

With-profits changes explained

We have sent you this leaflet because you have a with-profits policy which is currently in either:

- ▶ Britannic Unit Linked Assurance Limited (BULA) (your policy would originally have been issued by Allianz Cornhill Insurance plc); or
- ▶ the 90% Fund of Phoenix Life Limited.

In this leaflet we explain how our proposals will affect your policy in particular. We recommend that you read the other information we have sent you before reading this leaflet.

Introduction

As part of our proposals, the 90% Fund of Phoenix Life Limited will be renamed the 90% With-Profits Fund. All BULA with-profits policies will be transferred to the 90% With-Profits Fund of Phoenix Life Limited.

Your policy benefits

Whether you currently have a with-profits policy with BULA or within the 90% Fund of Phoenix Life Limited, your benefits should not change as a result of the transfer. We will continue to add annual and final bonuses, when appropriate, to with-profits policies in the same way as before.

When we transfer the BULA with-profits policies to the 90% With-Profits Fund, we will also transfer all the assets in the BULA With-Profit Fund underlying those policies. After the transfer, we will manage the BULA

with-profits policies in materially the same way as we do currently. Future bonuses on the BULA with-profits policies will take account of the assets underlying those policies that are transferred to the 90% With-Profits Fund, and the returns earned on them.

Similarly, after the transfer, with-profits policies that were in the 90% Fund before the transfer will continue to be managed in materially the same way as before, and future bonuses for those policies will take account of the assets in the 90% Fund before the transfer and the returns earned on them.

Principles and Practices of Financial Management

Full details of how Phoenix Life Limited currently manages the 90% Fund and of how BULA manages the BULA With-Profit Fund have been published in our Principles and Practices of Financial Management (PPFM). We are in the process of mailing to all our with-profits customers a shorter guide as to how we currently manage the with-profits fund their policy sits in. This is a customer friendly explanation of our PPFM.

A draft PPFM, to apply from 1 January 2007, has been prepared for the 90% With-Profits Fund. This is based on the existing PPFM for the 90% Fund, but it has been amended to include relevant sections from the PPFM for BULA. We have also prepared a draft version of our customer friendly guide for the 90% With-Profits Fund.

Copies of these drafts can be downloaded from our website from 30 September 2006 onwards, or you can request copies by calling our helpline from that date. You will find the website address and helpline number on the letter accompanying this leaflet. The draft copies will be subject to change.

Security of your benefits

The 90% Fund is currently in a healthy financial state, and will remain so after the transfer into it of the BULA with-profits policies and their underlying assets.

In extreme circumstances, the 90% With-Profits Fund may have to provide financial assistance to another fund within Phoenix Life Limited. However, our proposals mean that internal arrangements will be in place to ensure that Phoenix Life Limited holds assets in excess of the requirements of the FSA in relation to each of its funds, including the 90% With-Profits Fund.

Because of this, it will be extremely unlikely that a with-profits policy in the 90% With-Profits Fund will be affected by losses from another fund within Phoenix Life Limited.

The Independent Expert has concluded that the security of benefits and reasonable benefit expectations of all policyholders will not be materially adversely affected by the proposals.

Future conversion to non-profit policies

If the size of the 90% With-Profits Fund falls below a certain level in the future, our proposals will require us to convert all the with-profits policies that then exist in the fund to non-profit policies.

If the conversion happens, remaining with-profits policyholders will be given guaranteed bonuses at a guaranteed rate which will be calculated in a way that is fair to them.

Both the 90% Fund and the BULA With-Profit Fund already have a conversion option in place. The BULA With-Profit Fund was expected to trigger this option around 2009. However, the option of the enlarged 90% With-Profits Fund is not expected to be triggered until around 2039 at the earliest, so BULA with-profits policies will be given the chance to remain with-profits for much longer.

Further information

If you have any questions or require further information please call our helpline. You will find the number on the letter accompanying this leaflet.