NPI

SIMPLIFYING OUR BUSINESS

Scheme guide for National Provident Life Limited policyholders

Transferring all National Provident Life Limited policies to Phoenix Life Assurance Limited

December 2014

PHOENIX LIFE

Contents

1 Introduction

We (the **Phoenix Group**) have prepared this guide to summarise our proposals to transfer all National Provident Life Limited (**NPLL**) policies to Phoenix Life Assurance Limited. Within this guide, and other related material, we refer to these proposals as 'the **Scheme**' and we refer to Phoenix Life Assurance Limited as **PLAL**.

This guide is for **NPLL** policyholders: there is a separate guide for **PLAL** policyholders.

NPLL and **PLAL** are both part of the **Phoenix Group** of companies.

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

The **Scheme** will simplify our business, enable us to be more efficient and allow us to make better use of our resources. At the same time, the **Scheme** provides advantages for policyholders of **NPLL** including the benefit of an improved capital policy. In this guide you will find:

- important information about the **Scheme** and how it affects you (section 3). Note that some of the changes may affect the terms and conditions of your policy;
- details on how to raise any concerns you may have about the **Scheme** (section 4);
- a summary of a report by an **Independent Expert** that considers how policyholders' interests may be affected by the **Scheme** (section 7); and
- a copy of the formal notice of our application to the **High Court** for approval of the **Scheme** (Appendix 2).

We explain words that are highlighted in bold in section 9 - **Definitions.**

2 The process we are following

PLAL and **NPLL** will apply to the **High Court** for permission to transfer all **NPLL** policies to **PLAL**. The **High Court** will only give permission if it is satisfied that all the necessary legal requirements have been met and that the proposals treat policyholders appropriately.

We expect the **hearing** at the **High Court** to be held on 30 March 2015. If the **High Court** approves the **Scheme**, we expect the transfer to take place on 6 April 2015 (the **transfer date**). On the **transfer date**, all **NPLL** policies will transfer to **PLAL**.

An **Independent Expert**, whose appointment has been approved by the Prudential Regulation Authority (**PRA**), has written a report providing detailed independent, expert opinion on how the proposals are likely to affect policyholders. This report, which has been reviewed by our regulators the **PRA** and the Financial Conduct Authority (**FCA**), will help the **High Court** reach their decision. You can find a summary of this report in section 7 of this guide. The report says that, overall, the **Scheme** will not have a material adverse impact on either the security of policyholders' benefits or what these policyholders can expect their benefits to be.

We are also carrying out separate schemes for transferring policies which may have been taken out as part of the business carried on in or from within Jersey, or that have been issued to people resident in **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 England and Wales approves the **Scheme**. See Appendix 1 for more information.

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

3 What this means for you

3.1 All policies in NPLL

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

All policies in NPLL, except annuities in payment, will transfer to a new with-profits fund, the National Provident Life With-Profits Fund (NPL WPF), which will be run as a separate fund within PLAL.

For NPLL with-profits policyholders, the Scheme will not have a material adverse effect on the expected value of your policy's benefits, nor will it change the way in which future bonuses and market value reductions on NPLL with-profits policies are determined. As well as traditional with-profits policies, a 'with-profits policy' includes any of the following:

- Unitised With-Profits;
- Profit Sharing Account;
- Capital Account; and
- Deposit Administration.

For NPLL non-profit policyholders, the Scheme will not affect the amount of premium that you pay, the way your benefits are calculated or the timing of any benefit payments. If you are invested in a unit-linked fund, your policy will continue to operate as before and you will see no immediate changes as a result of the Scheme. However, the Scheme will give PLAL additional rights, under certain conditions, to close unit-linked funds or modify their investment objectives. Please see section 6.6 for further details.

Annuities in payment will transfer to the existing PLAL Non-Profit Fund. If you are in receipt of an annuity, the payment dates, the amount you receive and any guarantees you have will not be affected by the transfer.

The protections for policyholders built into the National Provident Institution Demutualisation Scheme (the 'NPLL Scheme') which currently applies to NPLL will largely be carried over where they remain relevant, but some important changes are explained within this guide. The NPLL Scheme transferred policies from the National Provident Institution to NPLL on 1 January 2000, and was subsequently updated in February 2010 when the Self Employed Retirement Plans written by National Provident Institution were transferred to PLAL.

The proposed transfer will maintain financial security for your policy as it will be covered by the PLAL capital policy, under which PLAL plans to hold more capital than the minimum required under current legislation. Please see section 6.7 for more information on this.

You will keep the same policy number and, if 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, you may notice some changes.

- The Phoenix Life logo and name will be on any letters or documents we send you. You can see the Phoenix Life logo on the front of this booklet.
- Information relating to your policy that is currently available on the www.npi.co.uk website will instead be available on www.phoenixlife.co.uk.
- If you are a member of a group pension scheme for which NPLL is the Trustee or scheme administrator, PLAL will become the Trustee or scheme administrator in place of NPLL. The address where you can contact the Trustee or scheme administrator will remain the same.

