

## **Former Britannic Assurance Ordinary Branch Policy**

**1 April 2009**

This leaflet gives you important information to go with your with-profits Ordinary Branch 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 Britannic Assurance with-profits Ordinary Branch 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 in 2007. The guide is available on our website [www.phoenixlifegroup.co.uk](http://www.phoenixlifegroup.co.uk) or you can ask us for a copy.

#### **What is the annual bonus amount for with-profits Ordinary Branch policies?**

The amount depends on how long you have held your policy and on the amount of basic sum assured. For example, if you started your policy 10 years ago, in 1999, we have added a bonus of £4 this year, for every £1,000 basic sum assured. The longer you have held your policy, the bigger the bonus. Your actual bonus is shown on your statement.

#### **Has the annual bonus rate changed?**

No, we have not changed the annual bonus rates. Although the investment return for 2008 was extremely poor, we have still been able to add an annual bonus for 2008 at the same rates as the annual bonuses for 2007. As well as the investment return for 2008 being extremely poor, the investment return for 2007 was poor. When we combine these with the returns over previous years and compare it to the level of guaranteed benefits already provided, it means that we are able to add an annual bonus for 2008, but we are not able to increase annual bonuses for Ordinary Branch policies.

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.

We have indicated over the last couple of years that we are unlikely to increase annual bonus rates. Instead, we will add any growth in excess of that required to meet the value of guaranteed benefits to policies as a final bonus at maturity or in the

event of a death claim. We take this approach because it makes sure that all with-profits policyholders receive a fair share of any available profits.

### **Are you adding a final bonus now?**

We are currently (as at 1 April 2009) adding a final bonus at maturity for policies which started before 1989 and for policies which started after 1998, although in some cases the amounts are quite small. The investment return for 2008 was extremely poor and we have had to reduce final bonus rates. 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 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 amounts of final bonus are affected by 'smoothing' as described below.

We aim to avoid very large differences in with-profits maturity payments 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.

In the guide, we mentioned that we work out bonuses by considering the underlying value of policies. We also mentioned that we expected to include a fair share of any distribution of the estate in the underlying value of with-profits policies once the estate is large enough to cover the risks in the with-profits fund.

Based on the estate at the end of December 2008, all of the estate is currently being used to cover the risks in the with-profits fund and it is not appropriate to include any distribution at the current time.

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

Provided you pay all the premiums throughout the term of your policy, we guarantee annual bonuses once they are added to your policy. We would therefore need to see the financial markets enter a period of prolonged stable growth before we can be confident about future levels of annual bonuses. Investment returns were extremely poor in 2008 and this means we are unlikely to be able to increase annual bonuses in the near future.

If investments perform well, we will pay higher final bonuses and on more policies. Poor future market conditions will lead to lower final bonuses.

### **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 2008 the split of assets supporting with-profits Ordinary Branch policies was:

Company shares (equities)	41%
Fixed interest stocks - issued by the UK government (gilts)	16%
Fixed interest stocks - other	34%
Property	7%
Cash	2%
Other	0%

How much we hold in each type of investment will change over time. We aim to make sure that the with-profits fund can always meet the guarantees it has 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 higher risk investments which we expect to provide a higher return in the longer term, 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 UK government or companies) and cash.

The return on the investments in the with-profits fund for 2008 was -11.9%. The return was affected by falls in the value of company shares (equities) and property and also the falls in the value of non-government fixed interest stocks.

By keeping around 50% of the with-profits fund invested in company shares (equities) and property, the with-profits fund is well placed to benefit from any recovery in stock market or property prices, whilst still protecting the long-term security of the guaranteed benefits.

**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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Phoenix Life Limited is registered in England No. 1016269

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