



PHOENIX LIFE

SIMPLIFYING OUR BUSINESS

Scheme guide

Transferring all the policies of NPI Limited (NPIL) and certain policies of National Provident Life Limited (NPLL) to Phoenix Life Limited

This guide has been prepared for NPLL policyholders whose policies are not transferring under the Scheme

November 2011

NPI

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We (the **Phoenix Group**) have prepared this guide to summarise our proposals to transfer all NPIL Limited (**NPIL**) and certain National Provident Life Limited (**NPLL**) policies to Phoenix Life Limited (**Phoenix Life**). **NPIL**, **NPLL** and **Phoenix Life** are all part of the **Phoenix Group** of companies. In this guide, and other related material, we refer to our proposals as ‘the **Scheme**’.

There are other companies in the **Phoenix Group**, but they will not be affected by the **Scheme**.

The **Scheme** will simplify our business, enable us to be more efficient and will also allow us to make better use of our resources. The **Scheme** follows on from previous similar schemes carried out since 2005 which transferred the business of other companies in our Group to **Phoenix Life**.

In this guide you will find:

- important information about the **Scheme** and how it affects you;
- a summary of a report by an **Independent Expert** that considers how your interests as a policyholder may be affected by the **Scheme** (section 7);
- details on how to raise any concerns you may have about the **Scheme** (section 4); and
- a copy of the formal notice of our application to the **High Court** for approval of the **Scheme** (Appendix 1).

Throughout this document, you will notice words that are highlighted in bold. We explain these words in section 9 - Definitions.

If you have other policies with us, you may receive other material relating to the **Scheme**.

NPIL, **NPLL** and **Phoenix Life** have applied to the **High Court** for permission to transfer all **NPIL** and certain **NPLL** policies to **Phoenix Life**. The **High Court** will only give permission if it is satisfied that all the necessary legal requirements have been met and that the proposed changes are fair to policyholders.

An **Independent Expert**, whose appointment has been approved by our regulator, the Financial Services Authority (**FSA**), 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 the **FSA**, will help the **High Court** reach its decision. You can find a summary of this report in section 7 of this

guide. The report says that the **Scheme** is unlikely to have a material adverse impact on the security of **NPIL**, **NPLL** or **Phoenix Life** policyholders’ benefits, or on what these policyholders can expect their benefits to be.

A **hearing** will take place at the **High Court** to consider the proposals, and we expect this to be on 10 February 2012. After the **hearing**, we will put a message on our website www.npi.co.uk/FM11scheme and add a recorded message to our helpline to confirm the **High Court**’s decision.

If the **High Court** approves the **Scheme**, the changes will take place on the ‘**transfer date**’, which we expect to be 27 February 2012.

Your policy documents will give details on the type of policy you hold.

If the **Scheme** is approved by the **High Court**, all **NPIL** policies and **NPLL** annuities in payment with a commencement date on or after 1 January 2000 will transfer to **Phoenix Life**.

All other **NPLL** policies will remain with **NPLL** and the **Scheme** will not change the way these policies are managed. The terms and conditions of these policies will not change and any guarantees that apply to

these policies and any payments made will not be affected. For **with-profits** policies there will also be no change in the way bonuses are calculated or added.

If you are approaching retirement and accept an annuity from **NPLL** that starts before the **transfer date** (27 February 2012), then your annuity will transfer to **Phoenix Life** under the **Scheme** on the **transfer date**. If this affects you, then we will send you a full information pack.

Please read this guide to make sure you understand our proposals.

If you are happy with our proposals, you do not need to do anything.

If you have any questions or concerns, you can read the full **Scheme** document and other relevant documents, including the **Independent Expert's** report, on our website at www.npi.co.uk/FM11scheme.

If you would like a paper copy of any of these documents or if you need more help after reading this guide, please write to us at the address given in section 8 or call our helpline on 0845 601 0170. Our contact centre staff will endeavour to answer your questions directly, and all queries will be responded to.

Alternatively, you may wish to speak to an authorised financial adviser about the transfer or, if you have a pension policy, the Pensions Advisory Service. If you do not already have a financial adviser, you can find details of the advisers in your area on

the IFA Promotion Ltd website at www.unbiased.co.uk. Please note that financial advisers may charge you for providing advice.

