

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'). This guide, which gives important information about how your with profits policy works, is available on our website www.phoenixlifegroup.co.uk or on request. As we refer to this guide throughout this leaflet, you may wish to read it again before reading this leaflet.

Key facts about your guarantees

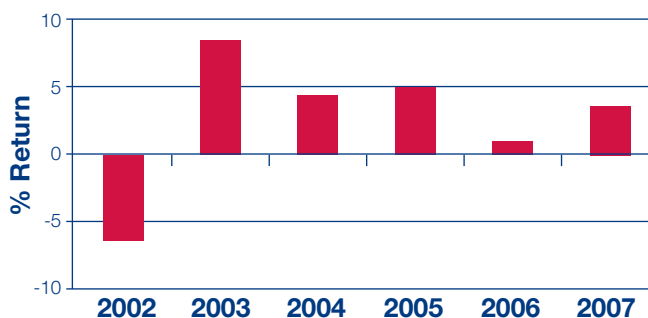
- Your policy has a guarantee on its tenth anniversary. The guarantee for policies which commenced before 1 August 2000 is particularly valuable and, for many such policies, equates to a guaranteed minimum annual return of around 6%, after tax, on the surrender value. This is the value after the market value reduction ('MVR') is applied. We apply a market value reduction to make sure that any amount paid out when a policy is surrendered reflects the performance of the with profits fund up to that point. Further details on market value reductions are provided in the Guide and the guaranteed minimum annual return applicable to your policy is given in Table 1 at the end of this leaflet.
- Please note that we will;
 - write to you closer to the time of the tenth anniversary of your policy; and
 - give you three months from the tenth anniversary to benefit from the guarantee applying to the surrender value.

- If you need to surrender your policy before or after its tenth anniversary, we may apply a market value reduction. If you surrender your policy before its tenth anniversary we limit the market value reduction so that the surrender value approaches the minimum guaranteed amount as the anniversary approaches.

If you are considering surrendering your policy before the tenth anniversary, you should take into account the value of the tenth anniversary guarantee that you would be giving up. You may wish to seek financial advice before surrendering your policy. If so, you should contact your normal financial adviser. If you do not have an adviser, arrangements have been put in place to help put you in touch with a specialist company who can provide independent financial advice. For further details please see our website or contact our Customer Services Helpline on 0845 070 0105.

Investment markets

The chart below shows the investment returns (net of tax) earned in the last six years in respect of a unitised with profits bond commencing in March 1999 invested in the Phoenix Life Limited - Phoenix With-Profits Fund ('PLL PWP'). Different values will apply for bonds commencing at different times and for other types of policy.



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

We invest in a mix of assets such as equities (company shares), property and bonds (types of loan issued by the Government or companies).

- The return on UK Government bonds ('Gilts') for this type of policy in 2007 was between 6% and 7%¹ depending on when the policy began.
- Bonds issued by companies did not perform as well as those issued by the Government during 2007, mainly due to concerns over lending practices in the international banking sector.
- Stock markets worldwide rose during 2007, with UK shares ending the year 1% above their peak in 2000². Our share investments returned 5% over the year.
- Our commercial property investments performed poorly, returning about -11% in 2007.

The figures above are before tax.

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.

During 2007, we increased the proportion of our assets invested in higher risk investments such as shares and property. For policies already invested in higher risk investments, we have generally increased the amount invested in these investments, and therefore increased the potential for a higher return. As a result, the amount invested in lower risk investments has reduced for these policies.

Table 1 (at the end of this leaflet) shows the approximate share and property proportions held at 30 June 2008 for specimen with profits bonds by month of issue.

Annual bonuses

Annual bonuses are added to your policy by increasing the price of your units each day.

- For policies issued before 1 August 2000 a rate of 0.5% was applied throughout 2007.
- For policies issued on or after 1 August 2000, a rate of 1% applied throughout 2007.

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 mainly because the ongoing value of many policies are high relative to the investment returns that we have earned or expect to be able to earn. The ongoing value of your policy can be obtained by multiplying the number of units you hold by the current unit price. Continuing to add annual bonuses at lower rates is anticipated to bring the ongoing value of policies more in line with the investment returns that we have earned.

The Guide explains the conditions under which annual bonuses may be added.

Customers making regular withdrawals from with profits bonds

If you are currently taking regular withdrawals from your policy at a rate more than the annual bonus rate, the ongoing value of your policy will be reducing.

You can ask us to reduce the amount of regular withdrawals or stop them altogether at any time. This will reduce the rate at which the ongoing value of your policy decreases. You may wish to seek financial advice before requesting any change.

¹ FTSE UK gilt price curves 31.12.06 - 31.12.07.

² FTSE All-share index 31.12.07.

Final bonuses and market value reductions

The Guide explains how we determine final bonus rates, and under what circumstances we may apply a market value reduction.

In most cases final bonus rates are nil and market value reductions are being applied if policies are surrendered now. Market value reductions and final bonuses that were applied to policies on 1 July 2008, and their effects on surrender values, are shown in Table 1 at the end of this leaflet. If the profits that we earn on our investments in future are higher than the annual bonuses that we add, we will be able to reduce the market value reductions that apply to many of our policies. However if profits are lower than the annual bonuses that we add, then market value reductions will increase.

