

Statement of solvency

Name of company **Sun Alliance Linked Life Insurance Limited**

Global business

Financial year ended **31st December 1998**Company
registration
number

GLUK/CM

Period ended

day month year

Units

**THIS IS AN AC COMPANY
DOCUMENT DELIVERED
UNDER THE INSURANCE
ACT 1982**

R9	889209	GL	31	12	1998	£000
As at the end of this financial year		As at the end of the previous year		Source		
1		2		Form	Line	Column

GENERAL BUSINESS

Available assets

Other than long term business assets allocated towards general business required minimum margin	11			See instructions 1 and 2
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Required minimum margin

Required minimum margin for general business	12			12 . 49
Excess (deficiency) of available assets over the required minimum margin (11-12)	13			

LONG TERM BUSINESS

Available assets

Long term business admissible assets	21		669166	10 . 11
Other than long term business assets allocated towards long term business required minimum margin	22	9082	23759	See instructions 1 and 3
Total mathematical reserves (after distribution of surplus)	23		621693	See instruction 4
Other insurance and non-insurance liabilities	24		35389	See instruction 5
Available assets for long term business required minimum margin (21+22-23-24)	25	9082	35843	

Implicit items admitted under regulation 23(5) of the Insurance Companies Regulations 1994

Future profits	31			
Zillmerising	32			
Hidden reserves	33			

Total of available assets and implicit items (25+31+32+33)	34	9082	35843	
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Required minimum margin

Required minimum margin for long term business	41	564	6536	60 . 69
Explicit required minimum margin (1/6 x 41, or minimum guarantee fund if greater)	42	564	1089	
Excess (deficiency) of available assets over explicit required minimum margin (25-42)	43	8518	34754	
Excess (deficiency) of available assets and implicit items over the required minimum margin (34-41)	44	8518	29307	

CONTINGENT LIABILITIES

Quantifiable contingent liabilities in respect of other than long term business as shown in a supplementary note to Form 15	51			See instruction 6
Quantifiable contingent liabilities in respect of long term business as shown in a supplementary note to Form 14	52			See instruction 6

Covering sheet to Form 9

Name of company **Sun Alliance Linked Life Insurance Limited**

Global business

Financial year ended **31st December 1998**

..... **R E K GREENFIELD** **Director**

..... **C D O'BRIEN** **Director**

..... **G S PATER** **Director**

25 June 1999

Statement of net assets

Name of company **Sun Alliance Linked Life Insurance Limited**

Global business

Financial year ended **31st December 1998**

		Company registration number	GL/UK/CM	Period ended			Units
				day	month	year	
	R10	889209	GL	31	12	1998	£000
		As at the end of this financial year 1	As at the end of the previous year 2	Source			
				Form	Line	Column	
Long term business - admissible assets	11		669166	13	89	1	
Long term business - liabilities and margins	12		669166	14	59	1	

Other than Long term business - admissible assets		21	20648	32273	13 . 89 . 1
Other than Long term business - liabilities		22	11566	8514	15 . 69 . 1
Net admissible assets (21-22)		23	9082	23759	
Other assets allowed to be taken into account in covering the required minimum margin	Unpaid amounts (including share premium) on partly paid shares	24			
	Supplementary contributions for a mutual carrying on general business	25			
Liabilities allowed to be left out of account in covering the required minimum margin	Subordinated loan capital	26			
	Cumulative preference share capital	27			
Available assets (23 to 27)		29	9082	23759	

Represented by:

Paid up share capital (other than cumulative preference share capital)	51	10000	10000	
Amounts included in lines 24 to 27 above	52			
Amounts representing the balance of net assets	56	(918)	13759	
Total (51 to 56) and equal to line 29 above	59	9082	23759	

Movement of balance of net assets for solvency purposes - as per line 56

Balance brought forward at the beginning of the financial year	61	13759	7061	10 . 56 . 2
Retained profit/(loss) for the financial year	62	(8916)	1733	16 . 59 . 1
Movement in asset valuation differences	63	(5761)	4965	See instruction 2
Decrease/(increase) in the provision for adverse changes	64			See instruction 3
Other movements (particulars to be specified by way of supplementary note)	65			
Balance carried forward at the end of the financial year (61 to 65)	69	(918)	13759	

Analysis of admissible assetsName of company **Sun Alliance Linked Life Insurance Limited**

Global business

Financial year ended **31st December 1998**Category of assets **Total other than long term business assets**

			Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
			R13	889209	GL	31	12	1998	£000	1
Investments						As at the end of this financial year 1		As at the end of the previous year 2		
Land and buildings						11				
Investments in group undertakings and participating interests	UK insurance dependants	Shares			21					
		Debt securities issued by, and loans to, dependants			22					
	Other insurance dependants	Shares			23					
		Debt securities issued by, and loans to, dependants			24					
	Non-insurance dependants	Shares			25					
		Debt securities issued by, and loans to, dependants			26					
	Other group undertakings and participating interests	Shares			27					
		Debt securities issued by, and loans to, group undertakings			28					
		Participating interests			29					
Debt securities issued by, and loans to, undertakings in which the company has a participating interest				30						
Total sheet 1 (11 to 30)						39				

Analysis of admissible assetsName of company **Sun Alliance Linked Life Insurance Limited**

Global business

Financial year ended **31st December 1998**Category of assets **Total other than long term business assets**

		Company registration number	GL/UK/CM	Period ended day month year			Units	Category of assets	
		R13	889209	GL	31	12	1998	£000	1
Investments (continued)					As at the end of this financial year 1		As at the end of the previous year 2		
Deposits with ceding undertakings									
Assets held to cover linked liabilities									
Other financial investments	Equity shares			41					
	Other shares and other variable yield securities			42					
	Holdings in collective investment schemes			43					
	Rights under derivative contracts			44					
	Debt securities and other fixed income securities	Fixed interest	Approved securities	45	9745		10185		
			Other	46					
		Variable interest	Approved securities	47					
			Other	48					
	Participation in investment pools			49					
	Loans secured by mortgages			50					
	Other loans	Loans to public or local authorities and nationalised industries or undertakings		51					
		Loans secured by policies of insurance issued by the company		52					
		Other		53					
	Deposits with approved credit institutions and approved financial institutions	Withdrawal subject to a time restriction of one month or less		54	4453		19797		
		Withdrawal subject to a time restriction of more than one month		55					
	Other			56					
Deposits with ceding undertakings				57					
Assets held to match linked liabilities	Index linked			58					
	Property linked			59					
Reinsurers' share of technical provisions	Provision for unearned premiums			60					
	Claims outstanding			61					
	Provision for unexpired risks			62					
	Other			63					
Total sheet 2 (41 to 63)				69	14198		29982		

