investment risk, together with a small portfolio of derivative based contracts.

VALUATION REPORT ON THE ROYAL LONDON MUTUAL INSURANCE SOCIETY

5. (1)

Options and guarantees

5. (1)

Royal London IB & OB Subfund

- (a) The mathematical reserves established for RL deferred retirement annuity personal pension policies incorporate an allowance for the guaranteed roll up and pension conversion rates contained in these policies. The addition to the reserves was determined by capitalising any shortfall in the projected pension calculated using the valuation basis, including future contributions where appropriate, compared to the guaranteed amount, discounted back to the valuation date. A flat take-up rate of 95% was assumed.

The valuation interest rate used to value these guarantees at retirement was determined using a stochastic method and varied by retirement year, age, sex and guarantee type. The Barrie & Hibbert Economic Scenario Generator was calibrated to the forward gilt curve as described in the realistic abstract (Appendix 9.4A) and 1000 market consistent scenarios were run to produce 25 year par yield annuities for each future calendar year. A spreadsheet method was used to calculate the cost of providing the guarantee per unit of benefit for each scenario assuming payments start in the retirement year, valuation mortality and expenses. The average cost over the simulations was calculated for each combination of retirement year, age, sex and guarantee type. The implied valuation interest rate was determined using a goal seeking approach and multiplied by 97.5%.

- (b) (i) RL deferred retirement annuity personal pension policies
(ii) £154m including amounts in respect of increments which are not entitled to the guarantee.
(iii) Policies vest in the period 2006 – 2046.
(iv) £14m
(v) 10.02%
(vi) Increments can be made to the policy. However, the guarantee applies to contracts issued and increments effected prior to 25 September 1986 only.
(vii) Monthly in advance, single life, 5 year guarantee, level.
(viii) 60 - 75

Refuge Assurance OB Subfund

- (a) Former RA Pension Business Pure Endowments issued or increments effected prior to 31 December 1994 incorporate guaranteed pension rates. The addition to the reserves for these guaranteed pension rates was determined by calculating the additional cost of converting to pension annuities the value of the sum assured plus attaching annual bonuses on the valuation basis over the guaranteed pension rates multiplied by an assumed flat take-up rate of 95%.

The valuation interest rates were determined using the approach described for the Royal London IB & OB Subfund above.

- (b) (i) Former RA Pension Business Pure Endowment - tables WPCO (contracted out), WPPP (personal pension), WPAVC (FSAVC).
(ii) Contracted out version £16m
Other versions £100m
These reserves include amounts in respect of increments which are not entitled to the guarantee.
(iii) Policies vest in the period 2006 – 2042.
(iv) Contracted out version £6m
Other versions £38m
(v) Contracted out version 5.64%
Other versions 8.61%
(vi) Increments can be made to the policy. However, the guarantee applies to contracts issued and increments effected prior to 31 December 1994 only.
(vii) Contracted out version monthly in advance, joint life with 50% spouse's benefit, no guarantee, increases at 3% per annum.
Other versions monthly in advance, single life, level, guaranteed 5 years, guarantee does not apply if increasing annuity or spouse's benefit required at vesting.
(viii) Contracted out version males 65, females 60
Other versions 50 to 75.

VALUATION REPORT ON THE ROYAL LONDON MUTUAL INSURANCE SOCIETY

5. (1)

Scottish Life Fund

- (a) In the case of Former SL deferred cash contracts with a guaranteed minimum annuity at vesting, the reserve was calculated using the higher of the cash amount and the value of the guaranteed minimum annuity at vesting. A flat take-up rate of 95% was assumed.

The valuation interest rates were determined using the approach described for the Royal London IB & OB Subfund above.

- (b) (i) Talisman Personal Pension Plan Series 1 issued pre July 1988, Sovereign Plan, Personal Pension Policy, Personal Pension Bonus Bond, Personal Pension Cashplan and With-Profits Variable Premium Bond.
- (ii) £283m
- (iii) 2006 - 2042
- (iv) £153m
- (v) 10.887
- (vi) Increments can be made to the Talisman Personal Pension Plan but these do not qualify for guaranteed annuity rates unless they were contractual increments arranged prior to 1995.
- (vii) Level, yearly in arrears.
- (viii) 50 - 75
- (b) (i) Talisman Personal Pension Plan Series 1 issued post June 1988 (non-Protected Rights)
- (ii) £303m
- (iii) 2006 - 2036
- (iv) £114m
- (v) 9.864
- (vi) Increments can be made to the policy but these do not qualify for guaranteed annuity rates unless they were contractual increments arranged prior to 1995.
- (vii) Level, yearly in arrears.
- (viii) 50 - 75
- (b) (i) Talisman Personal Pension Plan Series 1 issued post June 1988 (Protected Rights)
- (ii) £519m
- (iii) 2006 - 2040
- (iv) £366m
- (v) 5.673
- (vi) Increments cannot be made to these policies.
- (vii) Escalating at 3% pa, payable yearly in arrears. There is an attaching widows/widowers pension of 50%.
- (viii) 60 – 75 (including late vesting).
- (b) (i) Talisman Executive Pension Plan Series 1 and With-Profits Deferred MIPA
- (ii) £91m
- (iii) 2006 - 2041
- (iv) £47m
- (v) 10.000
- (vi) Increments can be made to the Talisman Executive Pension Plan but these do not qualify for guaranteed annuity rates unless they were contractual increments arranged prior to 1995. Increments can be made to the With-Profits Deferred MIPA contract.
- (vii) Level, monthly in advance, guaranteed 5 years.
- (viii) 46 – 75

