



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

November 2011

NPI

PEARL

LondonLife

Contents

1	Introduction	4
2	The process we are following	5
3	Which policies are transferring?	6
4	What this means for you	6
	4.1 All policies	6
	4.2 NPIL policies that are fully or partially invested in unit-linked funds	7
	4.3 NPIL policies that are fully or partially invested in the NPIL with-profits fund	7
	4.4 NPIL and NPLL annuities in payment	8
5	What this means for your payments	8
6	What you should do next	9
7	Other parties with an interest in your policy	10
8	NPIL group pension scheme trustees	10
9	Summary of the terms of the Scheme	11
	9.1 Transferring the business	11
	9.2 Phoenix Life fund structure	11
	9.3 Managing the NPI With-Profits Fund (NPI WPF)	12
	9.4 Provision for closing the NPI WPF	12
	9.5 Future changes to unit-linked funds	12
	9.6 Capital policy	13
	9.7 Excluded policies	13
	9.8 Data Protection	13

10	Summary of the Independent Expert's report	14
11	More information	17
12	Definitions	18
Appendix 1	Overseas schemes (Jersey and Guernsey)	20
Appendix 2	Formal notice of our application to the High Court for the Scheme	22

We (the **Phoenix Group**) have prepared this guide to summarise our proposals to transfer all NPI 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 these will not be affected by the **Scheme**.

The main advantage for you will be that the **Scheme** will enable us to apply an improved capital policy, as shown in section 9.6 of this guide, and will also simplify our business. The **Scheme** will 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 involved the business of other companies in our Group being transferred 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 10);
- details on how to raise any concerns you may have about the **Scheme** (section 6); and
- a copy of the formal notice of our application to the **High Court** for approval of the **Scheme** (Appendix 2).

Please take time to read this guide as it is important you understand how the changes affect you. Some of the changes may have the effect of changing the terms and conditions of your policy.

Throughout this document, you will notice words that are highlighted in bold. We explain these words in section 12 - Definitions.

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

Phoenix Life, **NPIL** and **NPLL** 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 they are satisfied that all the necessary legal requirements have been met and that the proposed changes are fair to policyholders.

We expect the **hearing** at the **High Court** to be held on 10 February 2012. If the **High Court** approves the **Scheme**, we expect the transfer to take place on 27 February 2012 (the **transfer date**). On the **transfer date**, all **NPIL** policies and those **NPLL** policies covered by the **Scheme**, which are annuities that are already being paid, will transfer to **Phoenix Life**.

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

We are also carrying out separate schemes to transfer policies which may have been taken out as part of the business carried on in, or from within, Jersey, or which were issued to people resident in the Bailiwick of Guernsey. The **Jersey Scheme** and **Guernsey Scheme** need to be approved by the Royal Court of Jersey and the Royal Court of Guernsey respectively. These schemes, which we refer to together as the 'overseas schemes', will only be effective if approved by the relevant local court and if the High Court of Justice of England and Wales approves the **Scheme** in the UK. See Appendix 1 for more information.

NPIL and **NPLL** also have a small number of policyholders in the Isle of Man. These policies will be subject to the terms of the **Scheme** in the UK, if it is approved by the **High Court**.

If the **Scheme** is approved by the **High Court**, the following policies will transfer to **Phoenix Life** on the **transfer date**.

- **NPIL** pension and life policies (see in particular section 4.1, section 4.2 if you have chosen to invest in **unit-linked** funds, and section 4.3 if you have chosen to invest in the **NPIL with-profits** fund).
- **NPIL** annuities in payment (see in particular sections 4.1 and 4.4).
- **NPLL** annuities in payment with a commencement date on or after 1 January 2000 (see in particular sections 4.1 and 4.4).

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

4.1 All policies

If the **Scheme** goes ahead, your policy will transfer to the **Phoenix Life Non-Profit Fund (Phoenix Life NPF)**.

You will then become a policyholder of **Phoenix Life** and **Phoenix Life** will be responsible for your policy.

The proposed transfer will maintain financial security for your policy. After the transfer, your policy will be covered by the legally binding **Phoenix capital policy** under which **Phoenix Life** plans to hold more capital than the minimum level required under current legislation. Please see section 9.6 for more information on this.

You will keep the same policy number and, when you call us, you will speak to the same team of people on the same phone number as you do now. The level of service you receive will not be affected.

However, following the transfer, you may notice some changes.