- Any regular payments you receive from NPLL will instead come from PLAL, and your bank statements may show this.
- Direct debits or standing orders payable to NPLL will automatically become payable to PLAL without you having to do anything and the Phoenix Life name may appear on your bank statements.
- You will need to make cheques payable to 'Phoenix Life Assurance Limited' (although cheques made payable to National Provident Life Limited will be accepted for a period of time).

Your rights under the direct debit guarantee below are not affected.

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 Assurance 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 Assurance 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 Assurance 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 Assurance 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.

3.2 Managing the NPL WPF

Currently, your policy is in the National Provident Life Fund (NPLF) of NPLL. The NPLF is managed by the NPLF Supervisory Board, a committee of the NPLL Board which oversees the continuing interests of policyholders within the NPLF. Following the transfer, and in line with current regulation, the PLAL Board will be responsible for the general management of the NPL WPF. However, the Scheme will provide that the With-Profits Committee (WPC) of PLAL will have oversight of decisions made by the PLAL Board in relation to its management of the NPL WPF and in addition will be responsible for determining investment policy and bonus policy for the NPL WPF. The WPC will do this by reference to the financial position, performance and experience of the NPL WPF and in accordance with principles set out in the Scheme.

Like the NPLF Supervisory Board, the WPC is a committee of the PLAL Board. The WPC will take on the duty, from the NPLF Supervisory Board, to have regard solely to the interests and reasonable expectations of the policyholders in the NPL WPF when carrying out its duties.

The PLAL Board will also need to obtain the prior approval of the WPC in respect of certain key matters, sometimes referred to as reserved matters: see section 6.3 for further details.

Under the terms of the NPLL Scheme, the NPLF Supervisory Board must co-operate to obtain the approval of the High Court for a proposal, such as the Scheme, to transfer NPLL's entire business to PLAL, if it is satisfied that certain requirements are met. These are a requirement that the transfer would not adversely affect the interests and reasonable expectations of the holders of policies allocated to the NPLF and a requirement that the protections afforded to NPLL policyholders, whether under the NPLL Scheme or otherwise, would not, in aggregate, be reduced by the transfer.

In considering whether these requirements have been satisfied in the context of the Scheme, the NPLF Supervisory Board has reviewed the reports prepared by the Independent Expert and by NPLL's Actuarial Function Holder and With-Profits Actuary, it has consulted with each of these actuaries and the Independent Expert and it has also taken independent legal advice.

The NPLF Supervisory Board has concluded that it is satisfied that:

- the interests and reasonable expectations of NPLL policyholders will not be adversely affected by the Scheme;
- the protections for NPLL policyholders, whether pursuant to the NPLL Scheme or otherwise, will not in aggregate be reduced by the Scheme;
- the Scheme is consistent with the fair treatment of NPLL policyholders.

Please see section 6.3 for more information.

3.3 Principles and Practices of Financial Management

The Principles and Practices of Financial Management (PPFM) describe how we manage our with-profits funds. Following the transfer, your policy will be covered by the PLAL PPFM. This document will explain in detail how each of the PLAL with-profits funds, including the new NPL WPF, will be managed and benefits determined.

We also produce guides to explain how we manage our with-profits funds. These cover the most important points of the PPFM and how they affect you. New guides are being produced for the NPL WPF.

You can find draft copies of the new PLAL PPFM and the guides to how we manage the NPL WPF on our website at www.npi.co.uk/FM14scheme, under 'Technical information'.

If you are a with-profits policyholder, we will send you a paper copy of the relevant guide to how we manage the NPL WPF with your next annual statement after the transfer takes place. Meanwhile, if you would like a paper copy of the draft new PPFM or guides, please call our helpline.

Apart from the changes described in this guide, we are not proposing any material changes to the way the fund will be managed.

3.4 Capital policy and support arrangements

Currently, NPLL's shareholders provide support to the NPLF to ensure it has adequate assets to cover its liabilities. This support takes a variety of forms and you can find details of this in the current NPLL PPFM.

As part of the Scheme, these arrangements will be simplified and PLAL's shareholders will give up any right to be repaid some of the support which they have provided to the NPLF. Following the transfer, the security of the NPL WPF will be protected by, and any necessary support will be provided under, the PLAL capital policy. The charges to the NPL WPF for capital support provided under the PLAL capital policy will be the same or lower than those which currently apply to support provided to the NPLF.

Under the terms of the PLAL capital policy, which are set out in the PLAL 2012 Scheme, PLAL is committed to hold more capital than the minimum required under current legislation, for all its operations. The aim is to ensure that PLAL can withstand extreme financial conditions. The PLAL capital policy also offers greater certainty because it can only be changed in specified circumstances set out in its terms or with the agreement of the High Court.

Please see section 6.7 for more information.

3.5 Closure or merger of the NPL WPF

Currently NPLL may, subject to regulatory approval, cease to maintain the NPLF as a separate fund if the assets backing the with-profits liabilities of the NPLF fall below a minimum value.

Following the transfer, PLAL will also be allowed to cease to maintain the NPL WPF as a separate fund and merge the NPL WPF with another with-profits fund within PLAL if the with-profits liabilities fall below a minimum value. The minimum value will be equivalent to the value that currently applies and was £750 million as at 31 December 2013. The merger of the NPL WPF with another with-profits fund will be subject to certain safeguards and policies will remain with-profits.

