

# Important Information

With-Profits Policies

**Phoenix Life Limited - Phoenix With-Profits Fund**  
(Formerly Phoenix Life & Pensions Limited (PLP) With Profits Fund)

**Phoenix**  
A **Resolution** Company

## Introduction

This leaflet is our regular update on investment performance, bonus rates, charges and guarantees. We have included our new Guide "How we manage

the Phoenix Life Limited - Phoenix With-Profits Fund" ('the Guide') with this year's information. We recommend that you read the Guide before reading this leaflet.

## Key facts about your guarantees

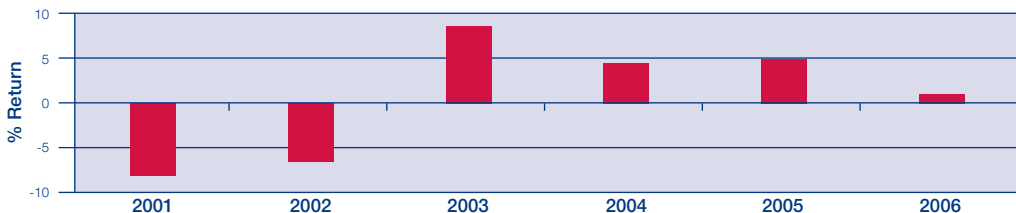
- Your bond has a valuable guarantee on its tenth anniversary which, for many policies, equates to a guaranteed minimum annual return of 5%, after tax, on the current surrender value. This is the value after the Market Value Reduction (MVR) is applied. Further details on MVRs are provided in the Guide and the guaranteed minimum annual return applicable to your policy is given in Table 1 at the end of this leaflet.
- Please note, that we will:
  - write to you closer to the time of the tenth anniversary of your bond; and
  - give you three months from the tenth anniversary to benefit from the guarantee on surrender.
- If you need to surrender your bond before or after its tenth anniversary, we may apply an MVR. If you need to surrender your bond before its tenth anniversary the MVR is limited so that surrender values will smooth into the minimum guaranteed amount as the anniversary approaches.

**If you are considering cancelling your policy before the tenth anniversary, you should take into account the value of the tenth anniversary guarantee that you would be giving up.**

## Investment Markets

- UK government securities ('gilts') returned between -1% and 3%<sup>1</sup> depending on term.
  - Our commercial property investments performed well, returning about 17% in 2006.
  - Stock markets worldwide continued with their recovery in 2006.
    - UK shares rose by 13%<sup>2</sup> but, by the end of 2006, still remained 1% below their peak in 2000.
    - Overseas shares rose by 4%<sup>3</sup> over 2006.
- These figures are before tax.

The chart below shows the investment returns (net of tax) earned in the last six years in respect of a unitised with profit bond commencing in March 1999 invested in the Phoenix Life Limited - Phoenix With-Profits Fund (PLL PWP). Different values may apply for other types of policy.



Source: Phoenix Life Group. Past performance is not necessarily a guide to the future.

<sup>1</sup> FTSE UK gilt price indices 31.12.2005 - 31.12.2006.

<sup>2</sup> FTSE All-share index (no income reinvested) 31.12.2005 - 31.12.2006.

<sup>3</sup> FTSE-Global All-cap index (adjusted for change in £/\$ exchange rate, no income reinvested) 31.12.2005 - 31.12.2006.

## Investment Approach

The Guide outlines our approach to investment. It is particularly important for you to be aware that the proportion of investments with higher risk and, therefore higher performance potential, is not the same for all policies.

Table 1 (at the end of this leaflet) shows the approximate share and property proportions held at

31st December 2006 for specimen bonds by month of bond issue.

It has been possible to increase the share and property proportions for bonds issued after August 2000 to reflect the different nature of the guarantee at the tenth anniversary described above.

## Annual Bonuses

Annual bonuses are added to your policy by increasing the price of your units each day.

- Current annual bonus rates are 0.5% for all bonds.
- A rate of 1.0% for bonds issued before 29th September 1997 applied until 1st March 2006.
- For bonds issued after this date, 0.5% applied throughout 2006.

Over the last few years, annual bonus rates have been at low levels. We expect that this will continue to be the case for some years to come.

Any shortfall on surrender is recovered by means of an MVR, as we describe in the Guide.

The Guide explains the conditions under which annual bonuses may be added.

## Customers making regular withdrawals from with profits bonds

If you're currently taking regular withdrawals from your policy at a rate more than the annual bonus rate, then the ongoing value of your policy will be reducing.

You can ask us to reduce the amount of regular withdrawals or stop them altogether at any time. This will reduce the rate at which the ongoing value decreases. If you wish to do this, please do not hesitate to contact us.

You may wish to seek financial advice before requesting any change. If so, you should contact your normal financial adviser. If you do not have an adviser, arrangements have been put in place to help put you in touch with a specialist company who can provide independent financial advice. For further details, please contact our Customer Services Helpline on 0845 070 0105.

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## Final Bonuses

The Guide explains how we determine final bonus rates.

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## Market Value Reductions

The Guide explains how and when we apply MVRs. MVRs are being applied, in most cases, if policies are surrendered now. MVRs that were applied to policies on 1st January 2007 and their effects on surrender values are shown in Table 1 at end of this leaflet.

We expect that over the next few months lower annual bonus rates and our revised investment approach, will enable us gradually to reduce MVRs for many of our policies.

We don't apply MVRs if you die and we also don't apply them to amounts taken as regular withdrawals; or on your policy's tenth anniversary.

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## Guarantees and Charges

Every six months, we review the expected future cost of guarantees. The most recent review shows that the charges for these guarantees are currently at an appropriate level.

We currently apply a charge of 0.5% of asset share each year for bonds issued before August 2000. This charge has applied since 2003.