Analysis of admissible assetsName of company **Sun Alliance Linked Life Insurance Limited**

Global business

Financial year ended **31st December 1998**Category of assets **Total other than long term business assets**

Category of assets		Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
		R13	889209	GL	31	12	1998	£000	1
Debtors					As at the end of this financial year 1		As at the end of the previous year 2		
Other assets									
Debtors arising out of direct insurance operations	Policyholders			71					
	Intermediaries			72					
Salvage and subrogation recoveries				73					
Debtors arising out of reinsurance operations	Due from ceding insurers and intermediaries under reinsurance business accepted			74					
	Due from reinsurers and intermediaries under reinsurance contracts ceded			75					
Other debtors	Due from dependants	Due in 12 months or less after the end of the financial year		76					
		Due more than 12 months after the end of the financial year		77					
	Other	Due in 12 months or less after the end of the financial year		78	14		107		
		Due more than 12 months after the end of the financial year		79					
Tangible assets				80					
Cash at bank and in hand	Deposits not subject to time restriction on withdrawal, with approved credit institutions and approved financial institutions and local authorities			81	6124		1736		
	Cash in hand			82					
Other assets (particulars to be specified by way of supplementary note)				83					
Prepayments and accrued income	Accrued interest and rent			84	312		448		
	Deferred acquisition costs			85					
	Other prepayments and accrued income			86					
Deductions (under regulations 57(2)(b) and 57(3) of the Insurance Companies Regulations 1994) from the aggregate value of assets				87					
Total sheet 3 (71 to 86 less 87)				88	6450		2291		
Grand total of admissible assets (39+69+88)				89	20648		32273		
Reconciliation to asset values determined in accordance with the shareholder accounts rules									
Total admissible assets (as per line 89 above)				91	20648		32273		
Total assets in excess of the admissibility limits of Schedule 12 of the Insurance Companies Regulations 1994, (as valued in accordance with those Regulations before applying admissibility limits)				92	5761				
Solvency margin deduction for insurance dependants				93					
Other differences in the valuation of assets (other than for assets not valued above)				94					
Assets of a type not valued above, (as valued in accordance with the shareholder accounts rules)				95					
Total assets determined in accordance with the shareholder accounts rules (91 to 95)				99	26409		32273		
Amounts included in line 89 attributable to debts due from related companies, other than those under contracts of insurance or reinsurance				100	14				

Analysis of admissible assetsName of company **Sun Alliance Linked Life Insurance Limited**

Global business

Financial year ended **31st December 1998**Category of assets **Total long term business assets**

		Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
		R13	889209	GL	31	12	1998	£000	10
Investments					As at the end of this financial year 1		As at the end of the previous year 2		
Land and buildings					11				
Investments in group undertakings and participating interests	UK insurance dependants	Shares	21						
		Debt securities issued by, and loans to, dependants	22						
	Other insurance dependants	Shares	23						
		Debt securities issued by, and loans to, dependants	24						
	Non-insurance dependants	Shares	25						
		Debt securities issued by, and loans to, dependants	26						
	Other group undertakings and participating interests	Shares	27						
		Debt securities issued by, and loans to, group undertakings	28						
		Participating interests	29						
Debt securities issued by, and loans to, undertakings in which the company has a participating interest		30							
Total sheet 1 (11 to 30)					39				

Analysis of admissible assetsName of company **Sun Alliance Linked Life Insurance Limited**

Global business

Financial year ended **31st December 1998**Category of assets **Total long term business assets**

		Company registration number	GL/UK/CM	Period ended day month year			Units	Category of assets	
		R13	889209	GL	31	12	1998	£000	10
Investments (continued) Deposits with ceding undertakings Assets held to cover linked liabilities					As at the end of this financial year 1		As at the end of the previous year 2		
Other financial investments	Equity shares			41					
	Other shares and other variable yield securities			42					
	Holdings in collective investment schemes			43		1653			
	Rights under derivative contracts			44					
	Debt securities and other fixed income securities	Fixed interest	Approved securities	45		30926			
			Other	46					
		Variable interest	Approved securities	47					
			Other	48					
	Participation in investment pools			49					
	Loans secured by mortgages			50					
	Other loans	Loans to public or local authorities and nationalised industries or undertakings		51					
		Loans secured by policies of insurance issued by the company		52		204			
		Other		53					
	Deposits with approved credit institutions and approved financial institutions	Withdrawal subject to a time restriction of one month or less		54		26326			
		Withdrawal subject to a time restriction of more than one month		55					
Other			56						
Deposits with ceding undertakings				57					
Assets held to match linked liabilities	Index linked		58						
	Property linked		59		604572				
Reinsurers' share of technical provisions	Provision for unearned premiums		60						
	Claims outstanding		61						
	Provision for unexpired risks		62						
	Other		63						
Total sheet 2 (41 to 63)				69		663681			

Analysis of admissible assetsName of company **Sun Alliance Linked Life Insurance Limited**

Global business

Financial year ended **31st December 1998**Category of assets **Total long term business assets**

