

Former Britannic Unit Linked Assurance Ex Allianz Cornhill With-Profits Policy

1 April 2009

This leaflet gives you important information to go with your former Britannic Unit Linked Assurance ex Allianz Cornhill with-profits 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 Unit Linked Assurance ex Allianz Cornhill with-profits policy is invested in the Phoenix Life Limited 90% 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 90% 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 amount for former Britannic Unit Linked Assurance ex Allianz Cornhill with-profits policies?

For life policies the amount depends on the amount of the basic sum assured and bonuses already added. The annual bonus rates for 2008 are:

- 2.50% of basic sum assured; and
- 3.50% of bonuses already added.

For pension policies the amount depends on the amount of the fund and bonuses already added. The annual bonus rates for 2008 are:

- 3.25% of basic fund; and
- 3.25% of bonuses already added.

The actual bonus we have added to your policy is shown on your statement. We guarantee annual bonuses once we have added them to your policy.

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.

Are you adding a final bonus now?

We are currently (as at 1 April 2009) adding a final bonus for policies maturing now. For endowment policies, the amount is based on a percentage of the sum assured and attaching annual bonuses. The percentage depends on the term of the policy (or term since becoming with profits) as follows:

Term	Final bonus
up to 21 years	5.0%
21 years	8.0%
22 years	11.0%
23 years	14.0%
24 years	17.0%
25 years or more	20.0%

For pension policies reaching their selected retirement date now we are currently (as at 1 April 2009) adding a final bonus of 38.5% of the basic fund and attaching annual bonuses.

For whole life policies, we are currently (as at 1 April 2009) adding a final bonus of 23.0% of the sum assured and attaching annual bonuses on death claims.

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.

We expect that for some years to come, the maturity payouts we make on longer term policies each year will be lower than those on policies of the same term that matured in the previous year. This is because the current maturity values of longer term policies reflect the high share price increases of the 1980s and 1990s, which were partly driven by the higher inflation of those times. The eventual maturity values of similar policies taken out more recently will not reflect these share price increases to the same extent, if at all.

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.

For life 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.

For pension policies the guaranteed benefits are the fund and total annual bonuses we have added to date. We guarantee to pay these at your selected retirement date.

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 retirement) 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 (basic fund), 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. We are currently including a distribution of the estate in the underlying value of with-profits policies when we set bonuses. We have been including a distribution of the estate each year and the amount has varied over time. This distribution of the estate means that both annual and final bonuses are currently higher than they would otherwise be. This means that payouts are higher than they would otherwise be.

The estate at the end of December 2008 was affected by the poor investment conditions in 2008. As a result we have had to reduce the level of estate distribution. The estate distribution will now add about 1% to the investment return for the current year, rather than about 2% previously.

We do not guarantee that we will be able to continue the current level of estate distribution in future and we normally review the level twice a year. In particular poor investment conditions are likely to mean that we will reduce or remove the current estate distribution.

So what about the future?

We have set annual bonuses at a level which we hope to maintain on a realistic view of future investment returns. Future bonuses are not guaranteed. The investment return for 2008 was extremely poor. If future investment returns turn out lower than expected, we are likely to have to reduce future annual bonuses. Future final bonuses will continue to reflect the investment conditions and other relevant factors. The investment return for 2008 was extremely poor and this has reduced the prospects for future 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 a reasonable growth potential over the medium to long term. On 31 December 2008 the split of assets supporting former Britannic Unit Linked Assurance ex Allianz Cornhill with-profits policies was:

Company shares (equities)	33%
Fixed interest stocks - issued by the UK government (gilts)	33%
Fixed interest stocks - other	34%
Property	0%
Cash	0%
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 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, such as company shares (equities). The rest are lower risk investments 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 -5.6%. The return was affected by falls in the value of company shares (equities) and also the falls in the value of non-government fixed interest stocks.

By keeping around 30% of the with-profits fund invested in company shares (equities), the with-profits fund is well placed to benefit from any recovery in stock market prices, whilst still protecting the long-term security of the guaranteed benefits. As policies mature and the period to maturity for the remaining policies reduces, we expect that we will invest less in higher risk investments and more in lower risk investments.

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.

II_PLL_90WP_bula_wp_04/2009

Phoenix Life Limited is authorised and regulated by the Financial Services Authority.

Phoenix Life Limited is registered in England No. 1016269

Registered Office: 1 Wythall Green Way, Wythall, Birmingham B47 6WG

www.phoenixlifegroup.co.uk