



Abbey Life



PHOENIX LIFE

SCHEME GUIDE

FOR TRANSFERRING POLICYHOLDERS

This guide summarises our proposals to transfer all policies of Abbey Life Assurance Company Limited (Abbey Life) to Phoenix Life Limited (Phoenix). We refer to these proposals as 'the Scheme'. Abbey Life and Phoenix are both companies within the Phoenix Group.

Please read this guide carefully. We suggest you keep this guide with your original policy documents. If you have any questions about the information in this guide, please call our helpline on **0800 046 2009**.

The helpline is open 9am to 5pm, Monday to Friday, except if a Bank Holiday in England. Calls from the UK are free but may be charged from the Channel Islands.

If you are calling from outside the UK, please call +44 (0)1202 076 190. There may be a charge when dialling from overseas.

We may monitor or record calls.

This guide is for transferring policyholders; there is a separate guide for Phoenix policyholders. A simplified guide for transferring policyholders who only hold an annuity is also available on our website at www.abbeylife.co.uk/FM18 or from our helpline.

August 2018

If you would like this information in large print, braille or audio please call us on 0800 046 2009.

1. THE PROCESS WE ARE FOLLOWING

Abbey Life and Phoenix have applied to the High Court for permission to transfer all Abbey Life policies to Phoenix. The High Court will only give permission if it is satisfied that all the necessary legal requirements have been met and that the proposals treat policyholders appropriately.

We expect the hearing to be held at the High Court of Justice of England and Wales, The Rolls Building, 7 Rolls Buildings, Fetter Lane, London EC4A 1NL on 5 December 2018. If the High Court approves the Scheme, we expect the transfer to take place on 31 December 2018 (the transfer date).

An Independent Expert, Tim Roff, who is a partner at Grant Thornton LLP and whose appointment has been approved by the Prudential Regulation Authority (PRA), has written a report providing a detailed independent, expert opinion on how the proposals are likely to affect policyholders. This report, which has been reviewed by our regulators the PRA and the Financial Conduct Authority (FCA), will help the High Court reach their decision. You can find a summary of this report in section 5 of this guide and you can see the full report on our website. In the summary of his report, the Independent Expert says that the Scheme will not have a material adverse effect on the security of benefits or the future benefit expectations of policyholders of Abbey Life.

For policyholders resident in Jersey and the Bailiwick of Guernsey, there will be separate schemes. The hearings for these schemes will be heard by the relevant local courts in December 2018. If you are resident in Jersey or Guernsey, please see the letter accompanying this guide for further details of the court processes in Jersey and Guernsey. The content of this guide, other than the description of the court processes, applies to policyholders resident in Jersey and Guernsey.

Abbey Life also has a small number of policyholders who are resident in the Isle of Man or who live overseas. These policies will be subject to the terms of the Scheme if it is approved by the High Court.

2. WHAT THIS MEANS FOR YOU

If the Scheme goes ahead, your policy will transfer to Phoenix. You will then become a policyholder of Phoenix and Phoenix will be responsible for your policy.

There will be no changes to the way we service your policy. You will keep the same policy number and you will be able to contact the same customer service team on the same telephone number as you do now.

The Scheme will not affect your policy terms and conditions, your policy benefits or the amount of premium that you pay. The exception to this is for with-profits policies which, instead of participating in the profits of the fund, will become non-profit policies with guaranteed bonuses. If you have a with-profits policy, we have set out more information about changes to your policy in an additional leaflet 'With-profits changes explained', which is included within this pack.

If you have a unit-linked policy, the Scheme will not change the way the unit-linked funds are managed, the fund manager, the charges that apply or the way the units are priced. However, you may notice that all of the unit-linked fund names change to include the Phoenix name. For unit-linked funds other than the Hill Samuel range and the Target range, the Scheme will allow the division, merger or closure of unit-linked funds and the modification of their investment objectives to permit investment in reasonably similar assets. These changes are designed to reflect good market practice and are consistent with the approach Abbey Life would expect to take in its current management of its unit-linked funds. The proposed changes will not override your existing policy terms and conditions.

Phoenix will maintain financial security for your policy as it will be covered by the Phoenix Capital Policy, under which Phoenix holds more capital than the minimum required by regulation. The aim is to ensure that Phoenix can withstand extreme financial conditions. The Independent Expert has considered the effect of the Scheme on the security of Abbey Life policyholders. His conclusions are set out in section 5 of this guide.

You may notice some small changes.