		Company registration number	GL/UK/CM	Period ended day month year			Units	Category of assets	
		R13	889209	GL	31	12	1998	£000	10
Debtors					As at the end of this financial year 1		As at the end of the previous year 2		
Other assets									
Debtors arising out of direct insurance operations	Policyholders			71			617		
	Intermediaries			72					
Salvage and subrogation recoveries				73					
Debtors arising out of reinsurance operations	Due from ceding insurers and intermediaries under reinsurance business accepted			74					
	Due from reinsurers and intermediaries under reinsurance contracts ceded			75					
Other debtors	Due from dependants	Due in 12 months or less after the end of the financial year		76					
		Due more than 12 months after the end of the financial year		77					
	Other	Due in 12 months or less after the end of the financial year		78			737		
		Due more than 12 months after the end of the financial year		79					
Tangible assets				80					
Cash at bank and in hand	Deposits not subject to time restriction on withdrawal, with approved credit institutions and approved financial institutions and local authorities			81			3273		
	Cash in hand			82					
Other assets (particulars to be specified by way of supplementary note)				83					
Prepayments and accrued income	Accrued interest and rent			84			858		
	Deferred acquisition costs			85					
	Other prepayments and accrued income			86					
Deductions (under regulations 57(2)(b) and 57(3) of the Insurance Companies Regulations 1994) from the aggregate value of assets				87					
Total sheet 3 (71 to 86 less 87)				88			5485		
Grand total of admissible assets (39+69+88)				89			669166		
Reconciliation to asset values determined in accordance with the shareholder accounts rules									
Total admissible assets (as per line 89 above)				91			669166		
Total assets in excess of the admissibility limits of Schedule 12 of the Insurance Companies Regulations 1994, (as valued in accordance with those Regulations before applying admissibility limits)				92					
Solvency margin deduction for insurance dependants				93					
Other differences in the valuation of assets (other than for assets not valued above)				94					
Assets of a type not valued above, (as valued in accordance with the shareholder accounts rules)				95					
Total assets determined in accordance with the shareholder accounts rules (91 to 95)				99			669166		
Amounts included in line 89 attributable to debts due from related companies, other than those under contracts of insurance or reinsurance				100			248		

Long term business liabilities and marginsName of company **Sun Alliance Linked Life Insurance Limited**

Global business

Financial year ended **31st December 1998**Category of assets **Total long term business assets**

		Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
		R14	889209	GL	31	12	1998	£000	10
			As at the end of this financial year 1	As at the end of the previous year 2			Source		
Mathematical reserves, after distribution of surplus			11	621693			See Instruction 2		
Cash bonuses which had not been paid to policyholders prior to end of the financial year			12				See Instruction 3		
Balance of surplus/(valuation deficit)			13	12084			See Instruction 4		
Long term business fund carried forward (11 to 13)			14	633777			See Instruction 5		
Claims outstanding which had fallen due for payment before the end of the financial year	Gross amount		15	3494					
	Reinsurers' share		16	12					
	Net (15-16)		17	3482					
Provisions for other risks and charges	Taxation		21	731					
	Other		22	166					
Deposits received from reinsurers			23						
Creditors and other liabilities	Arising out of insurance operations	Direct business	31	41					
		Reinsurance accepted	32						
		Reinsurance ceded	33						
	Debenture loans	Secured	34						
		Unsecured	35						
	Amounts owed to credit institutions		36	57					
	Other creditors	Taxation	37	6095					
		Other	38	24817					
Accruals and deferred income			39						
Provision for adverse changes (calculated in accordance with regulation 61 of the Insurance Companies Regulations 1994)			41						
Total other insurance and non-insurance liabilities (17 to 41)			49	35389					
Excess of the value of net admissible assets			51				See Instruction 6		
Total liabilities and margins			59	669166					
Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance			61	21832					
Amounts included in line 59 attributable to liabilities in respect of property linked benefits			62	621693					
Amount of any additional mathematical reserves included in line 51 which have been taken into account in the appointed actuary's certificate			63				See Instruction 7		

Liabilities (other than long term business)Name of company **Sun Alliance Linked Life Insurance Limited**

Global business

Financial year ended **31st December 1998**

		Company registration number	GL/UK/CM	Period ended			Units	
		R15	889209	GL	31	12	1998	£000
					day	month	year	
				As at the end of this financial year 1		As at the end of the previous year 2		
Technical provisions (gross amount)	Provision for unearned premiums		11					
	Claims outstanding		12					
	Provision for unexpired risks		13					
	Equalisation provisions	Credit business	14					
		Other than credit business	15					
	Other		16					
	Total (11 to 16)		19					
Provisions for other risks and charges	Taxation		21					
	Other		22					
Deposits received from reinsurers			31					
Creditors	Arising out of insurance operations	Direct business	41					
		Reinsurance accepted	42					
		Reinsurance ceded	43					
	Debenture loans	Secured	44					
		Unsecured	45					
	Amounts owed to credit institutions		46					
	Other creditors	Taxation	47	698				
		Recommended dividend	48	10184		5574		
		Other	49	684		2940		
Accruals and deferred income			51					
Total (19 to 51)			59	11566		8514		
Provision for adverse changes (calculated in accordance with regulation 61 of the Insurance Companies Regulations 1994)			61					
Cumulative preference share capital			62					
Subordinated loan capital			63					
Total (59 to 63)			69	11566		8514		
Amounts included in line 69 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance			71	684		2940		

Profit and loss account (non-technical account)Name of company **Sun Alliance Linked Life Insurance Limited**

Global business

Financial year ended **31st December 1998**

		Company registration number	GL/UK/CM	Period ended			Units	
				day	month	year		
		R16	889209	GL	31	12	1998	£000
			This financial year 1	Previous year 2	Source			
					Form	Line	Column	
Transfer (to)/from the general business technical account	From Form 20	11			20 . 59			
	Equalisation provisions	12						
Transfer from the long term business revenue account		13		6200	40 . 26			
Investment income	Income	14	2278	2013				
	Value re-adjustments on investments	15						
	Gains on the realisation of investments	16						
Investment charges	Investment management charges, including interest	17						
	Value re-adjustments on investments	18	303	304				
	Loss on the realisation of investments	19						
Allocated investment return transferred to the general business technical account		20			20 . 51			
Other income and charges (particulars to be specified by way of supplementary note)		21						
Profit or loss on ordinary activities before tax (11+12+13+14+15+16-17-18-19-20+21)		29	1975	7909				
Tax on profit or loss on ordinary activities		31	707	602				
Profit or loss on ordinary activities after tax (29-31)		39	1268	7307				
Extraordinary profit or loss (particulars to be specified by way of supplementary note)		41						
Tax on extraordinary profit or loss		42						
Other taxes not shown under the preceding items		43						
Profit or loss for the financial year (39+41-(42+43))		49	1268	7307				
Dividends (paid and proposed)		51	10184	5574				
Profit or loss retained for the financial year (49-51)		59	(8916)	1733				

Long term business : Revenue accountName of company **Sun Alliance Linked Life Insurance Limited**

Global business

Ordinary business

Financial year ended **31st December 1998**Name and number of fund **Ordinary long term 1**