- Your policy provider will change to Phoenix Life Limited.
- Your policy terms and conditions will remain the same except as detailed in section 9.
- The **Phoenix Life** logo and name will start to appear on letters or documents we send you, although this will not happen immediately. You can see the **Phoenix Life** logo on the front of this booklet.
- Immediately after the transfer, information relating to your policy will continue to be available on the www.npi.co.uk, www.pearl.co.uk or www.london-life.com website, but will move to the www.phoenixlife.co.uk website later in 2012.
- Payments to you will be made by **Phoenix Life**, direct debit payments will automatically become payable to **Phoenix Life** and the **Phoenix Life** name may appear on your bank statements. See section 5 'What this means for your payments' for more detailed information on this.
- If you are a member of a group pension scheme for which **NPIL** is the trustee

or scheme administrator, **Phoenix Life** will become the trustee or scheme administrator in place of **NPIL**. The address where you can contact the trustee or scheme administrator will remain the same.

4.2 NPIL policies that are fully or partially invested in unit-linked funds

This section specifically deals with **unit-linked** investments and applies to policies which are fully or partially invested in **unit-linked** funds, or have the option to invest in **unit-linked** funds.

Investments in a **unit-linked** fund will continue to be managed as before. We will create new **unit-linked** funds in **Phoenix Life**, corresponding to those currently in **NPIL**. Initially, these will have the same assets and charges, and will be priced on the same basis as the current funds. The **Scheme** will not change the investment strategy for these funds. The **Scheme** will also not change any restrictions that may currently apply to your ability to switch between different **unit-linked** funds or the range of **unit-linked** funds you are entitled to invest in. However, the name of the **unit-linked** fund you have invested in may change to include the Phoenix name. Also, the **Scheme** will give **Phoenix Life** rights, under certain conditions, to close internal **unit-linked** funds (see section 9.5 for more detail).

4.3 NPIL policies that are fully or partially invested in the NPIL with-profits fund

This section specifically deals with **with-profits** investments and applies to policies that are fully or partially invested in the **NPIL with-profits** fund, or have the option to invest in the **NPIL with-profits** fund. If you are not sure whether your policy is invested in, or has the option to invest in, the **NPIL with-profits** fund, please call our helpline, quoting the client reference number at the top of the enclosed letter.

NPIL currently **reinsures** all its **with-profits** benefits to Pearl Assurance Limited (**Pearl**), another company in the **Phoenix Group**.

Following the transfer, you may notice some small changes.

- The **with-profits** benefits of policies transferring to **Phoenix Life** will be part of a new **with-profits** fund to be set up in **Phoenix Life**, called the **NPI With-Profits Fund (NPI WPF)**. However, the **reinsurance** arrangement with **Pearl** will not change as a result of the proposed transfer. Annual and/or final bonuses will be added as and when they are declared, in the same way as before.
- The new **NPI WPF** will be managed as a stand-alone fund within **Phoenix Life**. See section 9.2 for a description of **Phoenix Life's** funds.
- The **NPI WPF** will be managed by the **Phoenix Life Board**, with input from the **Phoenix Life With-Profits Committee**, rather than being managed by the **NPIL Board** and the **NPIL With-Profits Committee**. See section 9.3 for more information on this.
- In the future, **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 a certain amount. We have set out details of the process we would follow, and the effect this would have on you, in section 9.4 of this guide.

The Principles and Practices of Financial Management (**PPFM**) describes how we manage our **with-profits** funds. The **Pearl PPFM** contains most of the information relevant to **NPIL** policies that have **with-profits** benefits, since these **with-profits** benefits are **reinsured** to **Pearl**. However, **NPIL** also has its own **PPFM**, which is a short document that outlines the implications for these policies that directly relate to **NPIL**. The **reinsurance** arrangement with **Pearl** will not be affected by the proposed transfer, but the **with-profits** benefits will be part of the new **NPI WPF** within **Phoenix Life**. We will revise the **Phoenix Life PPFM** to include a chapter covering the new **NPI WPF**.

You can find a draft copy of the revised **Phoenix Life PPFM** and the new guide to how we manage the **NPI WPF** on our website at www.npi.co.uk/FM11scheme, under 'Technical information'. These documents include the changes set out in this guide. On the same page of this website, there is also a summary of the main changes we are making to the **Phoenix Life PPFM**.

If you would like a paper copy of any of these documents, please call our helpline.

If you have a policy which is invested in the **NPIL with-profits** fund, or has the option to do so, and the transfer goes ahead, we will send you a paper copy of the guide to how we manage the **NPI WPF** after the **transfer date**.

Section 9 of this guide provides more information on the changes affecting policies which are invested in, or have the option to invest in, **with-profits** benefits.

4.4 NPIL and NPLL annuities in payment

This section relates to the following policies.

- **NPLL** annuities in payment with a commencement date on or after 1 January 2000.
- **NPIL** annuities in payment.

Your policy will transfer to the **Phoenix Life NPF**. The payment dates, the amount you receive and the benefits you are currently entitled to will not be affected by the transfer. Any guarantees you have will continue.

5

What this means for your payments

After the **transfer date**, any regular payments you receive from **NPIL** or **NPLL** will instead come from **Phoenix Life**, and your bank statements may show this.