Under the terms of the Scheme, if the value of the with-profits liabilities in the NPL WPF falls below £50 million, PLAL will, subject to the approval of our regulators, be required to convert the with-profits policies in the fund into non-profit policies and close the fund. We would not expect the with-profits liabilities to reach £50 million until around 2038.

Please see section 6.5 for further information.

3.6 Expenses

The NPLL Scheme restricts the policy administration and investment expenses that may be charged to the NPLF by requiring that these may not exceed the charges for similar services made by third party companies or significantly exceed the costs that NPLL would incur in undertaking the services itself.

To simplify the position, the Scheme will require that the per policy fees for administration services charged to the NPL WPF will initially be set at their current level and then increase in line with the Retail Prices Index plus 1%. The PLAL Board will be entitled to change these fees in the future. However, any changes will need to be approved by the WPC, which will need to be satisfied that the fees are fair to policyholders. In addition, the WPC may require that a review of the fees be undertaken.

The fees for investment management charged to the NPL WPF will also be set by the Board but approved by the WPC, which will again need to be satisfied that the fees are fair to policyholders.

3.7 Policies investing in unit-linked funds

If you are invested in a unit-linked fund, your policy will continue to operate as before. We will create new unit-linked funds in PLAL corresponding to those currently in NPLL and transfer the existing assets to them. They will have the same charges and will be priced on the same basis as the current funds.

Currently, NPLL may close, amalgamate or divide the NPLL unit-linked funds if permitted by policy terms and conditions. Following the transfer, PLAL will have similar rights to amalgamate or divide unit-linked funds. PLAL will also be able to close internal unit-linked funds in specific circumstances, even if policy terms do not allow it. However, additional policyholder protection will apply in these circumstances.

Please see section 6.6 for more information.

3.8 Policies with options for a new or replacement policy to be issued

If your policy has an option or other right which entitles you to take out a new, additional or replacement policy, that option or right will continue to be available after the transfer and you will be entitled to require PLAL to issue such a policy. However, the Scheme also provides that if PLAL is not issuing such policies at that time, PLAL may (provided that the PLAL Board and, in the case of a with-profits policy, the PLAL WPC, are satisfied, having obtained appropriate actuarial advice, that such alternative policy would not have a material adverse effect on your interests or fail to satisfy your reasonable expectations), offer you an alternative policy which PLAL considers to be the nearest equivalent policy it is then writing. If PLAL does offer you an alternative policy, it will provide sufficient information to allow you to make an informed decision about the policy. PLAL's right to make such an offer does not affect your right to have the right or option satisfied.

4 What you should do next

If you are happy with our proposals, you do not need to do anything. However, you should keep this guide and accompanying documents with your original policy documents.

If you have any questions or concerns after reading this guide and the enclosed leaflet 'Your questions answered', please contact us; details of how to do this are given in section 8.

Alternatively, you may wish to speak to an authorised financial adviser, or if you have a pension policy, the Pensions Advisory Service. If you do not already have a financial adviser, and you require financial advice and would like help in finding one, then contact our helpline, or you can find details of the advisers in your area at www.unbiased.co.uk. Please note, 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.

- By calling our helpline, or by writing to us at the address given in section 8, quoting reference FM14.
- By presenting your objection in person at the High Court hearing. You can also ask a representative to do this for you. Your representative does not need legal training and could be a friend or relative.

If you call or write to us with an objection, we will reply to you and send your objection and our reply to the High Court, the Independent Expert and our regulators before the hearing at the High Court. You should raise any objection with us as soon as possible and preferably before 6 February 2015.

If you or your representative 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 FM14, ideally before 6 February 2015. By informing us, we will be able to let you know about the exact timing and location of the hearing as well as 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.

5 Other parties with an interest in your policy

We are trying to contact all affected policyholders. This will not be possible in all instances and we need your help to make sure that everyone associated with your policy knows about the **Scheme**.

If someone else has 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 a **NPLL** group pension scheme, although you are the policyholder, the scheme members will be affected by these proposals and therefore need to be made aware of them. Please make sure that all existing scheme members, and any new members that join before the **transfer date,** know about the changes explained in this guide. If you require support to provide information to members, including help to meet any reasonable costs you incur, please contact our helpline.

The main points to note for you and your members are:

- **NPLL** group pension schemes are transferring to **PLAL**;
- if you are the Trustee, you will remain as the Trustee, but your contract (policy) will move from **NPLL** to **PLAL**;
- if you are the scheme administrator for the purpose of the Finance Act 2004, you will stay as such after the **transfer date**. If **NPLL** is the scheme administrator, **PLAL** will take over this role after the transfer;
- following the transfer, all scheme contributions will need to be paid to 'Phoenix Life Assurance 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 4 of this guide.

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** the insurance business of **NPLL** will transfer to **PLAL**.

To simplify our accounts, the **Scheme** will have the financial effect, within these accounts, as if the changes had taken place on 1 January 2015. 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**, **PLAL** will become the product provider and will be responsible for the transferred policies. **PLAL** will take over **NPLL**'s rights and obligations in relation to the transferred policies and you will be entitled to the same rights against **PLAL** in respect of your policy as you had against **NPLL**.