- The Phoenix Life name and logo will start to appear on any letters or documents we send you. You can see the Phoenix Life logo on the front of this booklet.
- Information that is currently available on the www.abbeylife.co.uk website will instead be available on www.phoenixlife.co.uk.
- Where Abbey Life is the administrator of a pension scheme, Phoenix will become the scheme administrator in place of Abbey Life.
- Any regular payments you receive from Abbey Life will instead come from Phoenix, and direct debits payable to Abbey Life will automatically become payable to Phoenix without you having to do anything. The name Phoenix Life will appear on your bank statements.
- You will need to make cheques payable to 'Phoenix Life Limited' (although cheques made payable to Abbey Life Assurance Company Limited will be accepted for a period of time).

3. WHAT YOU SHOULD DO NEXT

Please read all of this guide and the enclosed information, which we suggest you keep with your original policy documents. If anyone else has an interest in your policy (for example a beneficiary, trustee in bankruptcy, executor or personal representative, or if your policy has been assigned), please make them aware of these proposals. Otherwise, you don't need to do anything unless you would like further information or feel you may be adversely affected by the Scheme.

If you require further information, please read the enclosed leaflet 'Your questions answered'. You can also see the full Scheme document and full Independent Expert's report on our website at www.abbeylife.co.uk/FM18.

If you have any more questions, or would like paper copies of these documents, please call our helpline on **0800 046 2009**, use our website enquiry form or write to:

Abbey Life Transfer Team
100 Holdenhurst Road
BOURNEMOUTH BH8 8AL

Please quote FM18 and your reference number, which you will find at the top of the letter accompanying this guide.

If you have an authorised financial adviser, you may also wish to speak to them.

If you believe you may be adversely affected by the Scheme, you can put your objections to the High Court in the following ways.

- By calling our helpline, or by writing to us at the address above.
- By presenting your objection in person at the High Court hearing. You can also ask a representative to do this for you. Your representative does not need legal training and could be a friend or relative. If you or a representative wish to present your objections at the hearing, please let us know so that we can contact you if there are any changes to the date of the hearing. We may also be able to deal directly with any concerns you have.

If you call or write to us with an objection, we will reply to you and send your objection and our reply to the High Court, the Independent Expert and our regulators before the hearing at the High Court. You should raise any objection with us as soon as possible and preferably before 16 November 2018.

If you are a Trustee of an Abbey Life group pension scheme, please make sure that all scheme members know about the transfer and are aware that full details are available on our website or may be obtained by calling the helpline. If you need support to do this, please contact our helpline.

4. SUMMARY OF THE TERMS OF THE SCHEME

Transferring the business

If the High Court approves the Scheme, all Abbey Life policies will transfer to Phoenix on the transfer date. Phoenix will become the product provider and will be responsible for the transferred policies. Phoenix will take over Abbey Life's rights and obligations relating to the transferred policies and you will be entitled to the same rights against Phoenix as you currently have against Abbey Life. Any contracts that Abbey Life has with other organisations will also transfer so that they will be between Phoenix and that organisation.

The transfer date

If the High Court approves the Scheme, we expect the transfer date to be 31 December 2018. Phoenix and Abbey Life can agree to defer the transfer, although it should take place no later than 31 March 2019. Any change to the transfer date will be announced on our website www.abbeylife.co.uk/FM18.

Unit-linked funds

The Scheme will not change the way the unit-linked funds are managed, the assets of the unit-linked funds, the charges which apply or the bases used to price units in the funds. Phoenix will create internal unit-linked funds corresponding to all those currently in Abbey Life and policyholders will be allocated the same value of units in those new Phoenix funds as they held in the unit-linked funds of Abbey Life immediately before the transfer. All of Abbey Life's arrangements with external unit-linked fund providers will also transfer.

For the Hill Samuel range and the Target range of unit-linked funds, Phoenix will have the same rights as Abbey Life had before the Scheme, as well as the same obligations to policyholders. For other unit-linked funds, the Scheme will allow the division, merger or closure of unit-linked funds and the modification of their investment objectives to permit investment in reasonably similar assets. These changes are

designed to reflect good market practice and are consistent with the approach Abbey Life would expect to take in its current management of its unit-linked funds. The Scheme will not override the policy terms and conditions, so these actions will not be permitted if they are contrary to the policy terms and conditions. In addition, these actions will only be taken if, having obtained the advice of the Chief Actuary, they are considered fair to policyholders.