	Company registration number	GL/UK/CM	Period ended			Units	OB/IB	No of fund/ Summary	No of part of Fund	
			day	month	year					
	R40	889209	GL	31	12	1998	£000	OB	1	0
Items to be shown net of reinsurance ceded							The financial year 1	Previous year 2		
Earned premiums							11	53842	33018	
Investment income receivable before deduction of tax							12	26083	30159	
Increase (decrease) in the value of non-linked assets brought into account							13	3121	2330	
Increase (decrease) in the value of linked assets							14	63208	66207	
Other income							15	24	170	
Total income (11 to 15)							19	146278	131884	
Claims incurred							21	81571	84862	
Expenses payable							22	11259	8595	
Interest payable before deduction of tax							23	233	444	
Taxation							24	3794	3223	
Other expenditure							25	683198		
Transfer to (from) non technical account							26		6200	
Total expenditure (21 to 26)							29	780055	103324	
Increase (decrease) in fund in financial year (19-29)							39	(633777)	28560	
Fund brought forward							49	633777	605217	
Fund carried forward (39+49)							59		633777	

Long term business : Analysis of premiums and expensesName of company **Sun Alliance Linked Life Insurance Limited**

Global business

Ordinary business

Financial year ended **31st December 1998**Name and number of fund **Ordinary long term 1**

		Company registration number	GL/UK/CM	Period ended			Units	OB/IB	No of fund/ Summary	No of part of Fund	
		R41	889209	GL	31	12	1998	£000	OB	1	0
					Gross		Payable to or recoverable from reinsurers		Net of reinsurance (1-2) 3		
					1		2		3		
Earned premiums in the financial year	Life assurance and general annuity contracts	Single premium		11	39776				39776		
		Regular premium		12	14611		545		14066		
	Pension business contracts	Single premium		13							
		Regular premium		14							
	Permanent health contracts	Single premium		15							
		Regular premium		16							
	Other contracts	Single premium		17							
		Regular premium		18							
	Total premiums	Single premium		19	39776				39776		
		Regular premium		29	14611		545		14066		
Total premiums at lines 19 and 29 attributable to	UK contracts		31	54387		545		53842			
	Overseas contracts		32								
Expenses payable in the financial year	Commission payable in connection with acquisition of business			41	2182				2182		
	Other commission payable			42	365				365		
	Management expenses in connection with acquisition of business			43	4422				4422		
	Management expenses in connection with maintenance of business			44	4290				4290		
	Other management expenses			45							
	Total expenses (41 to 45)			49	11259				11259		
	Total expenses at line 49 attributable to	UK contracts		51	11259				11259		
		Overseas contracts		52							

Long term business : Analysis of claims

Name of company **Sun Alliance Linked Life Insurance Limited**

Global business

Ordinary business

Financial year ended **31st December 1998**Name and number of fund **Ordinary long term 1**

		Company registration number	GL/UK/CM	Period ended			Units	OB/IB	No of fund/ Summary	No of part of Fund	
		R42	889209	GL	31	12	1998	£000	OB	1	0
Claims incurred in the financial year					Gross		Recoverable from reinsurers		Net of reinsurance (1-2) 3		
					1		2		3		
Life assurance and annuity contracts	On death				11	13381			13381		
	By way of lump sums on maturity				12	7597			7597		
	By way of annuity payments				13						
	By way of payments arising from other insured events				14						
	On surrender or partial surrender				15	60593			60593		
	Total life assurance and annuity claims (11 to 15)				19	81571			81571		
Pension business contracts	On death				21						
	By way of lump sums on vesting				22						
	By way of vested annuity payments				23						
	On surrender or partial surrender				24						
	Total pension business claims (21 to 24)				29						
Permanent health contracts	By way of lump sums				31						
	By way of periodical payments				32						
	Total permanent health claims (31+32)				39						
Other contracts	By way of lump sums				41						
	By way of periodical payments				42						
	Total claims (41+42)				49						
Total claims (19+29+39+49)					59	81571			81571		
Total claims at line 59 attributable to		UK contracts				61	81571			81571	
		Overseas contracts				62					

Long term business : Aggregate revenue account for internal linked fundsName of company **Sun Alliance Linked Life Insurance Limited**

Global business

Ordinary business

Financial year ended **31st December 1998**Name and number of fund **Ordinary long term 1**

	Company registration number	GL/UK/CM	Period ended			Units	OB/IB	No of fund/ Summary	No of part of Fund
			day	month	year				
R44	889209	GL	31	12	1998	£000	OB	1	0
Value of total creation of units						11			2310309
Investment income attributable to the funds before deduction of tax						12			22057
Increase (decrease) in the value of investments in the financial year						13			74616
Other income						14			
Total income (11 to 14)						19			2406982
Value of total cancellation of units						21			2339869
Charges for management						22			4917
Charges in respect of tax on investment income						23			4422
Taxation on realised capital gains						24			7651
Increase (decrease) in amount set aside for tax on capital gains not yet realised						25			3389
Other expenditure						26			652959
Total expenditure (21 to 26)						29			3013207
Increase (decrease) in funds in financial year (19-29)						39			(606225)
Internal linked funds brought forward						49			606225
Internal linked funds carried forward (39+49)						59			

SCHEDULE 4

SUN ALLIANCE LINKED LIFE INSURANCE LIMITED

VALUATION REPORT on the ordinary long-term fund of Sun Alliance Linked Life Insurance Limited.

1

The valuation relates to 31st December 1998.

2

The latest previous investigation, under Section 18 of the Insurance Companies Act 1982, related to 31st December 1997.

On the 31st December 1998, the whole of the business within the long term fund was transferred under Schedule 2C of the Insurance Companies Act 1982 to Royal & Sun Alliance Linked Insurances Limited (formerly Royal Heritage Life Assurance Limited).

There is no long term business within this fund.

3

This valuation conforms with Regulation 64 of the Insurance Companies Regulations 1994.