Any contracts that **NPLL** has with other organisations, for example **reinsurance** agreements, will also transfer so that they will be between **PLAL** and that organisation.

6.2 PLAL fund structure

PLAL divides its assets into two main funds: the **Shareholder Fund** and the **Long-Term Insurance Fund**. Following the transfer, the **Long-Term Insurance Fund** will have five sub-funds, as follows.

- Its three current **with-profits** sub-funds, namely the Pearl With-Profits Fund, the London Life With-Profits Fund and the SERP Fund. Eligible policyholders are entitled to 90% of the distributable surplus from the Pearl With-Profits Fund and 100% of the distributable surplus from the London Life With-Profits Fund and the SERP Fund. No policies will transfer to these funds.
- **The National Provident Life With-Profits Fund (NPL WPF)**
  This will be a new **with-profits** sub-fund that will contain all **NPLL** policies other than annuities in payment. As is currently the case in the **NPLF**, eligible policyholders will be entitled to 100% of the distributable surplus from the **NPL WPF**.
- **The Non-Profit Fund**
  This is an existing **non-profit** sub-fund. **NPLL** annuities in payment will be transferred to the **Non-Profit Fund**.

6.3 Governance of the with-profits funds

Currently, the **NPLF** Supervisory Board is solely responsible for the management (including investment and bonus policy) of the **NPLF**. Under the terms of the **Scheme**, ultimate responsibility for the management of the **NPL WPF** will lie with the **PLAL** Board. However, to ensure policyholders' interests and reasonable expectations are protected, the **WPC** of **PLAL** will take on certain specific powers and responsibilities in relation to the **NPL WPF** that the **NPLF** Supervisory Board had in relation to the **NPLF**. These powers and responsibilities are specified in the **Scheme** and include responsibility for setting bonus and investment policy.

The **PLAL** Board will also need to obtain the prior approval of the **WPC** in respect of certain key matters, sometimes referred to as reserved matters, these are:

- the engagement or change of any investment manager for the **NPL WPF**;

- the engagement or change of any employee or provider of actuarial, finance, administration and management services for the NPL WPF;
- the acquisition of any assets for the account of the NPL WPF other than for investment; and
- the sale or disposal of any part of the business or assets of the NPL WPF other than the disposal of investments for investment purposes.

This list of reserved matters is less extensive than those which the NPLL Scheme requires the NPLF Supervisory Board to approve, which includes items such as the formation of subsidiaries or creating mortgages. This reflects the wider changes proposed to the management of the fund (since a number of the current reserved matters should fall within the remit of the PLAL Board when it has primary responsibility for management of the fund) and the fact that certain of the current reserved matters relate to activities that would not be carried out by, or are not applicable to, the NPL WPF.

The Scheme requirements relating to the membership and operating procedures of the WPC reflect the terms of the NPLL Scheme. These include a requirement that the WPC has a majority of non-executive members who are not employed by, or on the board of, any Phoenix Group company. The PLAL WPC Terms of Reference will be amended to include these requirements and the obligations of the PLAL WPC in respect of the NPL WPF. It will only be possible to change these requirements and the WPC's obligations following consultation with our regulators.

The principles for the financial management of the NPLF set out in NPLL Scheme have largely been replicated in the Scheme. This will help ensure that the business in the NPL WPF continues to be managed in the same way as it is now. The key changes are:

- the removal of the restriction on changing the balance of the assets within the NPL WPF. This reflects the current financial state of the fund and the fact that it is heavily reliant on support from the shareholder;
- an amendment to make clear that the investment policy of the NPL WPF should not be set on the basis that further support will be provided to the fund, except when the PLAL Board agrees otherwise. This will ensure consistency with the current principles relating to shareholder support for the NPLF; and
- the introduction of a new principle to prevent mis-selling compensation or redress or other costs being met from the NPL WPF.

PLAL's existing PPFM will be amended to describe the principles and practices for managing the NPL WPF and to reflect applicable changes to PLAL as a result of the Scheme.

6.4 Certification and With-Profits Actuary duties

The Scheme requires the PLAL Board to provide the WPC of PLAL with an annual certificate setting out whether it considers that the terms of the Scheme have been complied with. In addition, the With-Profits Actuary to the NPL WPF will provide a certificate to the PLAL Board and WPC setting out whether, in his opinion, the provisions of the Scheme relating to actuarial matters have been complied with and whether the investment and bonus policy have been consistent with the requirements of the Scheme. The With-Profits Actuary is also required to notify the PLAL Board and WPC if he considers the NPL WPF is being operated in a way which means that he will be unable to provide this certificate.

6.5 Closing or merging the NPL WPF

Under the terms of the Scheme, PLAL is entitled, provided the with-profits liabilities have reached a minimum value, to merge the policies, assets and liabilities allocated to the NPL WPF with another with-profits fund and close the NPL WPF. If this happens, policies will remain with-profits. The minimum value will be equivalent to that which currently applies to NPLL's right to cease to maintain the NPLF under the NPLL Scheme and was £750 million as at 31 December 2013.