With-profits policies

There will be changes to with-profits policies as a result of the Scheme. Instead of participating in the profits of the fund, these policies will change to non-profit policies with guaranteed bonuses. If you have a with-profits policy, more information is set out in the enclosed leaflet 'With-profits changes explained'.

Policies with options for a new or replacement policy

If your policy has an option or other right which entitles you to take out a new, additional or replacement policy, you will be entitled to require Phoenix to issue such a policy after the transfer. If Phoenix is not issuing these exact policies, Phoenix may (subject to satisfying certain requirements) offer you the nearest equivalent policy in terms of investment exposure that Phoenix is then providing.

Excluded policies

If, for technical reasons, we are unable to transfer any policy or group of policies (for example, because the separate schemes in Jersey and Guernsey have not yet been approved), we will treat these policies for all practical purposes in the same way as if they had transferred, by way of a reinsurance arrangement between Abbey Life and Phoenix.

Data protection

Following the transfer, Phoenix will become the 'data controller', meaning that it will take over the rights and responsibilities in respect of personal data which is associated with the business of Abbey Life.

Costs

None of the costs and expenses relating to the preparation of the Scheme or the High Court process will be met by policyholders.

5. SUMMARY OF THE INDEPENDENT EXPERT'S REPORT

The following is a summary of the report written by the Independent Expert, Tim Roff. You can see the full version of the Independent Expert's report on our website, or you can get a paper copy by calling our helpline or writing to us at the address given in section 3.

Introduction

Purpose of this summary

- Under the Scheme, it is proposed that all of the business of Abbey Life Assurance Company Limited (Abbey Life) is transferred to another UK life insurance company within the Phoenix Group, Phoenix Life Limited (Phoenix).
- It is a requirement that when a scheme of transfer of insurance business from one company to another is submitted to the High Court of Justice of England and Wales (the 'Court') for approval, it must be accompanied by a report from a person who is experienced in insurance matters and is independent of the companies involved ('Independent Expert'). There are similar requirements for schemes of transfer relating to policies issued to or held by residents of Jersey and Guernsey.
- I have been appointed as the Independent Expert to consider the effect which the proposed Scheme is expected to have on the policyholders that transfer from Abbey Life to Phoenix ('Transferring Policyholders'). I have written a report setting out my views to assist the Court in deciding whether or not to allow the Scheme to go ahead. Although there are separate schemes covering policies issued to or held by residents of the UK, Jersey and Guernsey, each of these schemes are substantially the same and are referred to collectively as 'the Scheme'.

- This document sets out a summary of the conclusions in my report in respect of the Transferring Policyholders under the Scheme and applies equally to policies transferring under the UK, Jersey and Guernsey Schemes. A copy of my full report and a copy of the Scheme is available on the website of Abbey Life (www.abbeylife.co.uk/FM18) and the website of Phoenix (www.phoenixlife.co.uk/FM18).

The Independent Expert

- I am a Fellow of the Institute and Faculty of Actuaries and I have over 30 years' experience in the life insurance industry. I am a Partner at the consultancy firm Grant Thornton UK LLP. I am independent of the companies involved in the Scheme and my appointment has been approved by the Prudential Regulatory Authority (PRA) following consultation with the Financial Conduct Authority (FCA). The PRA and the FCA are responsible for the regulation of UK insurance companies.

Effect of the Scheme

- At the transfer date (as defined in the Scheme), all of the policies in Abbey Life will transfer to Phoenix and become policies of Phoenix. Other than for with-profit policies, there will be no change to any of the terms and conditions or options and guarantees of the transferring policies as a result of the Scheme.
- The Scheme will have no impact on the product discretion policy and governance structures implemented by the Phoenix Group.
- At the transfer date, Phoenix will become party to all external third party reinsurance treaties in relation to the transferring business currently held by Abbey Life. These treaties will continue to operate in the same way as they did before the transfer date with no changes to the terms of the reinsurance. With the implementation of the Scheme, the reinsurance between Abbey Life and Phoenix will cease.

