

**Important Information for  
Phoenix Life Limited  
100% With-Profits Fund Customers**

**Phoenix**

**Former Phoenix Assurance Limited  
UK traditional with-profits policy**

**1 April 2009**

## **Your investment with Phoenix Life**

Former Phoenix Assurance Limited UK traditional with-profits policies are invested in the Phoenix Life Limited 100% With-Profits Fund ('the with-profits fund').

The premiums you have paid are pooled with the premiums of other policyholders who have invested in the with-profits fund. We use this fund to pay the policy benefits to policyholders who have paid premiums into the with-profits fund.

We may add annual bonuses if the investment return and experience of the with-profits fund has been sufficient (and is expected to continue to be sufficient) to support the payment of these bonuses and the benefits already guaranteed.

The annual bonus rate declared for 2008 is 5% of the basic sum assured and 8% of bonuses already added. This is unchanged from 2007.

We may add a final bonus on death or at maturity although we do not guarantee final bonuses. We normally review final bonus rates twice a year from 1 January and 1 July however we may change them at any time. On surrender we may include an element of final bonus.

We included a copy of the guide 'How we manage the Phoenix Life Limited 100% With-Profits Fund' with your statement in 2007. 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. The guide is available on our website [www.phoenixlifegroup.co.uk](http://www.phoenixlifegroup.co.uk).

For the last few years we have been including a substantial distribution of the estate when we set bonuses. This means that annual and especially final bonuses are currently substantially higher 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 normally review the level twice a year. In particular poor investment conditions are likely to mean that we will reduce the current estate distribution. Also as the level of estate distribution is so high it is likely to vary quite a lot each time we review it.

As a result of the estate distribution, policy payouts are substantially higher compared to those from other with-profits companies.

The current investment mix of the assets in the with-profits fund is shown below.

- 27% fixed interest stocks issued by the UK government (gilts);
- 28% other fixed interest stocks;
- 26% UK equities;
- 13% overseas equities; and
- 6% property.

With the exception of fixed interest stocks issued by the UK government, investment returns in 2008 were generally very poor. This poor performance reflected the global economic crisis and was not specific to the fund in which your policy is invested.

Our equities produced an overall return of -26% in 2008. Our commercial property investments had another poor year in 2008, earning a return of -17%. Fixed interest returns varied between -6% and +6%, depending on the term to the maturity date of your policy.

As the with-profits fund is closed to new business and existing policies continue to mature, it is our policy to switch some of the investments out of equities and into fixed interest. During 2008 we reduced the proportion invested in equities. The value of equities also fell so that a smaller proportion of the with-profits fund is invested in equities. In 2009 we intend to continue to reduce the proportion invested in equities with a corresponding increase in the fixed interest content. The duration of our fixed interest investments, and the returns that we credit in respect of them, will reflect the term remaining of the policies they are backing. There will be further switches in future years and we will keep you informed of progress when we write to you about bonus rates.

**This information is correct as at 1 April 2009**

**If you have any questions or would like further information, please contact us using the details shown in the 'Contact us' link on our website.**

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