The terms of the Scheme will require PLAL to close the NPL WPF if the value of its with-profits liabilities falls below £50 million. This will help ensure that the remaining assets of the NPL WPF are distributed fairly between the remaining policyholders and will also enable PLAL to manage all of its with-profits funds on a consistent basis. If the NPL WPF is closed for this reason:

- any guaranteed benefits will be protected;
- all with-profits policies will be changed into non-profit policies; and
- PLAL will transfer all policies, assets and liabilities from the NPL WPF to the Non-Profit Fund. Policyholders will be allocated guaranteed bonuses at a guaranteed rate that will be determined in a way that is fair to them.

PLAL must get written permission from its regulators before it can close or merge a fund. PLAL will make sure that any proposed changes are consistent with the FCA requirement to treat customers fairly.

6.6 Future changes to unit-linked funds

Following the transfer, internal unit-linked funds will be created within PLAL to replace the corresponding unit-linked funds in NPLL.

Currently, NPLL may close, amalgamate or divide its unit-linked funds, where permitted by policy terms and conditions. PLAL will have equivalent rights to amalgamate or divide the unit-linked funds. It will also have the right, subject to policy terms and conditions, to modify or enlarge the investment objectives of these linked funds to permit investment in reasonably similar assets.

In addition, even if it is contrary to policy terms and conditions, PLAL will be able to close such internal unit-linked funds if the value of the assets in any unit-linked fund falls below a certain amount, or if maintaining the fund (following appropriate advice) is seen as not being feasible. If this happens, PLAL will inform policyholders about the changes.

PLAL will not close, amalgamate or divide a unit-linked fund or modify or enlarge the investment objectives of a unit-linked fund, if, having obtained the advice of the Actuarial Function Holder, it considers the closure would be inappropriate having regard to policyholders' interests.

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 PLAL Board, provide reasonably equivalent investment exposure.

Policyholders have the right to one free switch into another fund, if they are affected by the closure or modification of a unit-linked fund. PLAL must also consider whether compensation should be paid to any policyholders affected by the closure.

6.7 Capital policy

Currently, NPLL's shareholders provide support to the NPLF to ensure it has adequate assets to cover its liabilities. This support takes a variety of forms and you can find details of this in the NPLL PPFM. In addition, as explained in the PPFM, a charge can be made against the asset shares of policies if the assets in the NPLF, including some of the support already provided by the shareholders, are likely to be insufficient to meet the future cost of guarantees contained within policies in the NPLF. These charges are accumulated in the Asset Share Charge Fund and will be returnable to policyholders if they are not needed to meet the cost of guarantees. The Scheme will not change the circumstances in which these charges are taken or the level of these charges.

As part of the Scheme:

- some of the support previously made available by shareholders will be given to the NPL WPF estate and shareholders will give up any right to be repaid this money. In addition, the Asset Share Charge Fund will no longer be maintained as a separate fund and will form part of the estate. The remaining shareholder support will be treated as a loan made in accordance with the PLAL capital policy. The charges that will apply to the loan (and any further support provided to the NPL WPF) will be the same or lower than those which currently apply to support provided to the NPLF;
- the NPL WPF estate (including those amounts which were formally capital support or part of the Asset Share Charge Fund) will continue to be used to meet the cost of guarantees and any other charges for which it is liable. To the extent that it is not required to meet the cost of guarantees or any other charges for which it is liable, it will be distributed to policyholders;
- if the NPL WPF estate is insufficient to meet the policy liabilities including the estimated future cost of guarantees and any other charges for which the fund is liable, then PLAL will be permitted to continue to make charges to asset shares: the circumstances in which a charge may be made to asset shares in the future will therefore not change. However, support to meet any shortfall in the new NPL WPF will also be provided by the PLAL Non-Profit Fund and, if required, the Shareholder Fund under the terms of the PLAL capital policy.

Under the terms of the PLAL capital policy, which are set out in the PLAL 2012 Scheme, PLAL is committed to hold more capital than the minimum required under current legislation, for all its operations. The aim is to ensure that PLAL can withstand extreme financial conditions.

Under the capital policy, the PLAL Non-Profit Fund or Shareholder Fund (provided they have sufficient resources) will make a loan to the NPL WPF if it does not have enough assets to cover its liabilities, plus an additional margin. The PLAL Non-Profit Fund or Shareholder Fund will also support the NPL WPF if the NPL WPF is unable to meet its minimum capital requirements, as required by legislation.

The PLAL capital policy is as strong as the capital policy currently operated by NPLL. The PLAL capital policy is also dynamic and moves in line with the amount and type of business in the company. It also offers greater certainty because it can only be changed in specific circumstances set out in its terms, or otherwise with the agreement of the High Court.

By requiring PLAL to hold a buffer of more capital than the minimum required under current legislation, the PLAL capital policy restricts the amounts that can be distributed to shareholders, for example by way of dividends.

There is a very remote possibility that, in extreme circumstances, a with-profits fund might need to provide support to another PLAL fund. However, we believe that this is extremely unlikely to happen because:

- under our proposals, the PLAL capital policy should make sure that PLAL holds more capital than the minimum required under current legislation for each of its funds, including the NPL WPF; and
- if this capital were insufficient, PLAL, in conjunction with its shareholder and regulators, would expect to investigate and seek to implement other actions before one with-profits fund would be called upon to provide support to another with-profits fund.