We will not apply a market value reduction on death or to amounts taken as regular withdrawals. In addition your policy has a guarantee which limits, to zero in some cases, the market value reduction that can be applied on your policy's tenth anniversary.

Guarantees and charges

Every six months, we review the expected future cost of the guarantees that we have given to policyholders. The most recent review shows that the charges that we are currently making for these guarantees are at an appropriate level.

We currently apply a charge of 0.5% of the value of the investments underlying your policy each year for bonds issued before August 2000. No charge is made for bonds issued on or after 1 August 2000. These charges have been unchanged since 2003.

This level of charge is not guaranteed and may increase or reduce in future as our assessment of the expected cost of the guarantees alters.

Compliance with the 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 2007, we reported on our compliance with our PPFM in 2006. This report is also available on our website. In summary, we considered that we complied with our PPFM, in all material respects, throughout 2006 and noted that our With Profits Committee and our With Profits Actuary both agreed with this conclusion. We expect to report on our compliance with the PPFM in 2007 by 30 June 2008.

Table 1 – All values are as at 1 July 2008 except the equity / property proportions which are as at 30 June 2008.

Month of investment	Current ongoing value per £100 invested (1)	Final bonus/market value reduction (2)	Current surrender value per £100 invested	Equity/Property proportions held for specimen policy (3)	Minimum amount if surrendered on 10th anniversary per £100 invested (4)	Annual return of current surrender value if policy held to 10th anniversary (5)
Jan-99	122	-2.9%	119	0% / 0%	122	6.0%
Feb-99	122	-3.3%	118	0% / 0%	122	5.8%
Mar-99	121	-3.8%	117	0% / 0%	121	5.9%
Apr-99	121	-4.3%	115	0% / 0%	121	5.9%
May-99	120	-4.7%	114	0% / 0%	120	5.8%
Jun-99	120	-5.2%	113	0% / 0%	119	5.9%
Jul-99	119	-5.7%	112	0% / 0%	119	5.9%
Aug-99	119	-6.1%	111	0% / 0%	118	5.9%
Sep-99	118	-6.6%	110	0% / 0%	118	5.9%
Oct-99	117	-7.0%	109	0% / 0%	117	5.9%
Nov-99	117	-7.5%	108	0% / 0%	117	5.9%
Dec-99	116	-7.9%	107	0% / 0%	116	5.9%
Jan-00	116	-8.4%	106	0% / 0%	116	5.9%
Feb-00	115	-8.8%	105	0% / 0%	115	5.9%
Mar-00	115	-9.3%	104	0% / 0%	115	5.9%
Apr-00	115	-9.7%	103	0% / 0%	114	5.9%
May-00	114	-10.1%	103	0% / 0%	114	5.9%
Jun-00	114	-10.6%	102	0% / 0%	113	5.9%
Jul-00	113	-11.0%	101	0% / 0%	113	5.9%
Aug-00	117	-13.0%	102	45% / 23%	100	-
Sep-00	116	-14.9%	100	45% / 23%	100	-
Oct-00	116	-12.3%	102	45% / 23%	100	-
Nov-00	116	-12.3%	101	45% / 23%	100	-
Dec-00	115	-12.9%	100	45% / 23%	100	-
Jan-01	115	-11.3%	102	45% / 23%	100	-
Feb-01	116	-11.2%	103	45% / 23%	100	-
Mar-01	115	-7.6%	106	45% / 23%	100	-
Apr-01	115	-3.8%	110	45% / 23%	100	-
May-01	114	-5.7%	108	45% / 23%	100	-
Jun-01	114	-5.8%	107	45% / 23%	100	-
Jul-01	113	-2.8%	110	45% / 23%	100	-
Aug-01	113	-1.2%	112	45% / 23%	100	-
Sep-01	112	-1.5%	111	45% / 23%	100	-
Oct-01	112	6.9%	120	45% / 23%	100	-
Nov-01	112	2.9%	115	45% / 23%	100	-
Dec-01	111	2.1%	114	45% / 23%	100	-
Jan-02	111	3.8%	115	45% / 23%	100	-
Feb-02	110	4.2%	115	45% / 23%	100	-
Mar-02	110	4.6%	115	45% / 23%	100	-

Notes:

- (1) Based on an original investment of £20,000 (values will differ slightly for other amounts) and assuming no withdrawals have been taken.
- (2) Market value reductions are represented by negative values.
- (3) The remainder of the policy is invested in fixed interest and cash. The equity/property split depends on the term to the tenth anniversary.
- (4) Assumes no withdrawals have been or will be taken but allows for future policy charges to be deducted from 1 July 2008 up to and including the tenth anniversary.
- (5) This is the minimum annual return, after basic rate tax, you would have to earn to do better if you surrendered your policy now and invested the surrender value elsewhere, compared with keeping your policy until its tenth anniversary and then surrendering it. Any future annual bonuses added will increase this return.

Please note that '-' indicates examples where the current surrender value exceeds the amount guaranteed on the tenth policy anniversary. This is a result of the different guarantee offered on policies commencing on or after 1 August 2000.

Figures after January 2001 are based on the Lifestyle Bond. For With Profits Bond increments commencing after January 2001, different figures will apply to those shown in Table 1. Different figures will also apply for any With Profits Bond or Lifestyle Bond increments commencing after March 2002.

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

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