

Unitised With-Profits Policies invested in the Growth Protector Fund and Pensions Solutions series

1 July 2009

Introduction

This leaflet is our regular update on investment performance, bonus rates, charges and guarantees. We have previously sent you a copy of our guide, 'How we manage the Phoenix Life Limited Phoenix With-Profits Fund' ('the guide'). The guide gives important information about how your with-profits policy works and is available on our website www.phoenixlifegroup.co.uk or on request. As we refer to the guide throughout this leaflet, you may wish to read it again before reading this leaflet.

Key facts about your guarantees

- Your policy may guarantee that, at certain times close to your selected retirement date, a market value reduction (MVR) will not be applied in full if you retire or transfer your policy to another pensions provider. For more details on when a market value reduction will not be applied in full, please refer to your policy documents or contact us.
- We may apply a market value reduction to make sure that any amount paid out reflects the performance of the with-profits fund up to that time.

If you are considering transferring your policy or retiring at other than your selected retirement date, you should take into account the value of the guaranteed benefits which you may be giving up. You may wish to seek advice from a financial adviser before making a decision. If you do not have a financial adviser and would like help in finding one, then contact our Customer Care Team on 0845 788 3311.

Investment markets

We invest in a mix of assets such as equities (company shares), property and bonds (types of loan issued by the government or companies). With the exception of bonds issued by the UK government, investment returns on most types of asset were very poor throughout 2008.

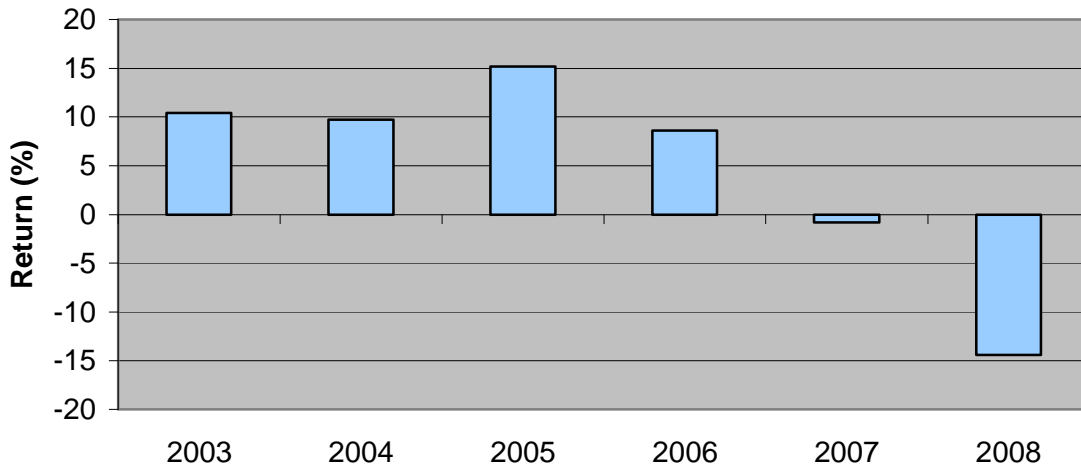
- UK government bonds (gilts) returned between 5% and 17% depending on term.
- The investment return on other bonds was significantly lower than that on UK government bonds. The poor performance of these bonds reduced fixed interest returns by 5% so that the overall fixed interest return was between 0% and 12%.
- Equities performed poorly in 2008, with the value of UK equities falling 33% over the year and stock markets worldwide showing similar falls. Our equity investments returned -25% in 2008.
- Commercial property had another poor year, with our investments producing a return of -21% in 2008.

The figures above are before tax.

When we review bonus rates and surrender values, we are currently not allowing in full for the poor performance of our commercial property investments over the past two years. This

means that claims being paid out now are generally higher than they would otherwise be. This practice is not guaranteed to continue in future.

The chart below shows the investment returns (after tax) earned in the last six years in respect of personal pensions invested in the Pensions Solutions series. Different values may apply for other types of policy.



Source: Phoenix Life Group. Past performance is not necessarily a guide to future performance.

Investment approach

The guide outlines our approach to investment. It is particularly important for you to be aware that the proportion of investments with higher risk, and therefore higher performance potential, is not the same for all policies.

Table 1 (at the end of this leaflet) shows the approximate equity and property proportions held at 30 June 2009 for specimen policies invested in the Pension Solutions series. The remaining part of each policy is invested in fixed interest assets and cash. Of the fixed interest assets, about half of the investment is in UK government bonds and half is in other bonds.

Table 2 (at the end of this leaflet) shows the approximate equity and property proportions held at 30 June 2009 for specimen investments in the Growth Protector Fund. The proportions for other policies are available on request. The remaining part of each policy is invested in fixed interest assets and cash. Of the fixed interest assets, about half of the investment is in UK government bonds and half is in other bonds.

Annual bonuses

Annual bonuses are added to your policy by increasing the price of your units each day. The guide explains the conditions under which annual bonuses may be added.

The current annual bonus rates are:

- 2% each year for policies in the Pensions Solutions range.
- 1.5% each year for policies in the Growth Protector Fund.

Over the last few years, annual bonus rates have been at low levels. We expect that this will continue to be the case for some years to come. This is because the guaranteed benefits under many policies are high relative to the investment returns which we have earned or expect to be able to earn.