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

- You can call our helpline.
- You can write to us at the address given in section 8, quoting reference FM11.
- You can go to the **High Court hearing** and present your objection in person.
- A representative can go to the **High Court hearing** with you and, if the **High Court** allows, present your objection on your behalf. Your representative does not need legal training and could be a friend or relative.

If you call or write to us with an objection, then we will reply to you and send your objection and our reply to the **High Court**,

the **Independent Expert** and the **FSA** before the **hearing** at the **High Court**. You should raise any objection with us as soon as possible and preferably before 3 February 2012.

If you plan to go to the **High Court hearing**, please call our helpline or write to us at the address given in section 8 quoting reference FM11, ideally before 3 February 2012. If you want to object at the **hearing**, please outline your objection

so we can send this to the **High Court**, the **Independent Expert** and the **FSA** before the **hearing**. By informing us, we will also be able to let you know about any changes that may be made in relation to the **hearing**, for example a change of date. We may also be able to deal directly with any concerns you have.

If you do write to us, please quote your policy number. This can be found on your policy documents or annual statement.

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Other parties with an interest in your policy

If there is any other person with an interest in your policy, for example if you are a co-owner or if your policy has been

assigned, you may wish to make them aware of these proposals.

6

Summary of the terms of the Scheme

This section summarises the main terms of the **Scheme**.

6.1 Transferring the business

If the **High Court** approves the **Scheme**, on the **transfer date** all **NPIL** policies and all **NPLL** annuities in payment with a commencement date on or after 1 January 2000 will transfer to Phoenix Life.

However, to simplify our accounts, the **Scheme** will have the financial effect, within these accounts, as if the changes had taken place on 1 January 2012. This date is called the '**effective date**'. Having an **effective date** that is before the **transfer date** does not alter the way the transferring policies are dealt with under the **Scheme**.

Following the **transfer date**, **Phoenix Life** will become the product provider and responsible for the transferred policies

instead of **NPIL** or **NPLL**. **Phoenix Life** will also take over **NPIL**'s and **NPLL**'s rights, benefits and powers that relate to the transferred policies. If you have a transferred policy, you will be entitled to the same rights with **Phoenix Life** in respect of your policy as you had with **NPIL** or **NPLL**.

Any contracts that **NPIL** or **NPLL** have with other people or organisations for the transferring insurance business, for example **reinsurance** agreements, will also transfer so they will be between **Phoenix Life** and that organisation or person.

6.2 Phoenix Life fund structure

Phoenix Life divides its assets into two main funds, the **Shareholder Fund** and the **Long-Term Insurance Fund**. The **Long-Term Insurance Fund** is further divided into 10 sub-funds that different assets and types of policy are allocated to.

The sub-funds are listed below.

- 90% With-Profits Fund
- 100% With-Profits Fund
- Alba With-Profits Fund
- Britannic Industrial Branch Fund
- Britannic With-Profits Fund
- Non-Profit Fund
- Phoenix With-Profits Fund
- SAL With-Profits Fund
- Scottish Mutual With-Profits Fund
- SPI With-Profits Fund

As part of the **Scheme**, a separate new fund, the **NPI With-Profits Fund (NPI WPF)**, will be created in the **Phoenix Life Long-Term Insurance Fund**, making 11 sub-funds in all.

On the **transfer date**, all **NPIL** policies and all **NPLL** annuities in payment commencing on or after 1 January 2000 will transfer to the **Phoenix Life NPF**. All the assets and liabilities of the **NPIL Long-Term Insurance Fund** will transfer to the **Phoenix Life NPF**, other than the assets and liabilities in respect of the **with-profits** benefits of transferring policies, which will transfer to the **NPI WPF**. The **with-profits** benefits will be **reinsured** from the **NPI WPF** to **Pearl**, so that the **reinsurance** arrangement with **Pearl** is maintained.

6.3 Managing the NPI With-Profits Fund (NPI WPF)

The specific powers and responsibilities that the **NPIL With-Profits Committee** has in relation to **NPIL's Long-Term Insurance Fund** will be taken on by the **Phoenix Life With-Profits Committee** (the **Phoenix Life WPC**), which provides independent input to the **Phoenix Life Board** regarding the management of the **Phoenix Life with-profits** funds.

The **Phoenix Life WPC** will always include a majority of non-executive members. One of these members must also be an

actuary who is not a director or otherwise associated with **Phoenix Life** or any other company within the **Phoenix Group**.