United Friendly OB Subfund

- (a) The mathematical reserves established for certain Former UF endowment assurances issued prior to 1987 incorporate an allowance for the option to take the maturity proceeds as an annuity at a guaranteed rate varying with the age of the life assured at maturity. The reserve was calculated as the capitalised amount of any shortfall in the projected life annuity derived using the valuation basis compared to the guaranteed annuity, discounted back to the valuation date. A take-up rate of 15% was assumed based on recent experience of this option being effected.

VALUATION REPORT ON THE ROYAL LONDON MUTUAL INSURANCE SOCIETY

5. (1)

- (b) (i) Former UF endowment assurances
- (ii) £42m including amounts in respect of policies which are not entitled to the guarantee and policies where the option was not selected.
- (iii) Policies mature in the period 2006 – 2030.
- (iv) £2m
- (v) 8.97%
- (vi) Increments cannot be made to the policy.
- (vii) Quarterly in advance, single life, 5 year guarantee, level.
- (viii) 50 - 70

5. (2)

Not applicable.

5. (3)

Not applicable.

5. (4)

Guarantees have been issued to settle some cases under the review of pension transfers and opt-outs as instigated by the Securities and Investments Board. The guaranteed benefits have been valued using the following principal assumptions:

Interest rate in deferment	RPI + 1.25%
Interest rate in possession	RPI + 0.75%
Salary inflation	RPI + 2.5%
Promotional increases	1%
Rate of pension increase in payment	RPI
Rate of pension increase in deferment	RPI + 1%
Mortality in deferment	70% AM92 ult, 75% AF92 ult
Mortality in possession	100% PMA92 mc (u=2005) & 100% PFA92 mc (u=2005)

The gross reserves for the guarantees were reduced by the reserves for the guaranteed policies as shown in the following table. The net reserves are included within the total reserves for the pensions review shown in Forms 51 – 54 as appropriate.

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5. (4)

	Gross provision for guarantees	Mathematical reserves for underlying contracts	Net provision for guarantees
Royal London IB & OB Subfund			
RL business	£96,758,000	£17,651,000	£79,107,000
Former RIL business	£7,901,000	£2,473,000	£5,428,000
Former UFI business	£33,834,000	£7,314,000	£26,520,000
Former UFLA business	£1,424,000	£336,000	£1,088,000
Total – Royal London IB & OB Subfund	£139,917,000	£27,774,000	£112,143,000
Refuge Assurance OB Subfund			
Former RA business	£10,474,000	£2,315,000	£8,159,000
Total – Refuge Assurance OB Subfund	£10,474,000	£2,315,000	£8,159,000
Total across all funds	£150,391,000	£30,089,000	£120,302,000

Royal London IB & OB Subfund

RL Business

Under certain policies which are a combination of with-profits endowment assurances and additional temporary benefits, a guarantee of a minimum payment on maturity applies (GMDB).

From time to time as considered appropriate, the Society may compute the estimated maturity value under these policies and, where this less than the GMDB, the endowment sum assured would be increased, without evidence of health, with an appropriate increase in premium.

Although there is no general premium rate guarantee, the following guarantees do apply:

- (a) any increase in premium is limited to 10% of the premium applying immediately prior to the review, and
- (b) the increase in premium is limited to such amount as will allow the policy to remain a qualifying policy under paragraphs 2(1)(c) and (d) of Schedule 15 of ICTA 1988, or the equivalent earlier legislation.

The mathematical reserve for these policies includes an amount of £63,800,000 being the present value of the projected shortfall in excess of, for policies where a review is outstanding, the amount covered by a premium increase limited to 10%. The shortfall calculation assumed no future bonuses are added to the policies in accordance with the requirements of PRU 7.3.

An additional reserve of £900,000 has been included in Form 51 in respect of options and guarantees.

Former UFI Business

In respect of regular premium unit-linked pension policies written between March and September 1999, there is an undertaking safeguarding the interests of policyholders following the issue of any relevant announcements concerning the terms on which Stakeholder pensions might be sold. For those eligible to join a Stakeholder pension scheme, this will lead to enhanced transfer values being payable.

A non unit liability of £3,129,000 is included in Form 53 for the undertaking. The liability was calculated as the accumulated value of premiums paid from entry to the valuation date (£7,316,000) less the mathematical reserves held (£4,187,000).

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5. (4)

Former UFLA Business

A sterling reserve of £181,000 has been included in Form 53 in respect of the mortality guarantee option on certain Investment Bond contracts. The reserve has been calculated by applying the ratio of annuity values on prospective mortality and guaranteed mortality tables determined using the sterling reserve discount rate for life business to eligible reserves of £20,310,000 and a take-up rate of 5% (based on experience).