R A J Skillin
Fellow of the Institute of Actuaries
Appointed Actuary

June 1999

Long term business: Summary of changes in ordinary long term business

Name of company **Sun Alliance Linked Life Insurance Limited**

Global business

United Kingdom business

Linked

Financial year ended **31 December 1998**

		Company registration number	GL/UK/CM	Period ended			Units	UK/OS	NL/LN	
		R46	889209	GL	31	12	1998	£000	UK	LN
		Life assurance and general annuity		Pensions business		Permanent health		Other business		
		No of contracts	Annual premiums	No of contracts	Annual premiums	No of contracts	Annual premiums	No of contracts	Annual premiums	
		1	2	3	4	5	6	7	8	
In force at beginning of year	11	215176	14591							
New business and increases	12	5781	1106							
Net transfers and other alterations 'on'	13									
Total 'on' (12+13)	19	5781	1106							
Deaths	21	2327	49							
Other insured events	22	1	1							
Maturities	23	5908	494							
Surrenders	24	17886	713							
Forfeitures	25	514	140							
Conversions to paid-up policies for reduced benefits	26		62							
Net transfers, expiries and other alterations 'off'	27	194321	14239							
Total 'off' (21 to 27)	29	220957	15697							
In force at end of year (11+19-29)	39									

Long term business: Summary of changes in ordinary long term businessName of company **Sun Alliance Linked Life Insurance Limited**

Global business

Overseas Business

Linked

Financial year ended **31 December 1998**

		Company registration number	GL/UK/CM	Period ended			Units	UK/OS	NL/LN	
		R46	889209	GL	31	12	1998	£000	OS	LN
		Life assurance and general annuity		Pensions business		Permanent health		Other business		
		No of contracts	Annual premiums	No of contracts	Annual premiums	No of contracts	Annual premiums	No of contracts	Annual premiums	
		1	2	3	4	5	6	7	8	
In force at beginning of year	11									
New business and increases	12									
Net transfers and other alterations 'on'	13									
Total 'on' (12+13)	19									
Deaths	21									
Other insured events	22									
Maturities	23									
Surrenders	24									
Forfeitures	25									
Conversions to paid-up policies for reduced benefits	26									
Net transfers, expiries and other alterations 'off'	27									
Total 'off' (21 to 27)	29									
In force at end of year (11+19-29)	39									

Long term business : Analysis of new ordinary long term business

Name of company **Sun Alliance Linked Life Insurance Limited**

Global business

Financial year ended **31st December 1998**

Company registration number	GLUK/CM	Period ended			Units
		day	month	year	
R47	889209	GL	31	12	1998
					£000

Type of insurance	Single premium contracts				Regular premium contracts			
	No of contracts	Premiums	Sums assured, annuities per annum or other measures of benefit		No of contracts	Annual premiums	Sums assured, annuities per annum or other measures of benefit	
1	2	3	4		5	6	7	
UK DIRECT WRITTEN BUSINESS								
Life Assurance & General Annuity Business	1370	10867	10812			136		
Other Linked Contracts								
Whole Life								
Sub total: Other Linked Contracts	1370	10867	10812			136		
Total: Life Assurance & General Annuity Business	1370	10867	10812			136		
Total: UK Direct Written Business	1370	10867	10812			136		

Long term business : Analysis of new ordinary long term business

Name of company **Sun Alliance Linked Life Insurance Limited**

Global business

Financial year ended **31st December 1998**

Company registration number	GLUK/CM	Period ended			Units	
		day	month	year		
R47	889209	GL	31	12	1998	£000

Type of insurance	Single premium contracts				Regular premium contracts			
	No of contracts	Premiums	Sums assured, annuities per annum or other measures of benefit		No of contracts	Annual premiums	Sums assured, annuities per annum or other measures of benefit	
1	2	3	4		5	6	7	
UK REINSURANCE ACCEPTED								
Life Assurance & General Annuity Business								
Other Linked Contracts	1462	28233	28233		2949	970	313728	
Whole Life								
Sub total: Other Linked Contracts	1462	28233	28233		2949	970	313728	
Total: Life Assurance & General Annuity Business	1462	28233	28233		2949	970	313728	
Total: UK Reinsurance Accepted	1462	28233	28233		2949	970	313728	

Long term business: Valuation result and distribution of surplusName of company **Sun Alliance Linked Life Insurance Limited**

Global business

Financial year ended **31 December 1998**Category of surplus **11: Ordinary Long Term Business**

		Company registration number	GL/UK/CM	Period ended			Units	Category of surplus	
		R58	889209	GL	31	12	1998	£000	11
Valuation result	Fund carried forward					11			
	Bonus payments made to policyholders in anticipation of a surplus					12			
	Transfer out of fund/ parts of fund	Transfer to non-technical account				13			
		Transfer to other funds/parts of fund				14			8178
	Net transfer out of funds/parts of funds (13 + 14)					15			8178
	Total (11 + 12 +15)					16			8178
	Mathematical reserves for accumulating with profit policies					17			
	Mathematical reserves for other non linked contracts					18			
	Mathematical reserves for property linked contracts					19			
	Mathematical reserves for index linked contracts					20			
	Total (17 to 20)					21			
	Surplus including contingency and other reserves held towards the solvency margin (deficiency) (16 - 21)					29			8178
Composition of surplus	Balance of surplus brought forward unappropriated from last valuation					31			12084
	Transfers into fund/ part of fund	Transfer from non-technical account				32			
		Transfer from other funds/parts of fund				33			
	Net transfer into fund/part of fund (32 + 33)					34			
	Surplus arising since the last valuation					35			(3906)
	Total (31 + 34 + 35)					39			8178
Distribution of surplus	Bonus payments made to policyholders in anticipation of surplus					41			
	Allocated to policyholders by way of	Cash bonuses				42			
		Reversionary bonuses				43			
		Other bonuses				44			
		Premium reductions				45			
	Total allocated to policyholders (41 to 45)					46			
	Net transfer out of fund/part of fund					47			8178
	Total distributed surplus (46 + 47)					48			8178
	Balance of surplus (including contingency and other reserves held towards the solvency margin) carried forward unappropriated					49			
	Total (48 + 49)					59			8178
Percentage of distributed surplus allocated to policyholders of fund/part of fund					61				
Corresponding percentage at three immediately previous valuations	Latest	(year of valuation 1997)				62			
	Earlier	(year of valuation 1996)				63			
	Earliest	(year of valuation 1995)				64			

Long term business: Required minimum margin

Name of company	Sun Alliance Linked Life Insurance Limited
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Global business

Financial year ended 31 December 1998

[illegible]

Notes to the ReturnName of company **Sun Alliance Linked Life Insurance Limited**Financial year ended **31st December 1998****NOTES TO SCHEDULES 1 AND 3*****0901* Section 68 Order/modifying 1996 regulation provisions**

On 1 March 1999, the company declared a dividend to shareholders of £10.184m. As an adjusting post balance sheet event this liability is therefore recorded in the company's balance sheet as at 31 December 1998. Consequently the company did not meet the required margin of solvency on 31 December 1998. On 8 March 1999 the dividend was paid, from assets which were not admissible under the Regulations, and the required margin of solvency was met. The company has made the Financial Services Authority aware of this and on 24 June the Treasury made an Order under section 68 of the Insurance Companies Act 1982 to allow an increase in the value of admissible assets comprising deposits with approved credit institutions of £10.184m.