Analysis of the financial effects of the Scheme shows that security for policyholder benefits will be maintained and most importantly that the requirements of the PLAL capital policy will also continue to be satisfied. The overall cover for the Capital Resources Requirement (CRR) (one of the capital measures for insurance companies set out in the regulatory framework) will be lower in PLAL after the Scheme than it would be for NPLL on a standalone basis. However, policyholder security ultimately depends not on the cover for the CRR but on the strength of the capital policy, which requires the company to hold additional amounts in excess of the regulatory requirements.

The Independent Expert has considered the effect of the Scheme on the security of existing PLAL policyholders and transferring NPLL policyholders. His conclusions are set out in section 7.

6.8 Expenses

The NPLL Scheme restricts the policy administration and investment expenses that may be charged to the NPLF, by requiring that these may not exceed the charges for similar services made by third party companies or significantly exceed the costs that NPLL would incur in undertaking the services itself. The Scheme will require that the per policy fees for administration services that are charged to the NPL WPF will initially be set at their current level and then increase in line with the Retail Prices Index plus 1%. The PLAL Board will be entitled to change these fees in the future.

However, any changes will need to be approved by the WPC, which will need to be satisfied that the fees are fair to policyholders. In addition, the WPC may require that a review of the fees be undertaken.

The fees for investment management charged to the NPL WPF will also be set by the PLAL Board. However, the Scheme will require that any changes to investment management fees are approved by the WPC, which will again need to be satisfied that the fees are fair to policyholders.

6.9 Service standards

The Scheme requires that PLAL ensures that the standard of service provided to the transferring policyholders is at least the same as the standard provided to holders of similar policies in any other PLAL fund. In addition, the same level of skill and care must be applied to the investment management of the NPL WPF as to the investment management of any other PLAL with-profits fund.

6.10 Policies with options for a new or replacement policy to be issued

If your policy has an option or other right which entitles you to take out a new, additional or replacement policy, that option or right will continue to be available after the transfer and you will be entitled to require PLAL to issue such a policy. However, the Scheme also provides that if PLAL is not issuing such policies at that time, PLAL may (subject to satisfying certain requirements) offer you an alternative policy which PLAL considers to be the nearest equivalent policy it is then writing. PLAL's right to make such an offer does not affect your right to have the right or option satisfied.

6.11 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 NPLL and PLAL.

6.12 Data Protection

Under the terms of the Scheme, PLAL will become the 'data controller' and take over the rights and responsibilities of NPLL in respect of personal data which is associated with the business of NPLL and is subject to the Data Protection Act 1998.

PLAL will be under the same duty as NPLL to respect the confidentiality and privacy of personal data and will continue to use and manage this personal data for the purposes that you have previously been made aware of.

7 Summary of the Independent Expert's report

The following is a summary of the report written by the Independent Expert, Dr David Hare, who is a senior actuary and a partner at Deloitte MCS Limited. He is independent of the companies involved in the Scheme and his appointment has been approved by the PRA. 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 calling our helpline or writing to us at the address given in section 8.

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 different groups of policyholders of NPLL (the transferring policyholders) and existing policyholders of PLAL. I have examined the implications of the Scheme for each group and have reviewed, in particular, the likely impact on:

- the security of policyholder benefits;
- the reasonable benefit expectations of policyholders;
- service standards and investment management;
- the governance arrangements in place to ensure policyholder interests are properly considered in the future.

In carrying out my review, I have also had regard to certain requirements which the NPLL Scheme imposes in relation to any proposed transfer of NPLL's business to PLAL.

Where the Scheme affects a particular group of policyholders, I have considered whether the policyholders are, or are likely to be, "materially adversely affected" by the Scheme. In forming a view of whether an effect is "material", I have considered both the size and likelihood of the effect. If a potential effect is very unlikely to happen and does not have a large impact, or if it is likely to happen but has a very small impact, I do not consider it material.

Security of policyholder benefits

I am satisfied that the Scheme will not materially adversely affect the security of benefits of either transferring policyholders or existing PLAL policyholders.

In the case of transferring policyholders, this is because:

- following the transfer, these policies will continue to be protected by a capital policy which targets a level of capital well in excess of regulatory requirements. As at 31 October 2014, the level of capital held under the PLAL capital policy represented a higher percentage margin over regulatory capital requirements than that held under NPLL's capital policy. In addition, because it is contained in a court sanctioned scheme, the PLAL capital policy represents a stronger shareholder commitment than the NPLL capital policy.

- the Scheme, of itself, leads to little change in the risks to which the transferring policyholders are exposed. Such risks are mitigated through the strength of the PLAL capital policy;
- a number of capital support arrangements are currently in place to protect the transferring policyholders within NPLL. The Scheme simplifies these capital support arrangements and as a result would allow more of any surplus arising in the NPL WPF to be distributed to with-profits policyholders. The Scheme does not reduce the level of capital support available to policyholders;
- although the Scheme will result in the transferring policyholders being exposed directly to the risks associated with PLAL's existing business, the benefits of transferring policyholders would only be in danger of being reduced as a result of those risks in the extreme situation where one of the other funds in PLAL was insolvent and any surplus assets in the NPL WPF needed to be transferred to that fund. The Scheme contains a provision which will prevent this happening except in the very unlikely scenario of both the Shareholder Fund and the Non-Profit Fund having no available assets.