6.4 Provision for closing the NPI WPF

Under the terms of the **Scheme**, **Phoenix Life** will be required to close the **NPI WPF** if substantially all of the **with-profits** benefits in the fund are no longer fully **reinsured** out and the value of the **NPI WPF's with-profits** liabilities falls below £50m (for example as a result of policyholders taking their benefits or leaving the fund).

If the fund is closed because its **with-profits** liabilities have fallen below this level:

- any **guaranteed benefits** will be protected;
- all **with-profits** policies will be changed into **non-profit** policies; and
- **Phoenix Life** will transfer all assets and liabilities from the **NPI WPF** to a **non-profit** fund in **Phoenix Life**. Policyholders will be allocated guaranteed bonuses at a guaranteed rate that will be worked out in a way that is fair to them.

The **Scheme** contains a requirement that **Phoenix Life** must get written permission from the **FSA** before it can close the **NPI WPF** in this way. The **Phoenix Group** will make sure that any proposed changes are consistent with the **FSA** requirement to treat our customers fairly.

6.5 Future changes to unit-linked funds

This section relates to internal **unit-linked** funds created by **Phoenix Life** to replace the corresponding **unit-linked** funds of **NPIL**. It does not apply to external funds that transferring policies may be invested in directly.

Following the transfer, **Phoenix Life** will be able to close any of the new internal **unit-linked** funds if the value of the assets in them falls below a certain amount, or if they decide (following appropriate advice) that maintaining the fund is not feasible.

If this happens, **Phoenix Life** will let affected policyholders know about the changes.

If a **unit-linked** fund were to close, the policies affected would be given new units of an equal value in a different **unit-linked** fund. The substitute **unit-linked** fund would, in the opinion of the **Phoenix Life** Board, provide reasonably equivalent investment exposure.

The **Scheme** will preserve **NPIL**'s current powers to merge or modify the investment objectives of any **unit-linked** funds on such terms as **Phoenix Life** considers fair to policyholders (having obtained appropriate advice). If such a change would be contrary to the terms of the affected policies, however, **Phoenix Life** will need to apply to the **High Court** and give notice to the affected policyholders.

The **Scheme** will give policyholders the right to one free switch into another fund if they are affected by the merger or closure of a **unit-linked** fund.

6.6 Capital policy

Phoenix Life adheres to the terms of the **Phoenix capital policy (PCP)**, which was written into a previous scheme approved by the **High Court** in 2009. Under the **PCP**, **Phoenix Life** holds more capital than the minimum level required under current legislation. The aim is to help **Phoenix Life** withstand extreme financial conditions.

NPIL and **NPLL** currently have their own capital policies but the **PCP** will require **Phoenix Life** to hold more capital in respect of the transferring business than is currently held by **NPIL** and **NPLL**. This will enable **Phoenix Life** to withstand a higher level of financial stress than is currently the case for **NPIL** and **NPLL**. The **PCP** is dynamic and moves in line with the amount and type of business in the company. It also offers greater security because it can only be changed in specific circumstances set out in its terms or otherwise with the agreement of the **High Court**.

There is a very remote possibility that, in extreme circumstances, a **with-profits**

fund might need to provide support to another **Phoenix Life** fund. However, under our proposals, the **PCP** should make sure that **Phoenix Life** holds assets above the minimum level required under current legislation for each of its funds, including the **NPI WPF** and **Phoenix Life NPF**. Because of this, we believe it is extremely unlikely that a policy in the **NPI WPF** will be affected by losses from another **Phoenix Life** fund.

The **Independent Expert** has considered the effect of the **Scheme** on the security of benefits of all **Phoenix Life**, **NPIL** and **NPLL** policyholders. His conclusions are set out in section 7.

6.7 Excluded policies

If there are technical reasons why we are unable to transfer any policy or group of policies when the **Scheme** takes effect, 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 **NPIL** or **NPLL** (as relevant) and **Phoenix Life**.

6.8 Data Protection

Following the **transfer date**, under the terms of the **Scheme**, **Phoenix Life** will take over the rights and responsibilities of **NPIL** and **NPLL** in respect of personal data which:

- is associated with the transferring insurance business of **NPIL** or **NPLL**;
- is controlled by **NPIL** or **NPLL**; and
- is subject to the Data Protection Act 1998.

This means that, from the **transfer date**, **Phoenix Life** will become the 'data controller' for this data and so will be under the same duty to respect the confidentiality and privacy of that information as **NPIL** or **NPLL** were when they were the data controllers.

