

# Important information for customers with a with profits ISA policy

This leaflet gives you important information to help you understand your with profits Individual Savings Account (ISA) policy statement. You should read this document carefully together with your policy statement and then keep it safe for future reference.

## Your investment with Phoenix Life Limited

Your with profits Individual Savings Account (ISA) policy is invested in the Phoenix Life Limited Britannic 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 Britannic With-Profits Fund' ('the guide') with your statement last year. If you need another copy, please contact us using the details shown in the '**How to contact us**' section of this leaflet.

The guide is also available on our website. To obtain a copy go to [www.phoenixlifegroup.co.uk](http://www.phoenixlifegroup.co.uk) and then:

- under 'Do you have a with profits policy?';
- select 'Follow this link for a quick guide to how we manage our with profits funds';
- then 'Phoenix Life Limited - Britannic With-Profits Fund'; and
- choose the guide for type of policy 'Ordinary Branch Unitised With Profits'.

### What has happened to bonus rates for with profits ISA policies?

We have indicated over the last couple of years that we are unlikely to add further annual bonuses to ISA policies. Instead, we will add any growth in excess of that required to meet the value of guaranteed benefits to policies as a final bonus when a policy is cashed in on a guarantee date or in the event of a death claim.

The guaranteed benefits are the with profits units and bonus units we have added to date. We guarantee to

pay these when a policy is cashed in on a guarantee date or in the event of a death claim.

Although investment returns for 2007 were poor, we have continued to increase final bonus rates and those for January 2008 are higher than those for January 2007. Over the last few years, we have increased final bonus rates as set out in the table below.

Year units purchased	Final bonus rates as a percentage of with profits units purchased			
	Date final bonus paid			
	Jan 2008	Jan 2007	Jan 2006	Jan 2005
1999	8%	0%	0%	0%
2000	12%	4%	0%	0%
2001	18%	10%	0%	0%
2002	29%	16%	14%	0%
2003	40%	29%	26%	0%
2004	34%	25%	16%	0%
2005	23%	11%	5%	
2006	7%	2%		
2007	2%			

The table shows that in January 2005, we were not paying any final bonus. However, in January 2008, we were paying final bonuses on all with profits units.

### When do you pay these final bonuses?

We pay final bonuses when you cash in your policy on a guarantee date (market value reduction free date) or in the event of a death claim. However, the rates of final bonus may be different to those shown in the table.

### What are the guarantee dates (market value reduction free dates)?

Your with profits ISA policy does not have a fixed end date. This means you can cash it in at a time that suits you. Guarantee dates (market value reduction free dates) are 10 years after you started your ISA and each year after that. On these dates, we will value all units in your ISA policy at 100.00p and we will not apply a market value reduction. If you cash in your ISA policy at any other time, we do not guarantee that the unit price will be 100.00p and we may apply a market

value reduction. You can find further details in your policy documents.

## **What happens at dates other than the guarantee dates?**

If you die, we treat your policy as if the date were a guarantee date. If you cash in your policy at any time other than a guarantee date, we may reduce the final bonus and we may apply a market value reduction. These reductions vary from policy to policy. We apply market value reductions to ensure we treat all policyholders fairly whenever they cash in their policy. On 1 January 2008, we were only applying market value reductions in a few cases, whereas three years ago, we would have made some form of reduction to most ISA policies. Investment markets showed significant falls in early 2008 and has caused us to increase the reductions in final bonus and apply market value reductions to more policies.

## **What is a market value reduction (MVR)?**

We use a market value reduction (MVR) to make sure that any amounts paid to those policyholders who cash in their policies, reflect how the with profits fund has performed up to that point. If we use a market value reduction, policyholders who cash in their policies may receive less than any cash in value previously quoted. We apply market value reductions to ensure the fair treatment to all policyholders whenever they cash in their policy.

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

- on death; or
- if you cash in your with profits ISA policy on a guarantee date (market value reduction free date).

You can find further details in your policy documents.

## **What about annual bonuses?**

We are currently focussing on final bonuses, as we said we would, and we are not adding any annual bonuses. We take this approach because it makes sure that all with profits policyholders receive a fair share of any available profits.

## **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 an annual bonus 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.

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 investment return we achieved for the with profits fund for 2007 was poor. Furthermore, when we combine this with the returns over previous years and compare it to the level of guaranteed benefits already provided, it means that we can declare final bonuses but we are currently unable to reintroduce annual bonuses for with profits ISA policies.