Refuge Assurance OB Subfund

Former RA Business

In respect of regular premium conventional with-profits pension policies written between March and September 1999, there is an undertaking safeguarding the interests of policyholders following the issue of any relevant announcements concerning the terms on which Stakeholder pensions might be sold. For those eligible to join a Stakeholder pension scheme, this will lead to enhanced transfer values being payable.

A reserve of £7,348,000 is included in Form 51 for the undertaking. The liability was calculated as the accumulated value of premiums paid from entry to the valuation date (£18,687,000) less the mathematical reserves held (£11,339,000).

An additional reserve of £250,000 has been included in Form 51 in respect of options and guarantees.

Scottish Life Fund

Within the contract descriptions shown below some contracts have underlying guaranteed minimum pensions (GMPs). The GMPs are valued as non-profit deferred pensions with attaching widow's/er's pensions. An additional liability is calculated as the higher of zero and the value of the GMPs less the value of the non-guaranteed benefits. The valuation bases are described in Section 4.

Contract	Non-Guaranteed Reserve	GMP Reserve
Buyout Bond & Policy	£254,874,000	£837,000
Talisman Buyout Bond – Series 2	£142,285,000	£37,662,000
Talisman Buyout Bond – 98 Series 1	£91,125,000	£152,000
Individual Section 32 Buyout Plan	£52,487,000	£19,000
Crest Secure	£499,291,000	£65,872,000

VALUATION REPORT ON THE ROYAL LONDON MUTUAL INSURANCE SOCIETY

6. (1)

Expense reserves

6. (1)

At least £99m is expected to arise during the calendar year after the valuation date from explicit allowances made in the valuation to meet expenses in fulfilling contracts in force at the valuation date. This amount consists of £19m investment expenses and £80m other maintenance expenses.

6. (2)

There are no implicit expense allowances.

6. (3)

The amount of expense shown in Form 43 line 14 is significantly different to the amount expected on the valuation assumptions per paragraph 6. (1) above.

Revenue account expenses in Form 43 include the following items not provided for in the valuation:

- One off payments to the service company following the receipt of rebates from the Department of Work and Pensions. The valuation does not allow for rebates to be received after the valuation date.
- Costs incurred in the year prior to the valuation date but not expected to recur in future years including write offs, provision for loan interest write offs etc.
- Ex gratia/compensation payments (which are charged to the estate).
- A vacant property provision and expenses associated with the management of property assets are charged to the funds. These are allowed for in the liability valuation via a reduction in the risk adjusted yield on property assets available to back/value the liabilities.
- Investment expenses associated with the management of the excess assets are not provided for nor are the costs of acquiring/disposing of assets.

Finally, the amount shown in paragraph 6. (1) reflects the run off of the closed books of business within the Society.

6. (4)

The impact of writing new business on the provision for expenses in the valuation has been evaluated after taking into account anticipated levels of new business and expenses as projected in the Society's budgetary process. No additional provision was considered necessary.

6. (5)

In assessing the adequacy of the provision for expenses in the mathematical reserves, the potential impact of additional expenses arising from closing the Society to new business twelve months after the valuation date has been evaluated. The investigation considered redundancy costs, vacant property provision and the termination of service agreements upon closure, together with the maintenance costs of continuing to service the existing book of business and margins projected to emerge on the existing business. No additional provision was considered necessary.

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7. (1)

Mismatching reserves

7. (1)

ROYAL LONDON OTHER LONG TERM FUNDS

A schedule of the mathematical reserves (other than liabilities for property linked benefits), after distribution of surplus, analysed by reference to the currencies in which the liabilities are expressed to be payable together with the value of the assets which match such liabilities has been produced as follows:

Currency	Liabilities £000s	Assets £000s
Sterling	8,302,231	8,302,231
Euros	40,107	40,107

There are no liabilities in respect of deposits received from reinsurers.

SCOTTISH LIFE FUND

The total mathematical reserves (other than liabilities for property linked benefits), after distribution of surplus, amounts to £4,191,028,000. This is matched by assets in sterling to the same value.

There are no liabilities in respect of deposits received from reinsurers.

7. (2)

Not applicable.

7. (3)

There is no currency mismatching reserve as all liabilities are fully matched by assets in the same currency.

7. (4)

The most onerous scenario under PRU 4.2.16R applicable to the Society's non-linked assets invested in the United Kingdom was:

A combination of:

- (i) a fall in the value of equities of 10%, being the greater of
 - (a) the lower of:
 - A. a percentage fall in the market value of equities which would produce an earnings yield on the FTSE Actuaries All Share index equal to 4/3rds of the long term gilt yield; and
 - B. 25% less any percentage reduction between the current FTSE Actuaries All Share Index and its average over the last 90 calendar days
 - and
 - (b) 10%.
- (ii) a fall in property values of 20%,
- (iii) a fixed rise in risk free fixed interest yields equal to 20% of the long term gilt yield, and
- (iv) a rise in the real yields on indexed gilts of 20%.

Company earnings and property rental income were assumed to fall by 10% (shortly after the above fall in the respective values), whilst dividends were assumed to remain unaltered when assessing the corresponding rate of interest at which the liabilities were valued.