After the **transfer date**, any direct debits or standing orders that you pay to **NPIL** will automatically be paid to **Phoenix Life** without you having to do anything. This change will not affect the service you receive and you don't need to fill in a new direct debit or standing order instruction.

After the **transfer date**, please remember to make cheques payable to 'Phoenix Life Limited' (although cheques made payable to 'NPI Limited' will be accepted for some time after this).

Your rights under the direct debit guarantee below are not affected and will stay the same.

The Direct Debit Guarantee



- This Guarantee is offered by all banks and building societies that accept instructions to pay Direct Debits.
- If there are any changes to the amount, date or frequency of your Direct Debit, Phoenix Life Limited will notify you at least 10 working days in advance of your account being debited or as otherwise agreed. If you request Phoenix Life Limited to collect a payment, confirmation of the amount and date will be given to you at the time of the request.
- If an error is made in the payment of your Direct Debit, by Phoenix Life Limited or your bank or building society, you are entitled to a full and immediate refund of the amount paid from your bank or building society.
- If you receive a refund you are not entitled to, you must pay it back when Phoenix Life Limited asks you to.
- You can cancel a Direct Debit at any time by simply contacting your bank or building society. Written confirmation may be required. Please also notify us.

Please read this guide and the enclosed information to make sure you understand our proposals.

If you are happy with our proposals, you do not need to do anything. However, you may want to keep this guide and accompanying documents with your original policy documents, in case you need them in the future.

If you have any questions or concerns, you can see the full **Scheme** document and other relevant documents, including the **Independent Expert's** report, on our websites at www.npi.co.uk/FM11scheme, www.london-life.com/FM11scheme and www.pearl.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 and the enclosed leaflet 'Simplifying our business - Your questions answered', please write to us at the address given in section 11 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 11, 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 11 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 the client reference number at the top of the letter accompanying this pack.

We are trying, as far as records allow, to contact all affected policyholders to make them aware of the **Scheme**. This will not be possible in all instances and we need your help to make sure we let everyone associated with your policy know about the **Scheme**.

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, please make them aware of these proposals.

If you are a trustee of an **NPIL** group pension scheme, although you are the policyholder, the members of the scheme are affected by these proposals and so need to be made aware of them. We would ask you to make sure that all existing scheme members, and any new members who join the group pension scheme before the **transfer date**, know about the changes explained in this guide. We suggest that you contact your scheme members and make a copy of this guide and the enclosed leaflet 'Simplifying our business - Your questions answered' available to them.

The main points to note for you and your members are shown below.

- **NPIL** group pension schemes are transferring to **Phoenix Life** as a result of the **Scheme**.
- If you are the trustee, you will stay as the trustee, but your contract (policy) will move from **NPIL** to **Phoenix Life**.
- If you are currently the scheme administrator for the purpose of the Finance Act 2004, you will stay as such after the **transfer date**. If **NPIL** is the scheme administrator, **Phoenix Life** will take over this role after the transfer.
- Following the transfer, all scheme contributions will need to be paid to 'Phoenix Life Limited'.
- Trustees of group pension schemes and members who believe they would be adversely affected by the **Scheme** may put their objections to the **High Court** as set out in section 6 of this guide.

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

9.1 Transferring the business

If the **High Court** approves the **Scheme**, on the **transfer date** the insurance business of **NPIL** and **NPLL** described in section 3 of this guide 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 your policy is 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 your policy is transferred, 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.

9.2 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 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.

9.3 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.

9.4 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.

9.5 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 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.

9.6 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 10.

9.7 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**.

9.8 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** as described in section 3 of this guide;
- 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 you 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 websites, or you can get a paper copy by writing to us at the address given in section 11 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 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 as 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 unithised **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 changes 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.

If you have any questions about the proposed changes, the enclosed leaflet 'Simplifying our business - Your questions answered' may help.

You can see the documents listed below relating to the **Scheme** on our websites at www.npi.co.uk/FM11scheme, www.pearl.co.uk/FM11scheme and www.london-life.com/FM11scheme.

Scheme mailing pack	<ul style="list-style-type: none"> • 'Simplifying our business – Scheme guide' • 'Simplifying our business – Your questions answered' • Example policyholder letters
Other information	<ul style="list-style-type: none"> • Guide to the Scheme for non-transferring NPLL policyholders • Draft versions of the revised Phoenix Life 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, NPI 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 above, 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 the client reference number at the top of the letter accompanying this pack.

You can also see copies of the **overseas schemes** and the **Independent Expert's** full report for the **Scheme** at our solicitors' offices at the addresses shown in Appendix 1.

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.

GFSC – the Guernsey Financial Services Commission, our industry regulator in the Bailiwick of Guernsey.

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 under 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.