The impact of the Scheme on Abbey Life Policyholders

Non-Profit and Unit-Linked Policyholder benefit expectations and contractual rights

- The Scheme does not amend any of the policy terms and conditions of the unit-linked and non-profit transferring policies. My opinion on the impact of the Scheme on with-profit policyholders' benefit expectations and contractual rights is outlined in the leaflet 'With-profits changes explained'.
- For non-profit business (including Corporate Transactions, but excluding unit-linked policies), benefits on death or maturity are generally fixed amounts and are not impacted by expenses or tax charged to the Non-Profit Fund. However, there are a number of areas where discretion may be applied which may impact benefit payments at other times, for example on surrender or policy conversion. Following the transfer, it will fall to the management of Phoenix to exercise such discretion.
- For unit-linked policies, policyholders' benefit expectations depend on the underlying performance of the funds. New unit-linked funds will be created in Phoenix corresponding to those in Abbey Life. They will have the same asset pools and charges and will be priced on the same basis as the equivalent funds immediately before the transfer. The transferring policies will be allocated the same number and value of units pre and post transfer.
- The Scheme will permit Phoenix to close, divide, wind up or modify the investment objectives of the unit-linked funds provided that the Phoenix Board considers the treatment equitable between the affected policyholders (having regard to the advice of the Phoenix Chief Actuary). However, the Scheme will not override the terms and conditions of the policies.
- Discretion in relation to policy expenses, risk charges and sum assured reviews for the non-profit and unit-linked Abbey Life policies will continue to fall under the remit of the Customer Treatment Policy and the Product Risk and Assurance Framework which applies to all companies within the Phoenix Group. There will be no change to the

way in which the exercise of product discretion of Abbey Life policies is operated and governed post the transfer.

- I am satisfied that the Scheme will not have any material impact on the benefit expectations and will not affect the contractual rights of the Transferring Non-Profit and Unit-Linked Policyholders. I have reached this conclusion because:
 - the policy terms and conditions do not change as a result of the Scheme;
 - there is no change to the way discretion will be applied to non-profit and unit-linked business nor the governance around the discretion; and
 - the additional powers granted by the Scheme for unit-linked policies reflect good market practice.

Security of Transferring Policyholder benefits

- Even if the level of benefits will not change, it is important to consider whether Phoenix will be able to make those payments in the future. I have therefore considered Phoenix's financial strength and solvency.
- Across the EU, every insurer must satisfy minimum solvency standards by maintaining a minimum level of capital, known as the Solvency Capital Requirement (SCR). Both Abbey Life and Phoenix calculate their capital requirements using the same Solvency II Internal Model approved by the PRA. Phoenix will continue to calculate its capital requirements in this manner following the Scheme.
- The financial analysis I have considered indicates that Phoenix would continue to meet its regulatory capital requirement as well as the requirements of its own capital policy after the Scheme has been implemented.
- Although the percentage SCR cover in Phoenix post the implementation of the Scheme is less than it is in Abbey Life, I am satisfied that this will not have a material effect on the security of the

benefits of the transferring Abbey Life policyholders. I have reached this conclusion because:

- capital policies and governance of the capital policies are the same for both companies;
- both companies are capitalised above their target capital level and this position does not change, even after the dividend payment from the excess capital of Abbey Life made in June 2018;
- both companies operate similar risk management frameworks, policies, risk appetite and limits and these are similar to the general market practice in UK;
- both companies operate under the same risk based regulatory regimes;
- as both companies operate under the same regulatory framework, the Financial Services Compensation Scheme provides additional protection to policyholders post transfer; and
- I consider the higher SCR ratio of Abbey Life to be a temporary feature while the group is restructuring and understand that it would normally be distributed to shareholders so as to operate at a level close to target.

Governance arrangements

- The transferring policies will be subject to the governance arrangement under Phoenix. The Phoenix Board has the same composition as the Abbey Board, with the same number of independent members. The same committees of the Board oversee the day-to-day governance as those currently under Abbey Life.

Service standards

- Policy administration is currently outsourced. I am not aware of any proposed changes to policy administration immediately following the transfer. There will be no change to the terms upon which the administrative and investment management arrangements are provided as a result of the Scheme. The Scheme will not change the manner in which the administration of the transferring policies is carried out.

- The agreed service standards will continue post transfer and therefore there is no reason to expect the quality and level of service provided to the Transferring Policyholders to deteriorate as a consequence of the Scheme.

Communications with policyholders

- Transferring Policyholders for whom Abbey Life holds current address details on its computerised systems will receive a communications pack.
- I have reviewed the communications that will be sent to all Transferring Policyholders and I am satisfied that they are appropriate and not misleading.

Rights of policyholders who object to the Scheme

- Any policyholder who feels they may be adversely affected by the Scheme may put their objections to Abbey Life, Phoenix or the Court. I will consider any such objections when concluding on the appropriateness of the Scheme when I issue my Supplemental Report.

