

Former Alba Life Unitised Policy

1 April 2009

This leaflet gives you important information to go with your unitised 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 unitised policy may be split between the Phoenix Life Limited unit-linked funds and the Phoenix Life Limited Alba With-Profits Fund ('the with-profits fund').

Questions and answers about the unit-linked funds

How can I get up to date unit-linked prices?

You can follow the performance of the funds your policy invests in by looking at the unit prices we publish regularly on our website. To obtain the latest prices go to www.phoenixlifegroup.co.uk and then:

- under '[Fund prices](#)';
- select '[Follow this link to look at our latest fund prices, which are regularly updated](#)'; and
- then select '[ex-Alba Life](#)'.

How do you work out unit-linked fund prices?

We have produced a guide to how we work out our unit prices. This is available in the Fund prices section on the website or you can ask us for a copy.

How can I get information about the unit-linked funds?

We have produced fund bulletins which provide some summary information for the main unit-linked funds. These are available by clicking on the fund bulletins and reports link in the Fund prices, ex-Alba Life section on the website or you can ask us for a copy.

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 unitised with-profits policies?

For Life With-Profits units and Pensions With-Profits units, where we do not guarantee a minimum bonus rate, we have not added any annual bonus over 2008/2009.

For the Pensions With-Profits units, where we guarantee a minimum bonus rate, we have added an annual bonus at the guaranteed rate of 4% per annum over 2008/2009.

Are you adding a final bonus now?

We are currently adding a final bonus to claims for both Life With-Profits units and Pension With-Profits units.

The final bonus rates depend upon the year the with-profits units were purchased and may be positive or negative. If the sum of the total final bonus, across all unit purchases for your policy, is negative, the payout will be less than the value of units. This reduction is called a market value reduction (MVR).

On maturity, retirement at selected retirement age or death, we guarantee that the total final bonus will not be negative and that the minimum payout will be the value of the with-profits units and we will not apply a market value reduction.

The table below shows the rates of final bonus as a percentage of unit allocations by calendar year of purchase applying in January 2009.

Year of purchase of units	Policies started before 1 January 1994		Policies started on or after 1 January 1994	
	Life	Pensions	Life	Pensions
1992 & earlier		-7.0%		
1993	0.5%	-6.5%	17.0%	27.0%
1994	4.0%	25.0%	21.0%	31.5%
1995	11.0%	16.5%	28.0%	40.0%
1996	7.5%	11.5%	23.5%	33.0%
1997	4.5%	6.5%	19.0%	26.5%
1998	0.5%	-1.5%	12.0%	17.0%
1999	-6.5%	-8.5%	5.0%	8.0%
2000	-8.0%	-8.0%	3.5%	6.0%
2001	-3.5%	6.0%	8.0%	11.5%
2002	6.5%	9.5%	14.0%	19.5%
2003	11.0%	15.0%	16.0%	22.0%
2004	9.0%	11.0%	11.5%	15.5%
2005	5.5%	6.0%	4.5%	6.5%
2006	1.0%	2.5%	0.0%	0.5%
2007	0.5%	0.0%	-1.0%	-1.0%
2008	1.0%	1.0%	0.0%	0.0%

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.

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 with-profits units. We guarantee to pay these on maturity, retirement at selected retirement age or in the event of a death claim.

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 with-profits units and final bonus.

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 for policies started before 1 January 1994. 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.

Policies started on or after 1 January 1994 do not share in the miscellaneous profits and losses arising in the with-profits fund. This includes the cost of guarantees and any estate distribution.

So what about the future?

We will not be adding annual bonuses to unitised with-profits policies in the future, except where we guarantee a minimum level of bonus. 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 becomes a claim. 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.

What about with-profits guarantees?

The with-profits guarantee is that on maturity, retirement at selected retirement age or in the event of a death claim, we will not apply a market value reduction.

What is a market value reduction (MVR)?

We use a market value reduction to make sure that any amounts paid to those policyholders who surrender or transfer their policies or switch their funds, reflect how the with-profits fund has performed up to that point. If we use a market value reduction, policyholders who surrender their policies may receive less than any surrender value previously quoted. We apply market value reductions to ensure the fair treatment of all policyholders whenever they surrender their policy. In the above the term surrender includes transfer and switching funds.

It is important to remember that we only apply market value reductions to your unitised policy in certain circumstances. Please note that we will not apply a market value reduction:

- on death; or

- on maturity or retirement at selected retirement age.

You can find further details in your policy documents.

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 unitised with-profits policies on 31 December 2008.

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

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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