In addition, all unit reserves were assumed to reduce in value by 15%.

7. (5)

The most onerous scenario under PRU 4.2.23R applicable to the Society's non-linked assets invested outside the United Kingdom was:

Euro assets: a combination of:

- (i) a fall in the value of equities of 10%, and
- (ii) a fixed rise in risk free fixed interest yields equal to 20% annualised yield on French and German government bonds with an outstanding duration of approximately 15 years.

VALUATION REPORT ON THE ROYAL LONDON MUTUAL INSURANCE SOCIETY

7. (5)

Company earnings were assumed to reduce as described in paragraph 7. (6) for United Kingdom assets.

All other types of Euro assets fell within the scope of PRU 4.2.26R.

7. (6)

The resilience capital requirement required by PRU 4.2.10R of the Integrated Prudential Sourcebook has been determined on an aggregate basis by applying the most onerous scenario shown in paragraphs 7. (4) and 7. (5) to the assets and liabilities of the Royal London Other Long Term Funds and the Scottish Life Fund. The results of the most onerous scenario were:

- (a) The resilience capital requirement is £534,098,000 (Royal London Other Long Term Funds £428,878,000, Scottish Life Fund £105,220,000).
- (b) Liabilities fell by £927,374,000 (Royal London Other Long Term Funds £509,894,000, Scottish Life Fund £417,480,000).
- (c) The value of assets fell by £1,461,472,000 (Royal London Other Long Term Funds £938,772,000, Scottish Life Fund £522,700,000).

7. (7)

The assets held in respect of technical provisions are adequately diversified and are appropriate to the type of business undertaken in relation to their safety, yield and marketability. The assets are substantially denominated in sterling and are of a sufficient amount and liquidity to ensure that inflows from the assets are expected to be sufficient to meet the insurance liabilities (including all guarantees and options) as they fall due. No additional reserve is necessary.

Other special reserves

8.

There were no special reserves in excess of £10m.

Reinsurance

9. (1)

The Society does not cede any long term business on a facultative basis to a reinsurer who is not authorised to carry on insurance business in the United Kingdom.

9. (2)

Details are set out below of each reinsurance treaty where the Society is the cedant, under which business was in force at the date of the investigation and where either the premium payable to the reinsurer or the mathematical reserves ceded to the reinsurer exceeded £10m.

- (d) **Munich Reinsurance Company UK Life Branch (“Munich Re”).**
- (e) Under the treaty for individual life business under Bright Grey contracts, the Society ceded 90% of the sum assured up to a sum assured of £500,000 and 100% of the amount above this, for each case. Level reinsurance premiums are payable after a nil premium period.
- (f) The amount of premiums payable under the treaty during the period since the previous investigation was £860,292.
- (g) This treaty does not contain any deposit back arrangements.
- (h) The treaty is closed to new business.
- (i) Not applicable.
- (j) The amount of mathematical reserves ceded under the treaty as at the date of the investigation was £23.7 million.
- (k) Not applicable.
- (l) The reinsurer is authorised to carry on insurance business in the United Kingdom.
- (m) The reinsurer is not a connected company of the Society.
- (n) A credit risk exists in the event of default of the reinsurer and consequent recapture of the treaty, in that the additional premiums receivable, plus any amounts recoverable from the reinsurer, may not match the incidence of the additional risk. In view of the strong credit rating of the reinsurer and the scale of the reinsured liabilities, this risk is not material.

VALUATION REPORT ON THE ROYAL LONDON MUTUAL INSURANCE SOCIETY

9. (2)

- (o) No specific provision has been made for any liability to refund reinsurance commission in the event of early termination of policies.
- (p) The treaty is not a 'financing arrangement'.

- (d) **Revios Reinsurance UK Limited ("Revios UK") and Revios Rückversicherung AG ("Revios Germany").**
- (e) Under the treaty for individual reviewable accelerated or stand alone critical illness benefit under Bright Grey contracts, the Society ceded 80% of the sum assured up to a sum assured of £250,000 and 100% of the amount above this, for each case. Level reinsurance premiums are payable after a nil premium period. The treaty is split so that 1% of the amount ceded is reinsured with Revios UK and 99% with Revios Germany.
- (f) The amount of premiums payable under the treaty during the period since the previous investigation was £331,020.
- (g) This treaty does not contain any deposit back arrangements.
- (h) The treaty is closed to new business.
- (i) Not applicable.
- (j) The amount of mathematical reserves ceded under the treaty as at the date of the investigation was £11.8 million.
- (k) Not applicable.
- (l) The reinsurers are authorised to carry on insurance business in the United Kingdom.
- (m) Neither of the reinsurers is a connected company of the Society.
- (n) A credit risk exists in the event of default of the reinsurer and consequent recapture of the treaty, in that the additional premiums receivable, plus any amounts recoverable from the reinsurer, may not match the incidence of the additional risk. In view of the strong credit rating of the reinsurer and the scale of the reinsured liabilities, this risk is not material.
- (o) No specific provision has been made for any liability to refund reinsurance commission in the event of early termination of policies.
- (p) The treaty is not a 'financing arrangement'.

