



Abbey Life



PHOENIX LIFE

## WITH-PROFITS CHANGES EXPLAINED

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FOR POLICYHOLDERS WHO HAVE A WITH-PROFITS POLICY IN THE ABBEY LIFE PARTICIPATING BUSINESS FUND

We have sent you this leaflet because you have a with-profits policy in the Abbey Life Participating Business Fund (Abbey Life 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 Abbey Life PB Fund to non-profit policies with guaranteed annual 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.

The Abbey Life PB Fund was closed to new business in 1973 and, since then, the number of policies in the fund has reduced so that there are now less than 100 policies in the fund. Converting the policies to non-profit will allow the assets in the Abbey Life PB Fund to be distributed fairly between policyholders and will provide you with certainty about the level of future annual 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.**

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# OUR PROPOSALS AND HOW THEY IMPACT YOUR POLICY

There are different types of policies in the Abbey Life PB Fund. The changes we propose will depend on the type of policy you have.

## **Planned investment endowment (PIE) policies**

If you have a PIE policy, the transfer will not change your policy guarantees, the number or value of the units allocated to your policy or the annual bonuses (sometimes referred to as reversionary bonuses) that have already been added to your policy. If you pay premiums, the amount of premium you pay will not change.

At present, the amount of future annual bonuses is not guaranteed, the amount can vary and can be zero. Final bonus rates, which are payable on a claim, are based on the dividend income from distribution units in the fund and any surplus that has arisen in the fund. The conversion to non-profit will change this so that your future annual bonuses will be guaranteed at the current rate. A final bonus for PIE policies will be declared at the transfer date to use up any surplus then in the fund, and future final bonus rates will be based only on the dividend income and not any other profits or losses. This means that the final bonus will only reflect investment performance, so it could still increase (or decrease) in future but its calculation would not require Phoenix to make any judgement or decisions.

## **Conventional endowment and whole of life with-profits (CWP) policies**

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

At present, the amount of future annual bonuses is not guaranteed, their amount can vary and can be zero. The conversion to non-profit will change this so that your future annual bonuses will be guaranteed at the current rate.

## All policies

A special bonus will also be applied 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 the likelihood of a claim being made is low. The amount of the special bonus will be determined after the transfer date, so it is not known currently. The report of the With-Profits Actuary of Abbey Life outlines how the special bonus will be determined. A copy of that report is available on our website at [www.abbeylife.co.uk/FM18](http://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 the period February to March 2019 to inform you of the amount of the special bonus to be added.

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

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## 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 Abbey Life 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.