As the new data controller, **Phoenix Life** will continue to use and manage this personal data for the purposes that transferring policyholders have previously been advised.

The following is a summary of the report written by the **Independent Expert**, Mr David Murray, who is a senior actuary and partner at Deloitte MCS Limited. He is independent of the companies involved in the **Scheme** and his appointment as the **Independent Expert** for the **Scheme** has been approved by the **FSA**. He has considered the proposed changes and reported on how they may affect all policyholders involved in the **Scheme**.

You can see the full version of the **Independent Expert's** report on our website, or you can get a paper copy by writing to us at the address given in section 8 of this guide or by calling our helpline on 0845 601 0170.

Report Summary

Main considerations

The purpose of my report is to assist the **High Court** in deciding whether to sanction the **Scheme**.

As **Independent Expert**, I have considered the effect that the **Scheme** will have on the various classes of policyholders in the companies which are affected by the **Scheme**. In doing so, I have considered separately the impact of the **Scheme** on transferring policyholders, policyholders of **NPLL** whose contracts will not be transferring under the **Scheme** and **Phoenix Life's** existing policyholders. In examining the implications of the **Scheme** for each of these separate groups, I have reviewed in particular the likely impact on:

- the security of policyholders' benefits;
- policyholders' benefit expectations;
- service levels; and
- the adequacy of any safeguards in the **Scheme** to protect the interests

of policyholders, especially in respect of governance arrangements for **with-profits** business.

Security of policyholder benefits

I am satisfied that the security of benefits for transferring policyholders, policyholders of **NPLL** whose contracts will not be transferring under the **Scheme** and **Phoenix Life's** existing policyholders is not likely to be materially adversely affected by the **Scheme**.

My reasons are provided below.

- **Phoenix Life** was, at 31 August 2011, at least as financially strong as **NPIL** and **NPLL**.
- The **Phoenix capital policy** allows **Phoenix Life** to withstand a more severe level of stressed conditions than **NPIL** and **NPLL** whilst still meeting its contractual liabilities to policyholders. The **Phoenix capital policy** will apply to transferring policyholders after the **Scheme**, and will therefore provide greater protection to transferring policyholders than was the case prior to the **Scheme**.
- **Phoenix Life** is already exposed to substantially the same risks as those currently faced by policies transferring from **NPIL** and **NPLL**.
- The introduction of new Europe-wide insurance solvency rules is not expected to affect policyholders more adversely if the **Scheme** goes ahead than if it did not.

Policyholders' benefit expectations

I am satisfied that the **Scheme** is unlikely to have any material impact on benefit expectations of transferring policyholders, existing policyholders of **Phoenix Life** or policyholders whose policies remain in **NPLL**.

In relation to transferring policyholders, my reasons are provided below.

- For **unit-linked** policies, policyholders' immediate interests in the relevant funds will be preserved under the **Scheme** and the assets, level of charges and investment strategies of the former **NPIL unit-linked** funds will be carried over into the new equivalent funds that will be created in **Phoenix Life**. The unit pricing bases for the former **NPIL unit-linked** funds will also not be changed by the **Scheme**. The premiums payable on **unit-linked** policies and the choice of funds available to policyholders will not be affected by the **Scheme**.
- The powers of **Phoenix Life** to wind up the former **NPIL unit-linked** funds will be amended by the **Scheme** by the introduction of a specified closure threshold. However, I consider that policyholders are suitably protected by the requirement for **Phoenix Life** to offer a substitute **unit-linked** fund which offers reasonably equivalent investment exposure and a free switch. **Unit-linked** policy terms and conditions will not otherwise be changed by the **Scheme**.
- In relation to transferring policies with unithised **with-profits** benefits, these benefits will be allocated to a new, separate **with-profits** fund in **Phoenix Life** (the **NPI WPF**) and the existing **reinsurance** arrangements with **Pearl** will continue following the **Scheme**. While the **NPI WPF** can be wound up if the fund's statutory liabilities fall below £50m, this will only happen if substantially all of the liabilities of the fund are no longer wholly **reinsured** and the terms for the wind up (including the basis on which the policies are converted into **non-profit** policies) would require approval from the **FSA**.
- Key considerations relevant to **NPIL** policies with unithised **with-profits** benefits will not change as a result of the **Scheme**, including the basis on which

asset shares are determined, the current level of asset shares and **guaranteed benefits**, surrender values, bonus rates, payout levels, investment strategy, charges, smoothing of payouts and the level of premiums payable.