In the case of the existing policyholders of PLAL, this is because:

- PLAL policies do not move and will continue to benefit from the protection provided by the PLAL capital policy;
- the Scheme will not change the PLAL capital policy, which will continue to target a level of capital well in excess of regulatory requirements. In addition, since NPLL is an indirect subsidiary of PLAL, existing PLAL policyholders are already indirectly exposed to the risks within NPLL and this is reflected in the amounts which are already held under the PLAL capital policy. Those amounts will not change as a result of the Scheme;
- PLAL is expected to be able to meet the level of capital targeted by its capital policy after the Scheme.

Policyholders' benefit expectations

I am satisfied that the Scheme will not materially adversely impact the benefit expectations of either transferring policyholders or existing PLAL policyholders.

In the case of transferring with-profits policyholders, this is because:

- key considerations relevant to transferring with-profits policyholders will not change as a result of the Scheme, including the current methodology for determining asset shares, bonus rates and surrender value calculations and the process for allocating investment returns to asset shares;
- the governance requirements in the Scheme will help ensure that transferring policyholders' interests are protected. In particular, the power to manage investment and bonus policy will be held by the PLAL WPC, which will be required to have regard solely to the interests and reasonable expectations of NPL WPF policyholders when carrying out its duties in respect of that fund. The PLAL WPC is required to have a majority of non-executive members and will have oversight of the Board's wider management of the NPL WPF;
- a small amount of non-profit annuity business is being transferred from NPLL to the Non-Profit Fund. Since the majority of NPLL's annuities in payment are already reinsured to PLAL, future profits attributable to this business are already expected to arise largely in PLAL and any other profits associated with the annuities in payment transferring to the Non-Profit Fund (which, following the Scheme, will arise in the Non-Profit Fund rather than the NPL WPF) would not materially affect the benefit expectations of the holders of transferring with-profits policies;
- the provisions in the Scheme regarding the future management of the NPL WPF, including those permitting the future reallocation of non-profit policies from the NPL WPF to the Non-Profit Fund and those requiring the NPL WPF to be closed or merged in certain circumstances, are subject to various requirements which are designed to ensure that the way in which any such changes are made are fair to policyholders;
- key aspects of the PPFM that currently applies to with-profits business in NPLL will be replicated in a new chapter of the PLAL PPFM.

In the case of holders of transferring unit-linked policies and other non-profit policies (including annuities in payment), this is because:

- on implementation of the Scheme, the unit-linked policies in the NPL WPF will remain invested in the same unit-linked funds as previously in NPLL, with the same number and value of units, and with the same range of fund choice available to them. The level of fund charges will also be unchanged;
- there will be no change to the unit pricing principles, investment mandates, charges or taxation of any unit-linked fund;
- while the Scheme will introduce certain powers in respect of the future management of former NPLL unit-linked funds, these are subject to conditions designed to protect policyholders' interests;
- there will be no change to the benefits, terms and conditions of other non-profit policies (including annuities in payment).

In the case of existing PLAL policyholders with with-profits policies, this is because:

- there will be no change to policy terms and conditions, guarantees or to underlying asset shares;
- there is no movement of policies either into or out of the existing PLAL WPFs, so profits or losses from non-profit business in an existing PLAL WPF remain in the relevant fund for the potential benefit of the with-profits policyholders. There will be no change to the basis on which profits are shared in any of the existing PLAL WPFs. The level of surplus assets within each existing PLAL WPF will also remain unchanged by the Scheme;
- there will be no changes to the investment policy or asset mix of any fund as a result of the Scheme.

- the Scheme will not change the PPFM for any of PLAL's existing with-profits business, nor does it impact directly the way in which this business is expected to be managed;
- the governance arrangements and existing protections for existing PLAL with-profits policies under previous court schemes will be maintained and the powers and areas of management discretion that have resulted from those schemes will not change.

In the case of existing PLAL policyholders with unit-linked policies and other non-profit policies, this is because:

- the Scheme will not change the policy terms and conditions of unit-linked policies, nor will it change the unit pricing principles, investment mandates, charges or taxation of any unit-linked or unitised with-profits fund;
- the Scheme will not change the number of and value of units that unit-linked policyholders have, or the fund choice available;
- the Scheme will not change the terms and conditions of any other non-profit policies (including annuities in payment) and will have no impact on the benefits or premiums payable or any charges that are applicable.

Service standards and investment management

I am satisfied that the Scheme will have no adverse impact on administration or investment management services for either transferring policyholders or existing PLAL policyholders. This is because:

- the Scheme will not change the administration arrangements for any group of policies;
- NPLL and PLAL have confirmed that there will be no changes on implementation of the Scheme to the investment management or mandate for the assets backing the transferring policies and the non-transferring policies.

Governance arrangements

The governance arrangements relating to existing PLAL policyholders will not change as a result of the Scheme, other than in relation to the composition and procedures of the PLAL WPC, where the changes should have the effect of strengthening the governance protections for with-profits policies held by existing PLAL policyholders.