This level of charge is not guaranteed and may increase or reduce in future as our assessment of the expected cost of the guarantees alters.

**If you are considering cancelling your policy before the tenth anniversary, you should take into account the value of the tenth anniversary guarantee that you would be giving up.**

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## Compliance with the Principles and Practices of Financial Management (PPFM)

In common with other insurance companies which have issued with profits policies, we maintain a document which sets out the principles which we apply to the management of our with profits policies and the current methods we adopt to put those principles into practice. This is called our 'Principles and Practices of Financial Management' (PPFM). You can find this document on our website [www.phoenixlifegroup.co.uk](http://www.phoenixlifegroup.co.uk) or on request.

During 2006, we reported on our compliance with our PPFM in 2005. This is also available on our website. In summary, we considered that we complied with our PPFM, in all material respects, throughout 2005 and noted that our With Profits Committee and our With Profits Actuary both agreed with this conclusion. We expect to report on our compliance with the PPFM in 2006 by 30th June 2007.

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**Table 1** – All values are as at 1st January 2007 except the equity / property proportions which are as at 31st December 2006.

Month of Investment	Current Ongoing Value per £100 Invested (1)	Terminal Bonus/ Market Value Reduction (2)	Early Surrender Charge (3)	Current Surrender Value per £100 Invested	Equity / Property Proportions (4)	Minimum Amount if Surrendered on 10th Anniversary (5)	Annual Return on Current Surrender Value if Bond Held to 10th Anniversary (6)
Jan-99	122	-11.0%	0.0%	108	0% / 0%	121	5.8%
Feb-99	121	-11.4%	0.0%	107	0% / 0%	120	5.8%
Mar-99	120	-11.8%	0.0%	106	0% / 0%	120	5.7%
Apr-99	120	-12.3%	0.0%	105	0% / 0%	119	5.8%
May-99	119	-12.7%	0.0%	104	0% / 0%	119	5.8%
Jun-99	119	-13.1%	0.0%	103	0% / 0%	118	5.8%
Jul-99	118	-13.5%	0.0%	102	0% / 0%	118	5.8%
Aug-99	118	-13.9%	0.0%	101	0% / 0%	117	5.7%
Sep-99	117	-14.4%	0.0%	100	0% / 0%	117	5.8%
Oct-99	117	-12.9%	0.0%	102	0% / 0%	116	4.9%
Nov-99	116	-11.6%	0.0%	103	5% / 4%	116	4.2%
Dec-99	116	-15.6%	0.0%	98	0% / 0%	115	5.8%
Jan-00	115	-16.0%	0.0%	97	0% / 0%	115	5.8%
Feb-00	115	-16.4%	0.0%	96	0% / 0%	114	5.8%
Mar-00	114	-16.8%	0.0%	95	0% / 0%	114	5.8%
Apr-00	114	-17.2%	0.0%	94	0% / 0%	113	5.7%
May-00	113	-17.6%	0.0%	93	0% / 0%	113	5.7%
Jun-00	113	-18.0%	0.0%	93	0% / 0%	112	5.7%
Jul-00	113	-18.4%	0.0%	92	0% / 0%	112	5.7%
Aug-00	115	-8.0%	0.0%	106	37% / 25%	100	-
Sep-00	115	-10.0%	0.0%	103	37% / 25%	100	-
Oct-00	114	-7.3%	0.0%	106	37% / 25%	100	-
Nov-00	114	-7.3%	0.0%	106	37% / 25%	100	-
Dec-00	114	-7.9%	0.0%	105	37% / 25%	100	-
Jan-01	113	-7.5%	0.0%	105	37% / 25%	100	-
Feb-01	114	-7.6%	0.0%	114	37% / 25%	100	-
Mar-01	114	-3.9%	0.0%	114	37% / 25%	100	-
Apr-01	113	0.1%	0.0%	113	37% / 25%	100	-
May-01	113	-1.9%	0.0%	113	37% / 25%	100	-
Jun-01	112	-2.0%	0.0%	112	37% / 25%	100	-
Jul-01	112	1.2%	0.0%	112	37% / 25%	100	-
Aug-01	111	2.8%	0.0%	111	37% / 25%	100	-
Sep-01	111	2.5%	0.0%	111	37% / 25%	100	-
Oct-01	110	11.4%	0.0%	110	37% / 25%	100	-
Nov-01	110	7.2%	0.0%	110	37% / 25%	100	-
Dec-01	110	4.0%	0.0%	110	37% / 25%	100	-
Jan-02	109	5.7%	0.0%	115	37% / 25%	100	-
Feb-02	109	6.2%	1.0%	114	37% / 25%	100	-
Mar-02	108	6.2%	1.0%	114	37% / 25%	100	-

## Notes:

- (1) Based on an original investment of £20,000 (values will differ slightly for other amounts) and assuming no withdrawals have been taken.
- (2) MVRs are represented by negative values.
- (3) Early surrender charges are part of the original policy terms and conditions.
- (4) The balance is invested in fixed interest and cash. The target equity/property split depends on the term to the tenth anniversary.
- (5) Assumes no withdrawals have been or will be taken but allows for future policy charges to be deducted from 1st February 2007 up to and including the tenth anniversary.
- (6) This is the minimum annual return, after basic rate tax, you would have to earn to do better if you surrendered your policy now and invested the surrender value elsewhere, compared with keeping your policy until its tenth anniversary and then surrendering it. Any future annual bonuses added will increase this return.

Please note that "-" indicates examples where the tenth anniversary has passed.

Figures for Feb 2001 and later are based on Lifestyle Bond. For an increment commenced after March 2002, different figures will apply.

Phoenix Life Limited is authorised and regulated by the Financial Services Authority.  
Phoenix Life Limited is registered in England (No. 1016269).  
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