- For hybrid policies of **NPIL** which have or could have both **unit-linked** and unithised **with-profits** benefits, the points above relating to **unit-linked** and unithised **with-profits** benefits are relevant. I note that the rights of such policyholders to switch between **unit-linked** and unithised **with-profits** benefits will be unaffected by the **Scheme**.
- For **non-profit** policies, there will be no change other than that the ultimate obligation to pay benefits (and any right to receive premiums, if relevant) will reside with **Phoenix Life** rather than **NPIL** or **NPLL**. The terms and conditions of the transferring **non-profit** policies will not be changed by the **Scheme**.

In relation to policyholders of **NPLL** whose contracts will not be transferring under the **Scheme**, as the transferring **NPLL** policyholders are already fully **reinsured** to **NPIL** the impact of the **Scheme** will be minimal.

In relation to the existing policyholders of **Phoenix Life**, my reasons are detailed below.

- Key considerations relevant to existing **Phoenix Life with-profits** policies will not change as a result of the **Scheme**, including the basis on which asset shares are determined, the current level of asset shares and **guaranteed benefits**, surrender values, bonus rates, payout levels, investment strategy, charges, smoothing of payouts and the level of premiums payable.
- The benefits, premiums payable, and terms and conditions of existing **Phoenix Life unit-linked** policies will not be changed by the **Scheme**. The existing **unit-linked** funds in **Phoenix Life**

will continue to operate with the same investment mandates, level of charges and unit pricing bases.

- There will be no changes to the premiums due or benefits payable under existing **non-profit** policies in **Phoenix Life**, or the terms and conditions of those policies, as a result of the **Scheme**.

Service standards

I consider that there should be no impact on the quality or cost of administration or investment management services for transferring policyholders, policyholders of **NPLL** whose contracts will not be transferring under the **Scheme** and **Phoenix Life's** existing policyholders as a result of the **Scheme**.

My reasons are provided below.

- The **Scheme** will not change current outsourcing arrangements for policy administration.
- The **Scheme** will not change current investment management arrangements or the fund managers.

Governance of with-profits business

The **Phoenix Life** Board and the **Phoenix Life WPC** will take on the corresponding responsibilities of the **NPIL** Board and the **NPIL With-Profits Committee** in respect of the unitised **with-profits** business transferring to **Phoenix Life**

and will be required to have regard to the established practices of **NPIL** that applied before the **Scheme**. I am satisfied that these arrangements represent a level of governance quality which is at least as strong as the current arrangements in **NPIL** in terms of protecting the interests of policyholders. There will be no change to the governance arrangements for **Phoenix Life's** existing **with-profits** policyholders or for non-transferring **with-profits** policyholders of **NPLL**.

Summary

Overall, I am satisfied that the **Scheme** is unlikely to have a material adverse impact on the transferring policyholders, policyholders of **NPLL** whose contracts will not be transferring under the **Scheme** or **Phoenix Life's** existing policyholders.

This conclusion applies equally to policies that may have been taken out as part of the business carried on in, or from within, Jersey or issued to people resident in the Bailiwick of Guernsey by **NPIL** and **NPLL**, and which will transfer under the **overseas schemes**.

I will keep these matters under review until the date of the final **High Court hearing**. If there are any significant developments or changes that may affect policyholders, I will draw these matters to the attention of the **High Court** in a supplementary report.

As well as this guide, the documents listed below relating to the **Scheme** are available on our website at www.npi.co.uk/FM11scheme.

- ‘Simplifying our business – Scheme guide’ (for transferring policyholders)
- ‘Simplifying our business – Your questions answered’ (for transferring policyholders)
- Example letters for transferring policyholders
- Draft versions of the revised **Phoenix Life** Principles and Practices of Financial Management (**PPFM**), incorporating the **NPI WPF**, and the guide to how we plan to manage the **NPI WPF**, which will become effective following the **transfer date**
- Summary of changes to the **Phoenix Life PPFM**
- The full **Scheme** document
- The **Independent Expert’s** full report for the **Scheme**
- Actuarial reports from **Phoenix Life**, **NPIL** and **NPLL**
- The full terms of the **overseas schemes**
- The scheme document for the 2009 transfer of Scottish Mutual Assurance Limited and Scottish Provident Limited business to **Phoenix Life** (which sets out the terms on which **Phoenix Life** manages its business)

If you have any more questions, or would like paper copies of any of the documents listed, please call our helpline on

0845 601 0170

The helpline is open from 9am to 5pm, Monday to Friday, up until the day before the **High Court hearing**. Calls are charged at local rates from UK landlines. If you are calling from outside the UK, please call +44 1733 282160. Our contact centre staff will endeavour to answer your questions directly, and all queries will be responded to.