***0904* Schedule 2C transfer**

As at 31 December 1998 the Long Term Fund of the Company was transferred to Royal & Sun Alliance Linked Insurances Limited following the approval of the High Court under Schedule 2C of the Insurance Companies Act 1982.

***1001* Reconciliation of net assets to the accounts**

The reconciliation of the net assets per the FSA return to the net assets of the Companies Act accounts is as follows:

	1998 £000's	1997 £000's
Total assets per Form 13.99 (category of assets "1")	26,409	32,273
Less: Total liabilities per Form 15.59	(11,566)	(8,514)
Net assets	14,843	23,759
Shareholders interest in the long-term fund:		
Deferred acquisition costs	-	4,975
Deferred tax	-	(534)
Prudential actuarial reserves	-	9,101
Surplus in the long-term fund	-	12,084
Inadmissible shareholder assets		
Capital and reserves per shareholder accounts	14,843	49,385

Notes to the Return

Name of company **Sun Alliance Linked Life Insurance Limited**

Financial year ended **31st December 1998**

***1310* LTB: Amounts set off**

- a) In accordance with Schedule 1, paragraphs 8.2 and 8.3, of the Insurance Companies (Accounts and Statements) Regulations 1996, amounts shown in Forms 13, 14 and 15 have been calculated by netting amounts due to any one person against amounts due from that person.
- b) Interfund balances which exist between the shareholders funds and life funds have been adjusted by allocating appropriate cash and deposit balances in accordance with paragraph 4.27 of Prudential Guidance Note 1995/1 "Guidance notes on the valuation of assets Regulations".

***1311* LTB: Maximum Counterparty limit**

The maximum permitted limit to an approved and other than approved counterparty is the limit consistent with the requirement on admissibility of assets unless the Company agrees otherwise.

***1318* Valuation**

Assets are valued in accordance with the Insurance Companies Regulations 1994, as amended.

***1319* Schedule 2C transfer**

Form 13 Long Term Business (category of assets 10) contains comparative amounts only, as a consequence of the Schedule 2C transfer previously mentioned.

***1401,1501* Provision for adverse changes (F14L41/F15L61)**

No provision for adverse changes have been made as liabilities are matched to assets.

***1402,1502* Contingent Liabilities**

At 31 December 1998 there were no contingent liabilities, guarantees, indemnities or contractual commitments effected by the Company other than in the ordinary course of its insurance business.

***1403* Long Term Business Assets/Liabilities**

In 1997 a provision of £42,963,857 was made for the potential liability to tax in respect of unrealised appreciation of linked investments.

***1405* Schedule 2C transfer**

Form 14 Long Term Business (category of liabilities 10) contains comparative amounts only, as a consequence of the Schedule 2C transfer previously mentioned.

***1601* Basis of foreign currency conversion**

In accordance with paragraph 5, Schedule 1, of the Insurance Companies (Accounts and Statements) Regulations 1996, long-term business amounts of income and expenditure in foreign currencies are translated to sterling at rates ruling at the year end.

Notes to the Return

Name of company **Sun Alliance Linked Life Insurance Limited**

Financial year ended **31st December 1998**

***1700* Form 17 missing for Form 13 Asset categories 1,>=10**

Forms 17 for both long-term and other than long-term have not been prepared as all entries, including comparatives, would be nil.

***4002* Other Income and Expenditure**

Other expenditure of £683,198k shown in Form 40, line 25, for 1998 (1997 nil), represents the Schedule 2C Long Term Funds transfer. The other income of £24k shown in Form 40, line 15, for 1998 (1997 £170k) represents reallocation of the 1996 reorganisation and restructure of business costs.

The amount included in Form 40, line 25, in respect of the Schedule 2C transfer differs from the equivalent amount shown in the shareholder accounts. The difference is due to the treatment of outstanding claims within the Technical Account - long term business and the amount shown in the shareholders accounts being reported before additional deferred taxation arising from the modified statutory basis of accounting.

***4008* Management Services**

Arrangements were in force during the financial year for the provision of management services to the Company by Royal & Sun Alliance Life Insurance Services Limited and Royal & Sun Alliance Investment Management Limited.

***4102* Other management expenses**

Form 41, line 44 includes investment management expenses.

***4300* Form 43 missing for Form 43 Asset categories 10**

Form 43 for long term linked funds has not been prepared as all entries would be nil, as a consequence of the Schedule 2C transfer previously mentioned.

***4402* Other income and expenditure**

Other expenditure of £652,959k shown in Form 44, line 26, represents the linked funds element of the Schedule 2C transfer (£652,458k) and subsidies (£501k).

***4500,5500* Prices per unit**

Forms 45 and 55 for long term linked funds have not been prepared as all entries would be nil, as a consequence of the Schedule 2C transfer previously mentioned.

Notes to the Return

Name of company **Sun Alliance Linked Life Insurance Limited**

Financial year ended **31st December 1998**

NOTES TO SCHEDULE 4

4800

Form 48 has not been completed as all entries would be nil.

4900

Form 49 has not been completed as all entries would be nil.

5300

Form 53 has not been completed as all entries would be nil.