- (d) **Hannover Life Reassurance (UK) Limited ("Hannover UK").**
- (e) Under the treaty for individual life business (level or increasing lump sum or family income benefit) under Bright Grey contracts, the Society ceded 90% of the sum assured up to a sum assured of £500,000 and 100% of the amount above this, for each case. 5% of the ceded amount was reinsured with Hannover UK and the balance with Hannover Ireland (the treaty described below). Level reinsurance premiums are payable after a nil premium period.
- (f) The amount of premiums payable under the treaty during the period since the previous investigation was £2,972.
- (g) This treaty does not contain any deposit back arrangements.
- (h) The treaty is open to new business.
- (i) Not applicable.
- (j) The amount of mathematical reserves ceded under the treaty as at the date of the investigation was £1.2 million.
- (k) The retention for new policies being reinsured under this treaty and the treaty below is 10% of the sum assured up to a maximum retention of £50,000.
- (l) The reinsurer is authorised to carry on insurance business in the United Kingdom.
- (m) The reinsurer is not a connected company of the Society.
- (n) A credit risk exists in the event of default of the reinsurer and consequent recapture of the treaty, in that the additional premiums receivable, plus any amounts recoverable from the reinsurer, may not match the incidence of the additional risk. In view of the strong credit rating of the reinsurer and the scale of the reinsured liabilities, this risk is not material.
- (o) No specific provision has been made for any liability to refund reinsurance commission in the event of early termination of policies.
- (p) The treaty is not a 'financing arrangement'.

- (d) **Hannover Life Reassurance (Ireland) Limited ("Hannover Ireland").**
- (e) Under the treaty for individual life business (level or increasing lump sum or family income benefit) under Bright Grey contracts, the Society ceded 90% of the sum assured up to a sum assured of £500,000 and 100% of the amount above this, for each case. 95% of the ceded amount was reinsured with Hannover Ireland and the balance with Hannover UK (the treaty described above). Level reinsurance premiums are payable after a nil premium period.
- (f) The amount of premiums payable under the treaty during the period since the previous investigation was £28,315.
- (g) This treaty does not contain any deposit back arrangements.
- (h) The treaty is open to new business.
- (i) Not applicable.

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9. (2)

- (j) The amount of mathematical reserves ceded under the treaty as at the date of the investigation was £23.6 million.
 - (k) The retention for new policies being reinsured under this treaty and the treaty above is 10% of the sum assured up to a maximum retention of £50,000.
 - (l) The reinsurer is authorised to carry on insurance business in the United Kingdom.
 - (m) The reinsurer is not a connected company of the Society.
 - (n) A credit risk exists in the event of default of the reinsurer and consequent recapture of the treaty, in that the additional premiums receivable, plus any amounts recoverable from the reinsurer, may not match the incidence of the additional risk. In view of the strong credit rating of the reinsurer and the scale of the reinsured liabilities, this risk is not material.
 - (o) No specific provision has been made for any liability to refund reinsurance commission in the event of early termination of policies.
 - (p) The treaty is not a 'financing arrangement'.
- (d) **UBS Global Asset Management Life Ltd.**
- (e) All benefits expressed in terms of units in the Scottish Life/UBS UK Equity Pension and Scottish Life/UBS Managed Equity Pension fund are covered by the treaty.
 - (f) The amount of premiums payable under the treaty during the period since the previous investigation was £2,171,247.
 - (g) This treaty does not contain any deposit back arrangements.
 - (h) This treaty is open to new business.
 - (i) Not applicable.
 - (j) The amount of mathematical reserves ceded under the treaty as at the date of the investigation was £11.3 million.
 - (k) The retention for new policies being reinsured under this treaty is nil.
 - (l) The reinsurer is authorised to carry on insurance business in the United Kingdom.
 - (m) The reinsurer is not a connected company of the Society.
 - (n) This treaty is in respect of the reinsurance of the investment liability arising in relation to funds, the performance of which is determined by property linked funds provided by UBS Global Asset Management Life Ltd. Any credit risk in respect of these funds would fall to the policyholder.
 - (o) No specific provision has been made for any liability to refund reinsurance commission in the event of early termination of policies.
 - (p) The treaty is not a 'financing arrangement'.
- (d) **Hermes Assured Limited.**
- (e) All benefits expressed in terms of units in the Scottish Life/Schroder Hermes UK Index Tracker Pension fund are covered by the treaty.
 - (f) The amount of premiums payable under the treaty during the period since the previous investigation was £1,580,705.
 - (g) This treaty does not contain any deposit back arrangements.
 - (h) This treaty is open to new business.
 - (i) Not applicable.
 - (j) The amount of mathematical reserves ceded under the treaty as at the date of the investigation was £11.0 million.
 - (k) The retention for new policies being reinsured under this treaty is nil.
 - (l) The reinsurer is authorised to carry on insurance business in the United Kingdom.
 - (m) The reinsurer is not a connected company of the Society.
 - (n) This treaty is in respect of the reinsurance of the investment liability arising in relation to a fund, the performance of which is determined by a property linked fund provided by Hermes Assured Limited. Any credit risk in respect of this fund would fall to the policyholder.
 - (o) No specific provision has been made for any liability to refund reinsurance commission in the event of early termination of policies.
 - (p) The treaty is not a 'financing arrangement'.