This helpline is only for enquiries about the **Scheme**. If you have any general questions about your policy, please contact us on the normal customer number which you will find on previous letters that you have received from us.

You may also write to:

Restructure Team (reference FM11)
The Pearl Centre
Lynch Wood
Peterborough
PE2 6FY
United Kingdom

If you do write to us, it would help if you could please quote your policy number. This can be found on your policy documents or annual statement.

Demutualisation – this is the process whereby a mutual company, such as a building society or a mutual insurer, which is owned by its members or customers, is converted into a company, which is owned by shareholders.

Effective date – 1 January 2012, being the date on which the **Scheme** is to be treated as having taken effect for accounting purposes between **NPIL** and **Phoenix Life**, and between **NPLL** and **Phoenix Life**.

FSA – the UK Financial Services Authority, our industry regulator.

Guaranteed benefits – the minimum amounts that will be paid in line with the terms and conditions of a policy, including any annual bonuses already added.

Guernsey Scheme – the insurance business transfer scheme under section 44(1)(C) of the Insurance Business (Bailiwick of Guernsey) Law 2002 under which we propose to transfer, from **NPIL** and **NPLL** to **Phoenix Life**, the relevant policies that were issued to people resident in the Bailiwick of Guernsey.

Hearing – the **hearing** at the **High Court** to approve the **Scheme**, which we expect to be held on 10 February 2012.

High Court – the High Court of Justice of England and Wales, Rolls Building, Fetter Lane, London EC4A 1NL.

Independent Expert – Mr David Murray of Deloitte MCS Limited, an actuary experienced in the issues relating to the transfer of long-term insurance businesses, who has been appointed by **Phoenix Life**, **NPIL** and **NPLL** and approved by the **FSA** as the **Independent Expert** in connection with the **Scheme**. He has prepared a report on the effect of the **Scheme** on policyholders.

Jersey Scheme – the insurance business transfer scheme Article 27 and Schedule 2 to the Insurance Business (Jersey) Law 1996 under which we propose to transfer, from **NPIL** and **NPLL** to **Phoenix Life**, the relevant policies in respect of the business carried on in, or from within, Jersey.

Long-Term Insurance Fund – a fund that contains all the assets and liabilities relating to a company's life assurance business.

Non-profit – a **non-profit** policy is one that is not entitled to share in the surplus of a company's **Long-Term Insurance Fund**, such as term assurance or income protection policies. A **non-profit** fund is one from which all of the profits are distributable to shareholders.

NPI With-Profits Fund or **NPI WPF** – a new **with-profits** fund which will be set up within **Phoenix Life**. The unutilised **with-profits** benefits of policies transferring from **NPIL** will be part of this new **with-profits** fund.

NPIL – NPI Limited was established to sell policies under the 'NPI' name following the **demutualisation** of National Provident Institution, which took effect on 1 January 2000.

NPLL – National Provident Life Limited was established to take over the existing business of National Provident Institution, a mutual society, following the **demutualisation** of National Provident Institution, which took effect on 1 January 2000.

Overseas Schemes – the **Jersey Scheme** and **Guernsey Scheme**.

Pearl – Pearl Assurance Limited.

Phoenix capital policy or **PCP** – the court established capital policy for **Phoenix Life** in accordance with which **Phoenix Life** keeps a certain amount of capital, over and above the minimum level required by current legislation.

Phoenix Group – the group of companies (formerly Pearl Group) whose ultimate parent company is Phoenix Group Holdings and which currently includes **Phoenix Life**, London Life Limited, **NPLL**, **NPIL** and **Pearl**.

Phoenix Life – Phoenix Life Limited, the company to which all **NPIL** policies and certain **NPLL** policies will be transferred on the **transfer date**.

Phoenix Life Non-Profit Fund or **Phoenix Life NPF** – the **non-profit** fund of **Phoenix Life**. All the profits from this fund are distributable to shareholders.