Statement of Additional Information on Derivative Contracts required by regulation 23 of the Insurance Companies (Accounts and Statements) Regulations 1996

Name of company **Sun Alliance Linked Life Insurance Limited**

Financial year ended **31st December 1998**

Statement pursuant to Regulation 23 of the Insurance Companies (Accounts and Statements) Regulations 1996

- a) The Company has investment guidelines which indicate that derivative contracts are used for the purposes of efficient portfolio management or reduction of investment risks which specify the types of derivative contracts which may be used and indicate the processes to be used in selecting and managing derivative contracts. The guidelines also require regular monitoring and reporting of open positions.
- b) The guidelines operated by the Company for the use of derivative contracts do not include any provisions for the use of contracts under which the Company had a right or obligation to acquire or dispose of assets which was not, at the time the contract was entered into, reasonably likely to be exercised.
- c) The Company was not a party to any such contracts of the kind described in b) at any time during the financial year.
- d) No derivative contracts were held at 31st December 1998.
- e) The position under d) would not have been materially different during the financial year.
- f) The maximum loss which would be incurred by the company in the event of failure by any one person to fulfil its obligations under these contracts at the end of the financial year under existing and foreseeable market conditions is nil.

The exposure would not have been materially different at any other time during the relevant financial year.

- h) All derivative assets held during the relevant financial year are admissible.
- i) No fixed consideration has been received by the Company during the financial year in return for granting rights under derivative contracts.

Statement of Additional Information on Shareholder Controllers required by regulation 24 of the Insurance Companies (Accounts and Statements) Regulations 1996

Name of company **Sun Alliance Linked Life Insurance Limited**

Financial year ended **31st December 1998**

Statement Pursuant to Regulation 24 of the Insurance Companies (Accounts and Statements) Regulations 1996

1. The following persons have, to the knowledge of Sun Alliance Linked Life Insurance Limited (the Company), been shareholder controllers of the Company during the year ended 31st December 1998 in descending order of parentage:

Royal & Sun Alliance Insurance Group plc
Royal & Sun Alliance Insurance plc
Royal & Sun Alliance Life Holdings Limited

2. As at 31st December 1998, the shareholder controllers held 100% of the ordinary shares of its immediate subsidiary company together with the whole of the voting power at any general meeting.

INFORMATION ON APPOINTED ACTUARY

In accordance with Regulation 31 of the Insurance Companies (Accounts and Statements) Regulations 1996, the Appointed Actuary of Sun Alliance Linked Life Insurance Limited, has been requested to furnish the particulars required in paragraph 1 of the Regulation and has accordingly furnished the following statement. The Company has reviewed the requirements of Regulation 31 and is not aware of any further information to that provided by the Actuary.

Particulars of Shareholdings

The Appointed Actuary to the Company was interested during the period from 1st January 1998 to 31st December 1998 in the share capital of the ultimate holding company as follows:-

	1st January 1998 Fully paid shares in Royal & SunAlliance Insurance Group Plc.	31st December 1998 Fully paid shares in Royal & Sun Alliance Insurance Group Plc
i) 25p Ordinary Shares - In own Name and Spouse's	26,355	26,464
ii) Options in 25p Ordinary Shares under employee share option schemes	47,085	47,085

Particulars of Pecuniary Interests

There is one Life Assurance contract in force between the Appointed Actuary and companies in the Royal & Sun Alliance Group Plc, the current annual premium for this being £440 .

Particulars of Remuneration, Benefits, Directors Emoluments, Pensions or Compensation

The aggregate amount receivable by way of remuneration and the value of other benefits under a contract of employment with Royal & Sun Alliance Insurance Plc during 1998 was £133,413.

The Appointed Actuary is a member of the Sun Alliance Group Staff Pension Scheme on normal staff terms. The figure shown above excludes the relevant contributions.

Note:

The above information relates to Mr R.A.J. Skillin, the Appointed Actuary during 1998.

Certificate required by Regulation 28(a) of the Insurance Companies (Accounts and Statements) Regulations 1996.

Name of Company: Sun Alliance Linked Life Insurance Limited

Global Business

Financial Year ended: 31st December 1998

We certify that in our opinion:

1. (a) In relation to the part of this return comprising Forms 9, 10, 13 to 16, 40, 41, 42 and 44, including the supplementary notes thereto, and the statements required by regulations 23 and 24 of the Insurance Companies (Accounts and Statements) Regulations 1996 (the "Regulations") that:
 - (i) the return has been prepared in accordance with the Regulations;
 - (ii) proper accounting records have been maintained and adequate information has been obtained by the company; and
 - (iii) an appropriate system of control has been established and maintained by the company over its transactions and records;
- (b) in respect of the company's business which is not excluded by Regulation 32 of the Insurance Companies Regulations 1994, the assets held throughout the financial year in question enabled the company to comply with Regulations 27 to 31 (matching and localisation) of those Regulations; and
- (c) in relation to the statement required by Regulation 31 that:
 - (i) for the purpose of preparing the statement, proper accounts and records have been maintained; and
 - (ii) the information given has been obtained in conformity with that Regulation;
2. The company has maintained the required margin of solvency throughout the financial year in question except in connection with the following:

On 1 March 1999, the company declared a dividend to shareholders of £10.184m. As an adjusting post balance sheet event this liability is therefore recorded in the company's balance sheet as at 31 December 1998. Consequently the company did not meet the required margin of solvency on 31 December 1998. On 8 March 1999 the dividend was paid, from assets which were not admissible under the Regulations, and the required margin of solvency was met. The company has made the Financial Services Authority aware of this and on 24 June the Treasury made an Order under section 68 of the Insurance Companies Act 1982 to allow an increase in the value of admissible assets comprising deposits with approved credit institutions of £10.184m.
3. (a) the requirements of Sections 28 to 31 of the Insurance Companies Act 1982 ("the Act") have been fully complied with and in particular that, subject to the provisions of Section 29(2) to (4) and Section 30 of the Act, assets attributable to long term business, the income arising therefrom, the proceeds of any realisation of such assets and any other income or proceeds allocated to the long term business fund or funds have not been applied otherwise than for the purpose of the long term business;
- (b) any amount payable from or receivable by the long term business fund or funds in respect of services rendered by or to any other business carried on by the company or by a person who, for the purposes of Section 31 of the Act, is connected with it or is a subordinate company of it has been determined and where appropriate apportioned on terms which are believed to be no less than fair to that fund or those funds, and any exchange of assets representing such fund or funds for other assets of the company has been made at fair market value;