JFSC – the Jersey Financial Services Commission, our industry regulator in 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 **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 the business described in section 3 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 set out in section 3 of this guide which are currently the responsibility of **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

Overseas schemes (Jersey and Guernsey)

NPIL and NPLL have a small number of policies that may have been taken out as part of the business carried on in, or from within, Jersey, or which were issued to people resident in the Bailiwick of Guernsey. We will transfer these policies separately under a **Jersey Scheme** and **Guernsey Scheme**. We refer to these together as the 'overseas schemes'. The **Jersey Scheme** and **Guernsey Scheme** will be presented to the Royal Court of Jersey and the Royal Court of Guernsey respectively. We are also working with the Jersey Financial Services Commission (JFSC) and the Guernsey Financial Services Commission (GFSC).

The **overseas schemes** are based on the same terms as the UK **Scheme**. The summary of the **Scheme** in section 9 of this guide and the summary of the **Independent Expert's** report in section 10 apply equally to the **overseas schemes**. In terms of the **overseas schemes**, where we refer to the approval of the **High Court** in section 9.1, you should read this as approval by the Royal Court of Jersey or the Royal Court of Guernsey, as appropriate.

The court hearings for the approval of the **overseas schemes** are expected to take place as follows.

- **Jersey Scheme:** 10am on 16 February 2012 at the Royal Court of Jersey, Royal Court House, Royal Square, St Helier, Jersey JE1 1JG.
- **Guernsey Scheme:** 21 February 2012 at the Royal Court of Guernsey, Royal Court House, St Peter Port, Guernsey GY1 2PB.

If you believe you would be adversely affected by any one of the **overseas schemes**, you may put your objections to the Royal Court of Jersey or the Royal Court of Guernsey in the following ways.

- You can call our helpline.
- You can write to us at the address given in section 11, quoting the client reference number at the top of the letter accompanying this pack.
- You can go to the hearing and present your objection to the relevant court in person.
- A representative can go with you to the hearing at the relevant court and present your objection on your behalf. In Jersey, your representative must be an Advocate.

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 **Independent Expert**, the JFSC or GFSC (whichever applies) and the relevant court before the hearing. If you have an objection, you should raise it with us as soon as possible and preferably before 3 February 2012.

If you plan to come to the Jersey or Guernsey court hearing, please write to us at the address given in section 11, quoting reference FM11, ideally before 3 February 2012. If you want to object at a hearing, please outline your objection in your letter so we can send this to the relevant court, the **Independent Expert** and the relevant supervisory organisation before the hearing. By informing us, we will be able to let you know about any changes that may take place to the relevant hearing, for example a change in the time or date. We may also be able to deal directly with any concerns you have.

If you do write to us, it would help if you could please quote the client reference number at the top of the letter accompanying this pack.

If the Royal Court of Jersey and the Royal Court of Guernsey approve the **overseas schemes**, transfers will take place in line with these schemes from the **transfer date**, or a later date if the relevant courts order this.

The UK tax status of **NPIL** and **NPLL** policies for Jersey and Guernsey policyholders does not change as a result of the **Scheme** taking place. There will also be no change in the Jersey or Guernsey tax status of **NPIL** and **NPLL** policies as a result of this **Scheme** taking place.

If, for any reason, the **overseas schemes** are not approved by the **transfer date**, the policies that would have been transferred in line with those schemes will be **reinsured** to **Phoenix Life**, although they will remain with **NPIL** and **NPLL**. Whether the **Scheme** is approved does not depend on the **overseas schemes** also being approved.

More information

You can see or obtain copies of the **overseas schemes** and the **Independent Expert's** full report. They are available for inspection or collection during office hours from our solicitors as shown below. They are also available from our websites at www.npi.co.uk/FM11scheme, www.pearl.co.uk/FM11scheme and www.london-life.com/FM11scheme, or by calling our helpline on 0845 601 0170, or +44 1733 282160 if you are calling from overseas.

Jersey Scheme - at the office of Mourant Ozannes, 22 Grenville Street, St Helier, Jersey JE4 8PX, up to the date of the Jersey court hearing.

Guernsey Scheme - at the office of Mourant Ozannes, 1 Le Marchant Street, St Peter Port, Guernsey GY1 4HP, up to the date of the Guernsey court hearing.

Please ask our solicitor to allow you to collect or inspect copies of the documents, which are available for no charge.

Appendix 2

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 websites

www.npi.co.uk/FM11scheme

www.pearl.co.uk/FM11scheme

www.london-life.com/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 0845 601 0170.**

Pearl Assurance Limited No. 1419, London Life Limited No. 1179800, NPI Limited No. 3725037 and National Provident Life Limited No. 3641947 are authorised and regulated by the Financial Services Authority. All companies are registered in England and have their registered office at: 1 Wythall Green Way, Wythall, Birmingham, B47 6WG