Phoenix Life With-Profits Committee or **Phoenix Life WPC** – the role of this committee is to help the **Phoenix Life** Board in relation to the **Phoenix Life with-profits** funds. The committee provides an independent opinion when assessing whether **Phoenix Life** is keeping to its **PPFM** and in how any competing or conflicting rights and interests of policyholders and, if applicable, shareholders have been addressed.

PPFM – the Principles and Practices of Financial Management, a document that explains how we manage our **with-profits** funds.

Reinsurance and **reinsured** – an arrangement where some or all of the risk that one company has under some of its policies is passed to another company in return for a premium. **Reinsured** business is business that is subject to **reinsurance**.

Scheme – the legal document to be approved by the **High Court** which sets out how all the business of **NPIL** and some of the business of **NPLL** will transfer to **Phoenix Life**. The **Scheme** sets out the terms under which, from the **transfer date**, **Phoenix Life** will be responsible for the policies which transferred from **NPIL** and **NPLL**.

Shareholder Fund – the part of a company's assets and liabilities relating to its life insurance business held outside its **Long-Term Insurance Fund** and for the benefit of its shareholders. It includes the shareholders' original investment in the company and the profits which have been transferred out of the **Long-Term Insurance Fund** and kept within the company.

Transfer date – 27 February 2012 or any later date that **Phoenix Life**, **NPIL** and **NPLL** agree. This is the date on which the assets, liabilities and policies of **NPIL** and **NPLL** will transfer to **Phoenix Life** under the **Scheme**.

Unit-linked – **unit-linked** benefits or investments consist of a number of units in a fund invested in a specific class or type of assets (such as shares). The value of the units will fluctuate depending on the performance of the underlying assets. Some policies can invest in both **unit-linked** funds and a **with-profits** fund.

With-profits – a **with-profits** fund is one where eligible policyholders have a right to share in the surplus of that fund.

With-profits benefits or investments under **NPIL** policies consist of a number of units in **NPIL's with-profits** fund. Some policies can invest in both **unit-linked** funds and the **with-profits** fund.

Appendix 1

LEGAL NOTICE
In the High Court of Justice
Chancery Division
Companies Court

No: 9044 of 2011

IN THE MATTER OF NATIONAL PROVIDENT LIFE LIMITED

- and -

IN THE MATTER OF NPI 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 21 October 2011 National Provident Life Limited ('NPLL'), NPI Limited ('NPIL') and Phoenix Life Limited ('Phoenix Life') 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 Life of the entire long-term insurance business of NPIL and certain long-term insurance business of NPLL (the 'Business') and for the making of ancillary provisions in connection with the implementation of the Scheme under sections 112 and 112A of the Act.

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

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 NPLL, NPIL or Phoenix Life 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 NPI website at www.npi.co.uk/FM11scheme.

Any questions or concerns relating to the proposed transfer should be referred to NPLL, NPIL or Phoenix Life using the following telephone number or address.

Restructure Team (reference FM11)
The Pearl Centre
Lynch Wood
Peterborough
PE2 6FY
United Kingdom

Telephone: 0845 601 0170 or, if phoning from overseas, +44 1733 282160.

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

The application is due to be heard before the Companies Court Judge at the Rolls Building, Fetter Lane, London EC4A 1NL on 10 February 2012 and any person (including any policyholder or employee of NPLL, NPIL or Phoenix Life) who thinks that he or she would be adversely affected by the carrying out of the Scheme may attend the hearing in person or by Counsel. Any person intending to attend is requested to give notice of such intention as soon as possible and preferably before 3 February 2012, setting out their grounds of objection, either to NPLL, NPIL or Phoenix Life, by calling the above number or in writing to the address above or to the solicitors named below.

Any person who objects to 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 3 February 2012, either to NPLL, NPIL or Phoenix Life by calling the above number or in writing to the address above or to the solicitors named below.

Hogan Lovells International LLP
Atlantic House
Holborn Viaduct
London
EC1A 2FG
United Kingdom
Ref: C1JSR

Solicitors to NPLL, NPIL and Phoenix Life



ANY MORE QUESTIONS ABOUT THE SCHEME?

Please call our helpline on

0845 601 0170

or visit our website

www.npi.co.uk/FM11scheme

Lines are open Monday to Friday, 9am to 5pm. Calls are charged at local rates from UK landlines. If you are calling from outside the UK, please call +44 1733 282160.

We may monitor or record calls.

**If you would like this information in large print,
in Braille, or on cassette or CD, please call us on 0845 601 0170.**

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