

**Former Alba Life  
ex Life Association of Scotland (LAS)  
Long Term Accumulation System Policy**

**1 April 2009**

**Your investment with Phoenix Life**

Former Alba Life ex Life Association of Scotland Long Term Accumulation System policies are invested in the Phoenix Life Limited Alba With-Profits Fund ('the with-profits fund').

The Long Term Accumulation System interest rate is based on the investment return less annual management charge (to cover investment and administration expenses) and the effect of other profits and losses arising in the with-profits fund and is smoothed.

The Long Term Accumulation System interest rates for 2008 were a 1.00% accumulation interest rate and a nil bonus interest rate, giving a total interest rate of 1.00% for 2008.

The asset mix backing this business at 31 December 2008 was 90% fixed interest and 10% property. Of the 90% in fixed interest, this is currently split 61% in stocks issued by the UK government and 29% in other stocks.

The annual management charge is 1.75%, having reduced from 2.25% in 2002.

The table below shows:

- the accumulation, bonus and total interest rate;
- the investment return we achieved on the assets backing Long Term Accumulation System policies;
- our annual management charge;
- the transfer to our shareholders; and
- the net investment return after annual management charge and transfer to shareholders; for each year since 1999 for Long Term Accumulation System policies.

**Phoenix Life Limited Alba With-Profits Fund****Former Life Association of Scotland (LAS)  
Long Term Accumulation System**

Year	Accumulation interest rate	Bonus interest rate	Total interest rate	Investment return (before charges)	Annual management charge	Shareholder transfer	Net Investment return
2008	1.00%	0.00%	1.00%	3.48%	1.75%	0.00%	1.73%
2007	1.00%	0.50%	1.50%	3.08%	1.75%	0.06%	1.27%
2006	1.00%	1.00%	2.00%	2.19%	1.75%	0.11%	0.33%
2005	1.00%	1.00%	2.00%	9.17%	1.75%	0.11%	7.31%
2004	1.00%	0.50%	1.50%	7.71%	1.75%	0.06%	5.90%
2003	1.00%	0.00%	1.00%	4.79%	1.75%	0.00%	3.04%
2002	1.00%	0.00%	1.00%	2.53%	2.25%	0.00%	0.28%
2001	1.00%	2.00%	3.00%	-0.94%	2.25%	0.22%	-3.41%
2000	4.00%	1.00%	5.00%	9.69%	2.25%	0.11%	7.33%
1999	4.00%	0.50%	4.50%	-1.48%	2.25%	0.06%	-3.79%

**Notes**

- (a) Shareholder transfer is one ninth of the bonus interest rate.
- (b) Net investment return is investment return (before charges) less annual management charge and less shareholder transfer.
- (c) In addition to the net investment return, there is a reduction of approximately 10% that is taken into account when setting the interest rate.
- (d) The 10% reduction is to allow for the cost of guarantees, including guaranteed annuity options and the run-off of the with-profits fund.
- (e) The reduction for cost of guarantees was first introduced from 2000 and was 4%. It increased to 7% for 2002 and then to 10% from 2003.

The Long Term Accumulation System interest rates remain low, due to the impact of the smoothing applied in previous years. The Long Term Accumulation System interest rates have also been affected by the impact of the losses arising in the with-profits fund due to the cost of guarantee and guaranteed annuity options. The poor investment returns in 2006, 2007 and 2008 have not improved the position.

Our annual management charge is currently 1.75%. It was reduced from 2.25% from 2003. We deduct the annual management charge from the achieved investment returns when considering the interest rates. In addition our shareholders receive one ninth of the bonus interest.

Long Term Accumulation System policies share in all the profits and losses arising in the with-profits fund. Unfortunately these have turned out to be losses. These losses arise from the cost of guarantees and the cost of guaranteed annuity options. These losses are charged across all policies which fully share in the profits and losses arising in the fund. These losses are equivalent to a charge of 10% applied to policies. We take this charge into account when we work out the interest rates. We smooth interest rates and the effect of this charge is being spread over a number of years.

A history of the asset mix backing Long Term Accumulation System policies is shown in the table below.

<b>Phoenix Life Limited Alba With-Profits Fund</b>				
<b>Former Life Association of Scotland (LAS)</b>				
<b>Long Term Accumulation System</b>				
Year	Asset Mix at end of year		Equities	Property
	Fixed interest stocks issued by UK government	other		
2008	61%	29%	0%	10%
2007	90% combined		0%	10%
2006	90% combined		0%	10%
2005	90% combined		0%	10%
2004	90% combined		0%	10%
2003	90% combined		0%	10%
2002	92% combined		8%	0%
2001	76% combined		24%	0%
2000	100% combined		0%	0%
1999	100% combined		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.

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).

**This information is correct at 1 April 2009.**

**If you have any questions or would like more information, please contact us using the details shown in the Contact us link on our website.**

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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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