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- (d) **Barclays Global Investors Pensions Management Limited.**
- (e) All benefits expressed in terms of units in the Scottish Life/BGI Consensus, Scottish Life/BGI Global Equity 60/40, Scottish Life/BGI US Equity Index, Scottish Life/BGI European Equity Index, Scottish Life/BGI UK Equity Index, Scottish Life/BGI Global Equity 50/50, Scottish Life/BGI World (ex UK), Scottish Life/BGI Long Gilt, Scottish Life/BGI US Equity Index – A and Scottish Life/BGI European Equity Index – A Pension Funds are covered by the treaty.
- (f) The amount of premiums payable under the treaty during the period since the previous investigation was £53,774,514.
- (g) This treaty does not contain any deposit back arrangements.
- (h) This treaty is open to new business.
- (i) Not applicable.
- (j) The amount of mathematical reserves ceded under the treaty as at the date of the investigation was £93.1 million.
- (k) The retention for new policies being reinsured under this treaty is nil.
- (l) The reinsurer is authorised to carry on insurance business in the United Kingdom.
- (m) The reinsurer is not a connected company of the Society.
- (n) This treaty is in respect of the reinsurance of the investment liability arising in relation to funds, the performance of which is determined by property linked funds provided by Barclays Global Investors Pensions Management Limited. Any credit risk in respect of these funds would fall to the policyholder.
- (o) No specific provision has been made for any liability to refund reinsurance commission in the event of early termination of policies.
- (p) The treaty is not a ‘financing arrangement’.
- (d) **Winterthur Life UK Limited.**
- (e) All benefits expressed in terms of units in the Scottish Life/Close TEAMS MoM UK Equities (2%), Scottish Life/Close TEAMS MoM UK Equities (1%), Scottish Life/Close TEAMS MoM Global Equities (2%), Scottish Life/Close TEAMS MoM Global Equities (1%), Scottish Life/Close TEAMS MoM Global Equity (1%) - A and Scottish Life/Close TEAMS MoM UK Equity (1%) – A Pension Funds are covered by the treaty.
- (f) The amount of premiums payable under the treaty during the period since the previous investigation was £12,845,039.
- (g) This treaty does not contain any deposit back arrangements.
- (h) This treaty is open to new business.
- (i) Not applicable.
- (j) The amount of mathematical reserves ceded under the treaty as at the date of the investigation was £36.7 million.
- (k) The retention for new policies being reinsured under this treaty is nil.
- (l) The reinsurer is authorised to carry on insurance business in the United Kingdom.
- (m) The reinsurer is not a connected company of the Society.
- (n) This treaty is in respect of the reinsurance of the investment liability arising in relation to funds, the performance of which is determined by property linked funds provided by Winterthur Life UK Limited. Any credit risk in respect of these funds would fall to the policyholder.
- (o) No specific provision has been made for any liability to refund reinsurance commission in the event of early termination of policies.
- (p) The treaty is not a ‘financing arrangement’.
- (d) **INVESCO Pensions Limited.**
- (e) All benefits expressed in terms of units in the Scottish Life/INVESCO UK Equity, Scottish Life/INVESCO Global Equity, Scottish Life/INVESCO Overseas Equity, Scottish Life/INVESCO Managed and Scottish Life/INVESCO Long Gilt Pension Funds are covered by the treaty.
- (f) The amount of premiums payable under the treaty during the period since the previous investigation was £60,123.
- (g) This treaty does not contain any deposit back arrangements.
- (h) This treaty is open to new business.
- (i) Not applicable.
- (j) The amount of mathematical reserves ceded under the treaty as at the date of the investigation was £11.2 million.
- (k) The retention for new policies being reinsured under this treaty is nil.
- (l) The reinsurer is authorised to carry on insurance business in the United Kingdom.
- (m) The reinsurer is not a connected company of the Society.

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9. (2)

- (n) This treaty is in respect of the reinsurance of the investment liability arising in relation to funds, the performance of which is determined by property linked funds provided by INVESCO Pensions Limited. Any credit risk in respect of these funds would fall to the policyholder.
- (o) No specific provision has been made for any liability to refund reinsurance commission in the event of early termination of policies.
- (p) The treaty is not a 'financing arrangement'.

- (d) **Prudential Retirement Income Limited.**
- (e) Former SL and RL (intermediary) pension annuity business which has currency dates prior to 1 January 2005 excluding policies which were previously reassured with another company, policies which are funded by reimbursement by a third party and policies where payment has been suspended is covered by the treaty.
- (f) The amount of premiums payable under the treaty during the period since the previous investigation was £25,425,856.
- (g) This treaty does not contain any deposit back arrangements.
- (h) This treaty is closed to new business.
- (i) Not applicable.
- (j) The amount of mathematical reserves ceded under the treaty as at the date of the investigation was £1,087.9 million.
- (k) The retention for new policies being reinsured under this treaty was nil.
- (l) The reinsurer is authorised to carry on insurance business in the United Kingdom.
- (m) The reinsurer is not a connected company of the Society.
- (n) A credit risk exists in the event of default of the reinsurer and consequent recapture of the treaty, in that the additional premiums receivable, plus any amounts recoverable from the reinsurer, may not match the incidence of the additional risk. There is a floating charge in favour of the Society over all of the reinsurer's assets which ranks the liability under the treaty equally with all unsecured and unsubordinated Insurance Debts of the reinsurer on a winding up of the reinsurer.
- (o) No specific provision has been made for any liability to refund reinsurance commission in the event of early termination of policies.
- (p) The treaty is not a 'financing arrangement'.