## **So what about the future?**

We do not guarantee final bonuses and we may change them at any time. We will continue to focus on final bonuses in 2008. If investments perform well, then we will pay higher final bonuses. Poor future market conditions will however, have the opposite effect on final bonuses. Investment markets showed significant falls in early 2008 and unless they recover, we will have to reduce future final bonuses.

Because we guarantee annual bonuses once they are added to your policy, we need to see the financial markets enter a period of prolonged stable growth before we can be confident about future levels of annual bonuses. The first step towards reintroducing annual bonuses is the declaration of final bonus rates more widely and this has been achieved. However, investment markets showed significant falls in early 2008 and unless they recover, this will reduce the likelihood of our being able to restore annual bonuses in the near future.

## How is the with profits fund invested?

The with profits fund consists of a wide range of assets with the aim of providing good growth potential over the medium to long term. On 31 December 2007 the split of assets supporting with profits ISA policies was:

Company Shares	40%
Fixed Interest Stocks	47%
Property	8%
Cash	5%
Other	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 the highest possible investment return while balancing this with the degree of risk being taken. We currently hold some higher risk investments which we expect to provide a higher return, such as company shares (equities) and property. The rest are lower risk investments such as fixed interest stocks (bonds, types of loan usually issued by the Government or companies) and cash.

The return we achieved on the investments in the with profits fund for 2007 was 2.5%.

By keeping around 50% of the with profits fund invested in company shares (equities) and property, we believe that we are well placed to benefit from any growth due to stock market or property price increases, whilst still protecting the long term security of the fund.

## Other questions and answers

### What charges do you make on my ISA?

We make the following charges:

- £2.00 for each premium payment you make;
- a charge of just under 5% of each premium payment you make, as we use your premiums (less the £2.00 charge) to buy units at a price of 105.00p and then value the units at a price of 100.00p each; and
- an annual management charge which is currently 1% of the value of your policy.

We take the annual management charge into account when we set bonus rates. The charges are to cover our costs of managing your policy. Also, if you cash in your policy during the first 10 years, we apply a charge to recover our costs of setting up your policy. The cash in charges are shown in the Additional information section of your statement.

### What payments can I make to my ISA policy?

If you are currently making payments (premiums) into your ISA policy, you can continue to do so. You may stop paying premiums at any time and the units you have purchased will remain invested. However, if you do decide to stop paying premiums, we do not allow you to re-start paying premiums. If you stop paying premiums, we will continue to add any future bonuses. We are no longer able to accept additional premiums, increases to current premiums or restart premiums on your ISA policy.

### Who can give me financial advice?

It is important that you review your financial arrangements on a regular basis and we recommend that you speak to your financial adviser.

If you do not have a financial adviser or would like to know more about the financial products and services that we now offer, please contact our Customer Care Team on 0845 938 0515.

## Further information

### Your personal data

Here is an update on how we process the personal data you have previously provided to us.

Your personal data is held in our systems to provide the product or service for which you applied, and may be used for the:

- purpose of fraud prevention;
- purposes of identity verification via electronic credit reference systems; and
- marketing of further products and services offered by the Resolution group of companies (“Resolution Group”) or carefully selected third parties by telephone, post or other electronic means.

Your personal data may be shared with other members of the Resolution Group, its agents and their subcontractors, and other parties where there is a legitimate reason to do so.

Your personal data may be processed in countries outside the European Economic Area. This processing will be carried out by experienced and reputable organisations and only on terms which safeguard the security of your personal data and comply with the requirements of the Data Protection Act 1998.

A full copy of our data protection statement can be obtained from our Customer Helpline on 0845 305 5554.

If you would prefer not to be contacted in connection with the marketing of further products and services, and have not already expressed this preference, please get in touch with us at the address above.

### How to contact us

If you would like to contact us, please use one of the methods given below:

#### By post:

Customer Services  
Phoenix Life Limited  
1 Wythall Green Way  
Wythall  
Birmingham  
B47 6WG

#### By phone:

0845 305 5554, 8.30am to 5.30pm, Monday to Friday

#### By fax:

0845 002 0347

#### Website:

[www.phoenixlifegroup.co.uk](http://www.phoenixlifegroup.co.uk)

**If you would like this information in large print, in Braille or on cassette or CD, please call 0845 305 5554.**