Overall conclusion

- In summary, it is my opinion that the implementation of the proposed Scheme will not have a material adverse effect on the security of benefits or the future benefit expectations of policyholders of Abbey Life.
- It is also my opinion that the Scheme will have no material impact on the service standards and governance experienced by the Transferring Policyholders.
- Overall, I see no reason why the Scheme should not go ahead.

Tim Roff FIA
Partner
Grant Thornton UK LLP

Appendix: Legal Notice

**IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
COMPANIES COURT**

CR-2018-0019764

IN THE MATTER OF ABBEY LIFE ASSURANCE COMPANY LIMITED

- and -

IN THE MATTER OF PHOENIX LIFE LIMITED

- and -

IN THE MATTER OF THE FINANCIAL SERVICES AND MARKETS ACT 2000

NOTICE IS HEREBY GIVEN that on 23 July 2018 Abbey Life Assurance Company Limited (“Abbey Life”) and Phoenix Life Limited (“Phoenix”) applied to the High Court of Justice of England and Wales, pursuant to section 107(1) of the Financial Services and Markets Act 2000 (the “Act”), for an Order under section 111 of the Act sanctioning a scheme (the “Scheme”) for the transfer to Phoenix of the entire business of Abbey Life (the “Business”) and for the making of ancillary provisions in connection with the implementation of the Scheme under section 112 of the Act.

The proposed transfer will result in the Business which is currently carried on by Abbey Life being carried on by Phoenix. Under the terms of the Scheme, all liabilities in respect of the Business as at the date of transfer shall be transferred to and become liabilities of Phoenix. All claims in respect of the policies comprised within the Business shall, upon the transfer becoming effective, be dealt with by Phoenix.

Copies of the report on the terms of the Scheme prepared by an Independent Expert in accordance with section 109 of the Act (the “Independent Expert’s Report”), Scheme guides (which contain a statement setting out the terms of the Scheme and a summary of the Independent Expert’s Report), and copies of the Scheme document itself can be obtained free of charge by contacting Abbey Life or Phoenix using the telephone number or address set out below. These and other documents relating to the Scheme (including actuarial reports and sample copies of the communications to policyholders) are also available on the websites of Abbey Life and Phoenix at www.abbeylife.co.uk/FM18 and www.phoenixlife.co.uk/FM18.

Any questions or concerns relating to the proposed transfer should be referred to Abbey Life or Phoenix using the following telephone number or address:

- By post: Abbey Life Transfer Team, 100 Holdenhurst Road, Bournemouth BH8 8AL.

- By telephone: if calling from the UK 0800 046 2009, or if calling from outside the UK +44 (0)1202 076 190. Telephone lines are open from 09:00 to 17:00 Monday to Friday, except if a Bank Holiday in England.

If you have a policy with Abbey Life or Phoenix, please quote your policy number in any correspondence. This can be found on your policy documents.

The application is due to be heard on 5 December 2018 before a Judge of the Chancery Division of the High Court at The Rolls Building, 7 Rolls Buildings, Fetter Lane, London EC4A 1NL. If approved by the Court, it is currently proposed that the Scheme will take effect at 23:59 GMT on 31 December 2018.

Any person (including any policyholder or employee of Abbey Life or Phoenix) who thinks that he or she may be adversely affected by the carrying out of the Scheme may attend the hearing and make representations in person or instruct a legal representative to act on his or her behalf.

Any person intending to attend is requested, but not required, to give notice of such intention as soon as possible and preferably before 16 November 2018, setting out their grounds of objection or how they may be adversely affected, either to Abbey Life or Phoenix by calling the number above or by writing to the address above, or by writing to the solicitors named below.

Any person who thinks that he or she may be adversely affected by the Scheme but does not intend to attend the hearing may also make representations about the Scheme by giving notice of such representations, as soon as possible and preferably before 16 November 2018, either to Abbey Life or Phoenix by calling the number above or by writing to the address above, or by writing to the solicitors named below.

If the Scheme is sanctioned by the Court, it will result in the transfer of all the contracts, property, assets and liabilities of Abbey Life to Phoenix.

Clyde & Co LLP
The St Botolph Building
138 Houndsditch
London
EC3A 7AR
Ref: WOH/JYP/10095741

Solicitors to Abbey Life Assurance Company Limited and Phoenix Life Limited

Abbey Life Assurance Company Limited is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

Abbey Life is registered in England No. 710383

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