- (d) **Prudential Retirement Income Limited.**
- (e) Former SL and RL (intermediary) pension annuity business which has currency dates after 31 December 2004 is covered by the treaty.
- (f) The amount of premiums payable under the treaty during the period since the previous investigation was £77,680,514.
- (g) This treaty does not contain any deposit back arrangements.
- (h) This treaty is open to new business.
- (i) Not applicable.
- (j) The amount of mathematical reserves ceded under the treaty as at the date of the investigation was £73.3 million.
- (k) The retention for new policies being reinsured under this treaty was nil.
- (l) The reinsurer is authorised to carry on insurance business in the United Kingdom.
- (m) The reinsurer is not a connected company of the Society.
- (n) A credit risk exists in the event of default of the reinsurer and consequent recapture of the treaty, in that the additional premiums receivable, plus any amounts recoverable from the reinsurer, may not match the incidence of the additional risk. There is a floating charge in favour of the Society over all of the reinsurer's assets which ranks the liability under the treaty equally with all unsecured and unsubordinated Insurance Debts of the reinsurer on a winding up of the reinsurer.
- (o) No specific provision has been made for any liability to refund reinsurance commission in the event of early termination of policies.
- (p) The treaty is not a 'financing arrangement'.

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10. (1)

Reversionary (or annual) bonus

10. (1)

Royal London IB & OB Subfund

Name of bonus series	Mathematical reserves	Reversionary bonus rate		Total guaranteed bonus rate for 2005
		2005	2004	
RL conventional business:				
Regular premium assurances (simple)	£880m	0.54%	0.54%	0.54%
Single premium assurances (simple)	£124m	0.5%	0.5%	0.5%
Retirement annuity pension (compound)	£168m	1.0%/1.0%	1.0%/1.0%	1.0%/1.0%
Personal pension, Freestanding AVC (compound)	£1,285m	1.0%/1.0%	1.0%/1.0%	1.0%/1.0%
RL Industrial (simple)	£501m	0.5%	0.5%	0.5%
RL UWP business:				
RL Unitised Whole Life Assurance	£63m	2.5%	2.5%	2.5%
Unitised With-Profits Savings Plans	£9m	1.75%	1.75%	1.75%
Insurance ISA	£98m	2.0%	2.0%	2.0%
European With-Profits Bond	£26m	3.25%	3.25%	3.25%
Talisman, Retirement Solutions and Individual	£232m	3.0%/3.0%	3.0%/3.0%	3.0%/3.0%
Crest Growth Plan	£17m	3.0%	3.0%	3.0%

Refuge Assurance IB Subfund

Name of bonus series	Mathematical reserves	Reversionary bonus rate		Total guaranteed bonus rate for 2005
		2005	2004	
RA Industrial (compound)	£348m	0.5%/0.5%	0.5%/0.5%	0.5%/0.5%

Whole of life policies on which premiums ceased under the terms of the contract after 31 March 1988 are deemed to be participating policies.

Refuge Assurance OB Subfund

Name of bonus series	Mathematical reserves	Reversionary bonus rate		Total guaranteed bonus rate for 2005
		2005	2004	
Conventional business:				
RA Assurances (compound)	£403m	0.5%/0.5%	0.5%/0.5%	0.5%/0.5%
RA Pensions (compound)	£712 m	0.5%/0.5%	0.5%/0.5%	0.5%/0.5%
UWP business:				
RL With-Profits Bond (Series 3)	£2m	3.0%	3.0%	3.0%
RL Unitised Whole Life Assurance	£124m	2.5%	2.5%	2.5%
Unitised With-Profits Savings Plans	£2m	1.75%	1.75%	1.75%
RL Unitised Personal Pension Plan (Series 2)	£10m	3.75%	3.75%	2.75%
RA Unitised Whole Life Assurance	£41m	2.5%	2.5%	2.5%
RA Unitised Personal Pension Plan (Series 1)	£24m	3.75%	3.75%	2.50%
European With-Profits Bond	£14m	3.25%	3.25%	3.25%
Talisman, Retirement Solutions and Individual	£122m	3.0%/3.0%	3.0%/3.0%	3.0%/3.0%

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10. (1)

Scottish Life Fund

Individual Policies

Name of bonus series	Mathematical reserves	Reversionary bonus rate		Total guaranteed bonus rate for 2005
		2005	2004	
SL conventional business:				
Assurances (compound)	£739m	0.25%/0.25%	0.25%/0.25%	0.25%/0.25%
Pensions (compound)	£1,808m	0.25%/0.25%	0.25%/0.25%	0.25%/0.25%
SL UWP business:				
Profitbuilder, Budget Plan (TP1), Budget Plan (TP2)	£35m	0.5%/0.5%	0.5%/0.5%	0.5%/0.5%
Talisman and Retirement Solutions	£157m	0.5%/0.5%	0.5%/0.5%	0.5%/0.5%
SL deposit administration business:				
Sovereign Plan, Talisman Secure Account	£106m	2.75%*	1.875%**	2.75%

Note: bonus rates marked with a “*” indicate that the rate shown applies for a policy year or scheme year 2005/6, rates marked with a “**” apply similarly for 2004/2005.