- (c) all guarantees given by the company of the performance by a related company which would fall to be met by the long term business fund have been disclosed in the return, and that the fund or funds on which each such guarantee would fall has been identified therein;
 - (d) in respect of the internal linked fund or funds maintained by the company that, to the best of our knowledge and belief, the investment policy and practice of the company was, during the financial year in question, consistent with any representations made to policyholders or potential policyholders of the company;
 - (e) the return in respect of long term business is not distorted by agreements with any other company carrying on insurance business with which the company has financial, commercial or administrative links or by any arrangements which could affect the apportionment of expenses and income; and
 - (f) the company has fully complied with the requirements of Section 31A of the Insurance Companies Act 1982.
4. We are satisfied that:
- (a) the systems of control established and maintained by the company in respect of its business complied, at the end of the financial year in question, with the following published guidance:

Prudential Guidance Note 1994/6 - "Systems of control over the investments (and counterparty exposure) of insurance companies with particular reference to the use of derivatives";

"Money Laundering - Guidance Notes for Insurance and Retail Products" (revised June 1997) issued by the Joint Money Laundering Steering Group;

and it is reasonable to believe that those systems continued to so apply subsequently and will continue to so apply in future; and
 - (b) the return has been prepared in accordance with the following published guidance:

Prudential Guidance Note 1995/1 "Guidance notes on the valuation of assets regulations"

Prudential Guidance Note 1995/3 "Use of derivative contracts in insurance funds"

Prudential Guidance Note 1998/1 "The preparation of annual returns to the Insurance Directorate of HM Treasury"

R E K GREENFIELD DIRECTOR

C D O'BRIEN DIRECTOR

G S PATER DIRECTOR

25 June 1999

APPOINTED ACTUARY'S CERTIFICATE

I certify that:

- a) i) in my opinion proper records have been kept by Sun Alliance Linked Life Insurance Limited adequate for the purpose of the valuation of the liabilities of the long term business of the company; and
- ii) the mathematical reserves as shown in Form 14, constitute provision at 31st December 1998 for the liabilities (other than liabilities which had fallen due before the end of the financial year) arising under or in connection with contracts for long term business including any increase in those liabilities arising from the distribution of surplus as a result of the investigation as at 31st December 1998 into the financial condition of long term business; and
- iii) for the purposes of the statement in (ii) above the liabilities of the company have been assessed in accordance with Part IX of the Insurance Companies Regulations 1994 in the context of assets valued in accordance with Part VIII of those Regulations, as shown in Form 13; and
- iv) the guidance notes "Actuaries and Long-Term Insurance Business (GN1, version 5.1)", and "Additional Guidance for Appointed Actuaries (GN8, version 5.0)", issued by the Institute of Actuaries and the Faculty of Actuaries, have been complied with; and
- v) in my opinion, premiums for contracts entered into during the financial year and the income earned thereon are sufficient, on reasonable actuarial assumptions, and taking into account the other financial resources of the company that are available for the purpose, to enable the company to meet its commitments in respect of those contracts and, in particular, to establish adequate mathematical reserves; and
- b) the amount of the required minimum margin applicable to the Company's long term business immediately following the end of 1998 (including any amounts resulting from any increase in liabilities arising from a distribution of surplus as a result of the investigation into the financial condition of long term business) is £564,000.

R A J Skillin
Fellow of the Institute of Actuaries
APPOINTED ACTUARY
June 1999

Report of the auditors to the directors pursuant to regulation 29 of the Insurance Companies (Accounts & Statements) Regulations 1996

SUN ALLIANCE LINKED LIFE INSURANCE LIMITED

Global business

Financial year ended 31 December 1998

We have examined the following documents prepared by the company pursuant to section 17 of the Insurance Companies Act 1982 ("the Act") and the Insurance Companies (Accounts and Statements) Regulations 1996 ("the Regulations")

- Forms 9,10,13 to 16, 40, 41, 42 and 44, (including the supplementary notes thereto) ("the Forms");
- the statement required by regulation 23 on page 28 ("the statement"); and
- the certificate signed in accordance with regulation 28(a) on pages 31 and 32 ("the certificate")

In the case of the certificate, our examination did not extend to:

- (a) paragraph 1 in relation to the statements required by regulations 24 and 31 concerning shareholder controllers and the Appointed Actuary;
- (b) paragraph 4(a) in so far as it relates to controls with respect to Money Laundering.

Respective responsibilities of the company and its auditors

The company is responsible for the preparation of an annual return (including the Forms, statements and certificate) under the provisions of the Act and the Regulations. (The requirements of the Regulations have been modified by an Order issued under section 68 of the Act in June 1999). Under regulation 5 the Forms and statements are required to be prepared in the manner specified by the Regulations and to state fairly the information provided on the basis required by the Regulations.

It is our responsibility to form an independent opinion as to whether the Forms and statement meet these requirements, and in the case of the certificate whether it was or was not unreasonable for the persons giving the certificate to have made the statements therein, and to report our opinions to you.

Basis of opinions

We conducted our work in accordance with Bulletin 1998/3 "Auditors' reports on regulatory returns made under the Insurance Companies Act 1982" issued by the Auditing Practices Board. Our work included examination, on a test basis, of evidence relevant to the amounts and disclosures in the Forms and statement. The evidence included that previously obtained by us relating to the audit of the financial statements of the company for the financial year on which we reported on 1 March 1999.

It also included an assessment of the significant estimates and judgements made by the company in the preparation of the Forms and statements.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Forms and statements are free from material misstatement, whether caused by fraud or other irregularity or error, and comply with regulation 5.

In the case of the certificate, the work performed involved a review of the procedures undertaken by the signatories to enable them to make the statements therein, and does not extend to an evaluation of the effectiveness of the company's internal control systems.

In giving our opinion we have relied on the certificate of the actuary on page 33 with respect to the mathematical reserves and the required minimum margin.

Opinions

In our opinion:

- (a) the Forms and statement fairly state the information provided on the basis required by the Regulations (as modified) and have been properly prepared in accordance with the provisions of those Regulations; and
- (b) according to the information and explanations received by us:
 - (i) the certificate has been properly prepared in accordance with the provisions of the Regulations; and
 - (ii) it was not unreasonable for the persons giving the certificate to have made the statements therein.

**PricewaterhouseCoopers
CHARTERED ACCOUNTANTS
AND REGISTERED AUDITORS**

June 1999