

**Former Alba Life ex Britannia Life Assurance / 1 April 2009
Crusader Insurance
Nestegg policies (and also Nestegg 32,
Emeritus and Versatile policies**

Your investment with Phoenix Life

Former Alba Life ex Britannia Life Assurance / Crusader Insurance Nestegg policies are invested in the Phoenix Life Limited Alba With-Profits Fund ('the with-profits fund'). Nestegg 32, Emeritus and Versatile policies are similar to Nestegg policies, but have different interest rates.

Nestegg policies are with-profits deposit administration arrangements where interest is added to the accounts built up from the contributions paid.

The Nestegg interest rate (declared return / bonus) 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 Nestegg and associated interest rates (declared return / bonus) for 2008 and the first quarter of 2009 are shown in the table below.

Type	Interest rate for first quarter 2009	Interest rate for 2008
Nestegg	0.50%	0.50%
Nestegg 32	0.50%	0.50%
Emeritus	1.00%	1.00%
Versatile (exempt)	6.00%	6.00%
Versatile (other)	0.50%	0.50%

Notes
Interest rates are annualised rates per annum.
Versatile (exempt) applies to exempt approved schemes.
The different interest rates reflect different annual management charges and charging structure for the different types of products and also the guaranteed interest rate for Versatile (exempt).

The asset mix backing these policies at 31 December 2008 was 50% in short term fixed interest stocks issued by the UK government and cash combined, 40% in fixed interest stocks and 10% in property. Of the 40% in fixed interest, this is currently split 27% in stocks

issued by the UK government and 13% in other stocks. Therefore this business does not have exposure to equity (company shares) growth or losses since August 2003, in particular the equity gains in 2004 or 2005 or the equity losses in 2008.

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

The table below shows:

- the interest rate (declared returns / bonus);
- the investment return we achieved on the assets backing Nestegg 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 Nestegg policies.

Former BLA / Crusader		Nestegg		deposit administration	
Year	Interest rate (declared return / bonus)	Investment return (before charges)	Annual management charge	Shareholder transfer	Net Investment return
2008	0.50%	2.98%	1.75%	0.03%	1.20%
2007	1.00%	3.81%	1.75%	0.06%	2.00%
2006	1.00%	3.58%	1.75%	0.06%	1.77%
2005	1.25%	7.27%	1.75%	0.07%	5.45%
2004	1.50%	6.99%	1.75%	0.08%	5.16%
2003	0.61%	5.03%	1.75%	0.03%	3.24%
2002	1.12%	0.39%	2.25%	0.06%	-1.93%
2001	2.37%	0.52%	2.25%	0.13%	-1.87%
2000	3.50%	3.83%	2.25%	0.19%	1.39%
1999	4.75%	7.40%	2.25%	0.26%	4.89%

Notes

(a) Interest rates are annualised

(b) Shareholder transfer is half of one ninth of the interest rate.

(c) Net investment return is investment return (before charges) less annual management charge and less shareholder transfer.

(d) In addition to the net investment return, there is a reduction of approximately 10% that is taken into account when setting the interest rate.

(e) The 10% reduction is to allow for the cost of guarantees, including guaranteed annuity options and the run-off of the with-profits fund.

(f) The reduction for cost of guarantees was first introduced from 1999 and was 4%. It increased to 7% for 2001 year end and then to 10% from 2003.

The Nestegg interest rates remain low although investment returns had improved, due to the impact of the amount of smoothing applied in 2000 to 2002 where low and negative net investment returns were earned, but the Nestegg interest rates were never reduced to below nil. The Nestegg 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.

The table below shows the Nestegg and associated interest rates (declared return / bonus) since 1999.

Former BLA / Crusader		deposit administration			
Interest rate (declared return / bonus)					
Year	Nestegg	Nestegg 32	Emeritus	Versatile (exempt)	Versatile (other)
2008	0.50%	0.50%	1.00%	6.00%	0.50%
2007	1.00%	1.00%	1.50%	6.00%	1.00%
2006	1.00%	1.00%	1.75%	6.00%	1.00%
2005	1.25%	1.25%	1.75%	6.00%	1.25%
2004	1.50%	1.50%	2.00%	6.00%	1.50%
2003	0.61%	0.61%	0.91%	6.00%	0.61%
2002	1.12%	1.12%	1.62%	6.00%	1.12%
2001	2.37%	2.37%	2.87%	6.00%	2.37%
2000	3.50%	3.50%	4.00%	6.90%	3.48%
1999	4.75%	4.75%	5.25%	5.25%	4.73%

Notes

(a) Interest rates are annualised

(b) Versatile (exempt) applies to exempt approved schemes

(c) The different interest rates reflect different annual management charges and charging structure for the different types of products and also the guaranteed interest rate for Versatile (exempt).

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 Nestegg interest rates (declared returns / bonus). In addition our shareholders receive half of one ninth of the interest.

Nestegg 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 Nestegg policies is shown in the table below.

Year	Former BLA / Crusader			Nestegg	
	Asset mix at end of year Short dated gilts and cash	Fixed Interest issued by UK government	other	Property	Equities
2008	50%	27%	13%	10%	0%
2007	50%	40% combined		10%	0%
2006	50%	40% combined		10%	0%
2005	50%	40% combined		10%	0%
2004	50%	40% combined		10%	0%
2003	50%	40% combined		10%	0%
2002	50%	35% combined		0%	15%
2001	52%	26% combined		0%	22%
2000	50%	25% combined		0%	25%
1999	50%	25% combined		0%	25%

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).

For post 1998 Nestegg policies, we apply a market value reduction to make sure that any amounts paid to those policyholders who surrender their policies, reflect how the with-profits fund has performed up to that point. The current 8% market value reduction reflects that the investment returns we have achieved have not been sufficient to support the declared returns we have added to Nestegg policies to date, after allowing for our charges and the charge for losses in the with-profits fund.

We apply a 5% surrender charge to help recoup the costs of setting up policies. These set up costs would normally be recouped out of the annual management charge over the term of the policy. The charging structure for Nestegg policies means that some of the set up costs were not taken out in the initial charges, but were to be recouped over the lifetime of the policy.

We take into account the interests of all our policyholders when setting bonus rates, market value reductions and other aspects of managing the with-profits fund. Unfortunately the with-profits fund has not performed well.

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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