

Former Alba Life ex Britannia Life Assurance / 1 April 2009 Crusader Insurance Traditional With-Profits Policy

This leaflet gives you important information to go with your traditional with-profits policy statement. You should read this document carefully together with your statement and then keep it safe for future reference.

Your investment with Phoenix Life

Your former Alba Life ex Britannia Life Assurance / Crusader Insurance traditional with-profits policy is invested in the Phoenix Life Limited Alba With-Profits Fund ('the with-profits fund').

Questions and answers about the with-profits fund

How do you manage the with-profits fund?

We included a copy of our guide, 'How we manage the Phoenix Life Limited Alba With-Profits Fund' ('the guide') with your statement in 2007. The guide is available on our website www.phoenixlifegroup.co.uk or you can ask us for a copy.

What is the annual bonus for traditional with-profits policies?

The annual bonus rate for 2008 is nil and as a result we have not added an annual bonus to your traditional with-profits policy for 2008.

Are you adding a final bonus now?

We are currently adding a final bonus at maturity, on retirement, or on earlier death for some policies.

Examples of current rates of final bonus for ex Britannia Life Assurance / Crusader Insurance life policies maturing, or pension policies reaching their selected retirement date in January 2009, are given below. Actual final bonuses depend on the type of policy and the number of years the policy has been in force. The additional information section of your statement tells you the type / series of your policy.

Years in force	Ex Britannia Life Assurance / Crusader Insurance traditional with-profits		
	Final bonus as percentage of the sum assured plus total annual bonuses added to date		
	Life		
	Series A,B,H, D,K	Series C	Series E
20	9.0%	45.00%	15.00%
25	0.0%	56.25%	18.75%
30	0.0%	67.50%	22.50%
35	5.5%	78.75%	26.25%
40	6.0%	90.00%	30.00%

Years in force	Ex Britannia Life Assurance / Crusader Insurance traditional with-profits				
	Final bonus as percentage of the sum assured / annuity per annum plus total annual bonuses added to date				
	Pension*				
	Flexible Pensions	Deferred Annuity			Senior Pensions
Series 1		Series 2 and 3 and Pentas Regular Premium	Series 2 and 3 and Pentas Single Premium		
20	0.0%	0.0%	0.0%	0.0%	0.0%
25	0.0%	0.0%	0.0%	0.0%	0.0%
30	0.0%	0.0%	0.0%	0.0%	16.0%
35	0.0%	0.0%	0.0%	0.0%	62.0%
40	8.0%	5.0%	0.0%	0.0%	62.0%

*See your policy documents to confirm what type of pension policy you have.

We do not guarantee final bonuses. We normally review final bonus rates from the end of June and December each year. However we may change final bonus rates at any time.

The example final bonus rates shown in the table above are for policies maturing in January 2009. They reflect how the with-profits fund has performed over the relevant term, the annual bonuses added over the term and the amount of the sum assured or pension. Final bonus rates for policies maturing in the future will reflect how the with-profits fund has performed over the terms of those policies, the annual bonuses added and the amount of their sum assured or pension.

How are bonus rates calculated?

When deciding whether we should add an annual bonus, we look at the current financial position of the with-profits fund and estimate how we expect this to change in the future. We also compare the guaranteed benefits with the underlying value of policies. We will add annual bonuses only if we are confident that the underlying value of policies will be enough to enable us to pay these bonuses when they become due, even if future investment returns or other factors become unfavourable. As we have previously said, we expect annual bonuses to remain nil in the future.

The guaranteed benefits are the basic sum assured and total annual bonuses we have added to date. We guarantee to pay these at maturity or in the event of a death claim, provided you pay all the premiums throughout the term of your policy.

The underlying value of policies reflects the premiums paid and the investment performance of the with-profits fund over the lifetime of the policies, after allowing for factors, such as expenses and charges. This is explained in more detail in the guide.

If the underlying value of the policies is more than the value of their guaranteed benefits, we will add a final bonus. However, if the value of the guaranteed benefits is more than the underlying value of the policies, we will not add a final bonus. The amounts of final bonus are affected by 'smoothing' as described below.

We aim to avoid very large differences in with-profits maturity payments (payments at selected retirement age) over relatively short periods of time. We consider the maturity payments that we have made for similar policies in the past and limit, where possible, changes to final bonuses to avoid very big differences in maturity payments from one review to the next. This practice is known as smoothing. Smoothing means that we may pay more or less than the underlying value of policies. Maturity payments are the total of the sum assured, annual bonus and final bonus. We will generally not apply smoothing where changes in maturity payouts are due to large changes in the sum assured per premium and final bonus is not supported.

In the guide, we mentioned that we work out bonuses by considering the underlying value of policies. Over the last few years up to mid 2008, the financial position of the with-profits fund had generally improved. As a result, based on the estate at the end of June 2008, we included a small estate distribution of 0.4% of the underlying policy values when we set the January 2009 final bonuses. However, the estate distribution and effect was small and does not imply any significant improvement in the future prospects for bonuses and policy payouts. In the second half of 2008, the financial condition of the with-profits fund deteriorated and we will no longer be including any estate distribution when we next set final bonuses. We do not guarantee that we will be able to include any estate distribution in future and we normally review the level twice a year. In particular, poor investment conditions are likely to mean that there will be no future estate distribution.

So what about the future?

We will not be adding annual bonuses to traditional with-profits policies in the future. Whilst we will review this from time to time, it is unlikely that we will add any further annual bonuses.

We will add any growth in the with-profits fund in excess of that required to meet the value of the guaranteed benefits to your policy as a final bonus when your policy

matures, on retirement or on earlier death. This makes sure that all with-profits policyholders receive a fair share of any available profits.

Investment returns were poor in 2008 and this has reduced the scope for future final bonuses.

How is the with-profits fund invested?

The with-profits fund consists of a wide range of investments. The table below shows the split of investments supporting traditional with-profits policies on 31 December 2008. There are different investment mixes supporting different types of policy. The additional information section of your statement tells you the type of your policy.

Investment type	Life	Pension
Company shares (equities)	0%	0%
Fixed interest stocks issued by the UK government (gilts)	51%	68%
Fixed interest stocks - other	24%	32%
Property	25%	0%
Cash	0%	0%
Other	0%	0%

How much we put into each type of investment will change over time. We aim to make sure that the with-profits fund can always meet the guarantees we have given to policyholders. Subject to this, we aim to get a good investment return while balancing this with the degree of risk being taken. We currently hold some property investments as well as fixed interest stocks. Over time we expect the returns from property to be higher than the returns from fixed interest stocks. However the returns on property are likely to be more variable. We expect the amount invested in property to reduce over the next few years as policies mature and the period to maturity for the remaining policies reduces. The pension proportion invested in property has been reduced to nil over 2008. We told you that we expected to do this in last year's leaflet.

We do not invest in company shares (equities) and, because of the high risks associated with them, the with-profits fund is unlikely to invest in them in the future. The majority of investments held are lower risk such as fixed interest stocks (bonds, types of loan usually issued by the government or companies).

The return on the investments in the with-profits fund for 2008 was affected by falls in the value of property and also the falls in the value of non-government fixed interest stocks. The with-profits fund is not invested in company shares (equities) and thus the investment return has not been affected by the fall in the value of company shares (equities) in 2008.

This information is correct at 1 April 2009.

If you have any questions or would like more information about your statement or your policy, please contact us using the details shown in the letter we sent with your statement.

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Registered Office: 1 Wythall Green Way, Wythall, Birmingham B47 6WG

www.phoenixlifegroup.co.uk