Group Pension Policies

Name of bonus series	Mathematical reserves	Reversionary bonus rate		Total guaranteed bonus rate for 2005
		2005	2004	
SL conventional business:				
Pensions (compound)	£176m	0.25%/0.25%	0.25%/0.25%	0.25%/0.25%
With-profits plan (compound)	£83m	0.5%* + 4.5% special bonus	0.5%**	5.0%
SL UWP business:				
Crest Growth	£137m	0.5%	0.5%	0.5%
SL deposit administration business:				
Crest Secure	£565m	2.0%*	1.125%**	2.0%
Protected Growth, Talisman EPP	£74m	2.75%*	1.875%**	2.75%

Note: bonus rates marked with a “*” indicate that the rate shown applies for a calendar year, policy year or scheme year 2005/6 as appropriate, rates marked with a “**” apply similarly for 2004/2005.

United Friendly IB Subfund

Name of bonus series	Mathematical reserves	Reversionary bonus rate		Total guaranteed bonus rate for 2005
		2005	2004	
Whole life assurance (simple):				
Class 1 (table 7)	£143m	2.0%	2.5%	2.0%
Class 2 (table 27W)	£219m	2.0%	2.5%	2.0%
Class 3 (table 27L)	£65m	0.5%	0.5%	0.5%
Whole life assurance with recurring endowments (simple):				
Class 1 (table 5)	£93m	0.5%	1.0%	0.5%
Class 2 (table 25)	£28m	1.5%	1.5%	1.5%
Endowment assurance (simple):				
Class 3 (table 21L)	£112m	0.5%	0.5%	0.5%
All applicable contracts				
LAPR sum assured addition 6.4.79	Included above	0.5%	0.5%	0.5%
LAPR sum assured reduction 6.4.81	Included above	0.5%	0.5%	0.5%

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10. (1)

The Society has issued business on three broad rating tables.

- Class 1 applies to weekly business written up to and including 5 April 1979.
- Class 2 applies to weekly business written between 6 April 1979 and 4 September 1988.
- Class 3 applies to all lunar monthly business.

United Friendly OB Subfund

Name of bonus series	Mathematical reserves	Reversionary bonus rate		Total guaranteed bonus rate for 2005
		2005	2004	
Whole life assurances (tables I, W):				
Series 1 with guarantee (simple)	£44m (including non guaranteed)	0.0%	0.0%	1.5%
Series 1 no guarantee (simple)	Included above	1.0%	1.5%	1.0%
Series 2 (compound)	£9m	0.5%/0.5%	0.5%/0.5%	0.5%/0.5%
Endowment assurances (table Q):				
Series 1 with guarantee (simple)	£45m (including non guaranteed)	0.0%	0.0%	1.0%
Series 1 no guarantee (simple)	Included above	1.0%	1.0%	1.0%
Series 2 (compound)	£81m	0.5%/0.5%	0.5%/0.5%	0.5%/0.5%
Low cost endowment assurance (table E):				
Series 1 (simple)	£14m	0.5%	0.5%	0.5%
Series 2 (compound)	£24m	0.5%/0.5%	0.5%/0.5%	0.5%/0.5%
Series 3 (compound)	£9m	0.5%/0.5%	0.5%/0.5%	0.5%/0.5%
Pension business:				
DWP rebates (compound)	£860m	0.5%/0.5%	0.5%/0.5%	0.5%/0.5%
Regular premium personal pensions (compound)	£145m	0.5%/0.5%	0.5%/0.5%	0.5%/0.5%
Single premium personal pensions (compound)	£22m	0.5%/0.5%	0.5%/0.5%	0.5%/0.5%

There are three bonus series for life assurance with-profits business:

- Series 1 applies to simple annual bonus contracts written up to 30 September 1989.
- Series 2 applies to compound annual bonus contracts written from 1 October 1989.
- Series 3 applies to low cost endowment compound annual bonus contracts written from May 1994.

10. (2)

The tables in paragraph 10. (1) above separately identify unitised with-profits business. Where a single rate has been supplied, this is the rate of increase in the unit price during the year. Where two rates have been provided, bonus units are added to the policies.

10. (3)

The table in paragraph 10. (1) shows the separate rates applicable to the sum assured and existing bonus for super compound bonus series.

10. (4)

The simple bonus rates granted to regular and single premium conventional assurances in the Royal London IB & OB Fund vary by entry year. This reflects past practice by the Society and, with the recent general reduction in bonus rates, is gradually being phased out. The average bonus rates shown in the table in paragraph 10. (1) show that the average bonus rate added to policies is slightly higher than the standard rate of 0.5% applied to the majority of business.