



Abbey Life



PHOENIX LIFE

WITH-PROFITS CHANGES EXPLAINED

FOR POLICYHOLDERS WHO HAVE A WITH-PROFITS POLICY IN THE HILL SAMUEL PARTICIPATING BUSINESS FUND

We have sent you this leaflet because you have a with-profits policy in the Hill Samuel Participating Business Fund (Hill Samuel PB Fund) of Abbey Life Assurance Company Limited (Abbey Life). We recommend that you read the Scheme guide and other material that we have sent you alongside this leaflet.

In this leaflet, we explain our proposals to convert the with-profits policies in the Hill Samuel PB Fund to non-profit policies with guaranteed bonuses. We also explain how this affects your policy. The conversion will take place at the same time as the policies are transferred to the Non-Profit Fund within Phoenix Life Limited (Phoenix). We expect this to happen on 31 December 2018.

Converting the policies to non-profit will allow the assets in the Hill Samuel PB Fund to be distributed fairly and will provide you with certainty about the level of future bonuses.

If you have any questions or require further information, please call our helpline or visit our website. You will find the details in the letter enclosed with this leaflet.

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

INTRODUCTION

Your with-profits policy was transferred to the Hill Samuel PB Fund of Abbey Life in January 1998. The scheme which transferred the policies included the ability to close the Hill Samuel PB Fund and convert policies to non-profit when the number of policies in the fund fell below 1,000. Over time, the number of policies has reduced so that it is expected to fall below 1,000 during 2019. By including the conversion in our proposals to transfer Abbey Life business to Phoenix, we are bringing the conversion forward slightly and you will benefit from the additional protection provided by the transfer process, which includes external review and scrutiny of the terms of the conversion by the Independent Expert and regulators, and approval by the High Court.

OUR PROPOSALS AND HOW THEY IMPACT YOUR POLICY

The transfer will not change your sum assured or the annual (sometimes referred to as reversionary or regular) bonuses that have already been added to your policy. If you pay premiums, the amount of premium you pay will not change.

At present, neither the amount of future annual bonuses or the amount of any final bonus, which is added to your policy on a claim, is guaranteed. The amount of these bonuses can vary and can be zero. The conversion will change this so that your future annual bonus will be guaranteed at the current rate of 0.5% of the sum assured, and a final bonus scale will be calculated that will use up all the surplus in the fund and will be guaranteed.

In addition, a special bonus will be added to all policies in force on the transfer date. This will be calculated based on policyholders' share of the potential future surplus expected to arise from certain policies where we believe that the likelihood of a claim being made is low.

The guaranteed final bonus scale and the amount of the special bonus are not known currently because they cannot be determined until after

the transfer date. The report of the With-Profits Actuary of Abbey Life outlines how the guaranteed final bonus scale and the special bonus will be determined. A copy of the report is available on our website at www.abbeylife.co.uk/FM18 or may be obtained by contacting our helpline as set out in the letter accompanying this leaflet.

If the Scheme goes ahead, the special bonus will apply to your policy from the transfer date. We will write to you during April 2019 to inform you of the amount of special bonus to be added to your policy.

If your policy meets the requirements for qualifying status for tax purposes at the transfer date, the conversion will not change that. However, to provide you with additional protection, the Scheme requires Phoenix to fully compensate you if you incur additional tax as a result of these proposals.

Your policy will continue to operate in a similar way and the Scheme will not change the way in which the amount paid out on surrender is calculated.

Following the conversion to non-profit, the 'Principles and Practices of Financial Management', which details how Abbey Life currently manages the Hill Samuel PB Fund, will no longer apply.

SUMMARY OF THE INDEPENDENT EXPERT'S OPINION ON THE TERMS OF CONVERSION OF WITH-PROFIT POLICIES

I am satisfied that the Scheme will not have any material impact on the benefit expectations and contractual rights of the transferring with-profits policies in the Hill Samuel PB Fund. I have reached this conclusion because:

- it is sensible to use a Scheme process to close small with-profits funds and distribute the remaining surplus fairly among remaining policyholders;
- the conversion to non-profit provides more certainty over death and maturity benefits and expenses charged to the policies;

- the method used to distribute the surplus in the fund as a final bonus to policyholders is in line with past practice and market practice, and based on best estimate assumptions as to the future;
- the surrender basis will continue to reflect the fair value of policies including the final and special bonus. The actual surrender amount will be determined at the time of surrender using the discount rate applicable on surrender;
- where it is expected that a claim is unlikely to be made, it is proposed that at least 50% of the potential surplus arising from these policies is distributed to all policies in force at the transfer date in the form of a special bonus. In the past, policyholders did not share in the surplus of policies that did not claim;
- given shareholders bear the risk of potential claims on untraced policies, I am satisfied that reserves will be held in the Non-Profit Fund of Phoenix for all policies including those where a claim is not expected to be made; and
- apart from the point above, shareholders only share in 10% of the surplus distributed, in line with the constitution and past practice of the fund.

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.