Final bonuses and market value reductions

The final bonus rates for maturing policies, commencing in 1996, investing in the Growth Protector fund on 1 July 2009 were:

- Nil for regular premium policies, assuming that level premiums have continued to be paid throughout; and
- 16%, for single premium policies.

The guide explains how we determine final bonus rates.

The final bonus rates which applied to some specimen policies invested in the Pensions Solutions series on 1 July 2009 are shown in Table 1 at the end of this leaflet.

In some cases market value reductions are being applied if policies are surrendered now. For policies invested in the Pensions Solutions series we will normally review the final bonuses and market value reductions every month. For policies invested in the Growth Protector Fund we will normally review the final bonuses and market value reductions twice each year, from 1 January and from 1 July. However final bonuses and market value reductions are not guaranteed and we may change them at any time.

We don't apply market value reductions on death and we also don't apply them, or only apply them partially, if you transfer your policy or retire close to your selected retirement date (your policy document will give more details, or you can contact our Customer Services Helpline for assistance). The guide explains how and when we apply market value reductions.

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 fund.

We are currently including a distribution of the estate when we set final bonuses and market value reductions. Based on the estate at the end of December 2008, we have included a small estate distribution of 1.5% of the value of underlying policies when we set the July 2009 final bonuses and market value reductions. This means that final bonuses are currently higher than they would otherwise be and market value reductions are lower than they would otherwise be.

We do not guarantee that we will be able to continue this level of estate distribution in future and we will 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.

Guarantees and charges

We regularly review the expected future cost of the guarantees that we have given to policyholders. We mention in the guide that when we work out bonuses we deduct a charge from the underlying value of policies to pay for this cost of guarantees, and that we will keep you informed of any changes to the level of this charge.

We do not currently take account of the cost of guarantees when calculating the bonuses applying to your policy. However this is not guaranteed and could change if our expected cost of guarantees were to change in future.

In particular, although the expected cost of guarantees has increased over the last couple of years, we have been able to cover the increase from the financial strength of the fund. As a result we have not introduced an explicit guarantee charge. We do not guarantee that we will be able to continue this practice in future.

Compliance with Principles and Practices of Financial Management

In common with other insurance companies which have issued with-profits policies, we maintain a document which sets out the principles which we apply to the management of our with-profits policies and the current methods we adopt to put those principles into practice. This is called our Principles and Practices of Financial Management (PPFM). You can find this document on our website.

During 2009, we reported on our compliance with our PPFM in 2008. This report is also available on our website. In summary, we considered that we complied with our PPFM, in all material respects, throughout 2008 and noted that our With-Profits Committee and our With-Profits Actuary both agreed with this conclusion.

This information is correct at 1 July 2009 and is based on Phoenix Life's understanding of current legislation at 1 July 2009.

If you have any questions or would like more information about your plan, please contact us using the details shown in the letter we sent with this information.

TABLE 1

Pensions Solutions Personal Pension

This table shows the effect of final bonuses and market value reductions on the ongoing value of policies as at 1 July 2009.

Month of investment	Current ongoing value per £100 invested (1)	Final bonus / market value reduction (2)	Current transfer value per £100 invested	Equity / property proportions held for specimen policy
May 2001	112	-9.9%	101	43% / 25%
July 2001	111	-7.1%	103	43% / 25%
September 2001	110	-4.6%	105	43% / 25%
November 2001	109	-0.1%	109	43% / 25%

Notes

1. Based on an original additional single premium investment of £20,000 invested on the first day of the month (values may differ slightly for other types of contribution). It assumes no benefits have been taken to date.
2. Market value reductions are represented by negative values. We will normally review final bonuses and market value reductions every month, however they are not guaranteed and we may change them at any time.

TABLE 2

For policies invested in the Growth Protector Fund this table shows the approximate equity / property proportions held on 30 June 2009 for specimen policies with different years of retirement.

Year of retirement	Term						
	10	15	20	25	30	35	40
2009	19% / 9%	19% / 9%	19% / 9%	19% / 9%	19% / 9%	19% / 9%	19% / 9%
2010	21% / 10%	21% / 10%	21% / 10%	21% / 10%	21% / 10%	21% / 10%	21% / 10%
2011	23% / 12%	23% / 12%	23% / 12%	23% / 12%	23% / 12%	23% / 12%	23% / 12%
2012	26% / 14%	26% / 14%	26% / 14%	26% / 14%	26% / 14%	26% / 14%	26% / 14%
2013		29% / 15%	29% / 15%	29% / 15%	29% / 15%	29% / 15%	29% / 15%
2014		32% / 17%	32% / 17%	32% / 17%	32% / 17%	32% / 17%	32% / 17%
2015		35% / 19%	35% / 19%	35% / 19%	35% / 19%	35% / 19%	35% / 19%
2016		37% / 20%	37% / 20%	37% / 20%	37% / 20%	37% / 20%	37% / 20%
2017		40% / 22%	40% / 22%	40% / 22%	40% / 22%	40% / 22%	40% / 22%
2018			42% / 24%	42% / 24%	42% / 24%	42% / 24%	42% / 24%
2019			43% / 25%	43% / 25%	43% / 25%	43% / 25%	43% / 25%
2020			43% / 25%	43% / 25%	43% / 25%	43% / 25%	43% / 25%

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Phoenix Life Limited is registered in England (no. 1016269).

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