Under the governance arrangements set out in the NPLL Scheme, the NPLF Supervisory Board has responsibility for the management of the NPLF, including the investment and bonus policies. Many of the rights and responsibilities of the Supervisory Board will be carried over by the Scheme, as rights and responsibilities of the PLAL WPC, including responsibility for the investment policy and the bonus policy of the transferring with-profits business. However, the responsibility for the management of the NPL WPF will, in general, lie with the PLAL Board rather than the PLAL WPC, although the management of the fund will still be subject to oversight by the PLAL WPC. This is consistent with current legal and regulatory framework. I am satisfied that this change does not represent a materially adverse effect for the transferring policyholders.

Solvency II

On 1 January 2016, the current regulatory solvency regime is expected to be replaced by a new regime known as Solvency II. I have considered whether the introduction of Solvency II has a bearing on my conclusions.

It is important to realise that Solvency II does not change any of the assets, liabilities or risks in the companies; however, it will change how these are measured and could result in additional risk that the companies fail to meet their regulatory requirements.

I note that Solvency II will impact the companies irrespective of the Scheme – if it has an adverse (or positive) effect on a particular company, the effect will apply whether or not the Scheme occurs.

I have reviewed an estimate of the financial position of the companies calculated under their current understanding of the likely Solvency II rules and estimates of the expected impact of the Scheme on this position. There is considerable uncertainty around these estimates, but both companies are expected to be able to meet their Solvency II capital requirements. Given the uncertainty around these estimates and the number of options open to management to change this position over the coming months, I place limited reliance on any comparisons of the relative strength of the companies at this stage and will revisit this in advance of the Scheme being presented to the High Court for approval.

However, I note that the impact of the Scheme is expected to be largely neutral on the solvency position of PLAL under Solvency II. This reflects the fact that the NPLL figures would be reflected in the pre-Scheme PLAL position on a look-through basis.

There could be a risk to policyholders if they were moving from a company that was well prepared for the move to Solvency II, and understood the implications for its solvency, to one that was poorly prepared. That is not the case under this Scheme. The companies are all part of the same group of companies and are part of the same implementation programme, and so no group of policyholders should be disadvantaged on this account.

Under the terms of a previous court scheme, PLAL will set new tests for its capital policy before Solvency II is implemented with the objective that PLAL can meet its Solvency II capital requirements in internally stressed scenarios. The adoption of the new tests and their parameters will be subject to the regulators' non-objection. As a result, the PLAL capital policy will provide ongoing protection to all policyholders affected by the Scheme after Solvency II is implemented.

Summary

I am satisfied that the Scheme will not adversely impact any group of 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 Guernsey which will transfer under the overseas schemes.

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

8 More information

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

You can see the following documents relating to the Scheme on our websites at www.npi.co.uk/FM14scheme and www.phoenixlife.co.uk/FM14scheme.

Scheme mailing pack	• Scheme guide for National Provident Life Limited policyholders • 'The Scheme – Your questions answered' • Example policyholder letters
Other information	• Draft version of the full Scheme document • The Independent Expert's full report for the Scheme • Actuarial reports from PLAL and NPLL • The full terms of the overseas schemes • Draft versions of the revised PLAL PPFM (incorporating the NPL WPF) and the guides to how we plan to manage the NPL WPF • Summary of the main differences between the existing PPFM of NPLL and the new PLAL PPFM • Draft version of the revised PLAL WPC Terms of Reference • Scheme guide for Phoenix Life Assurance Limited policyholders • The scheme document for the PLAL 2012 Scheme

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

0845 266 9221

The helpline is open from 9am to 5pm, Monday to Friday, until the day before the hearing. Calls are charged at local rates from UK landlines. If you are outside the UK, please call +44 1733 478993.

This helpline is only for enquiries about our transfer proposals. For general questions about your policy, please contact us on the usual customer telephone number which you will find on previous letters that you have received from us.

You may also write to:

Restructure Team (reference FM14)
The Pearl Centre
Lynch Wood
Peterborough
PE2 6FY
United Kingdom

If you contact us, please quote the client reference number at the top of the letter accompanying this guide.

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

9 Definitions

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 2015, being the date on which the **Scheme** is to be treated as having taken effect for accounting purposes.

FCA – the Financial Conduct Authority, one of our industry regulators.

GFSC – the Guernsey Financial Services Commission, our industry regulator in 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 – the Bailiwick of Guernsey including the islands of Guernsey, Alderney, Sark, Herm, Jethou, Burhou, Brecqhou and Lihou.

Guernsey Scheme – the transfer scheme under section 44(1) of the Insurance Business (Bailiwick of Guernsey) Law 2002 under which we propose to transfer, from **NPLL** to **PLAL**, the relevant policies issued to people resident in Guernsey.

Hearing – the **hearing** at the **High Court** to approve the **Scheme**, which we expect to be held on 30 March 2015.

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

Independent Expert – Dr David Hare of Deloitte MCS Limited, an actuary experienced in the issues relating to the transfer of long-term insurance businesses, who has been appointed by **PLAL** and **NPLL** and approved by the **PRA** as the **Independent Expert** in connection with the **Scheme**.

Jersey Scheme – the transfer scheme under Article 27 and Schedule 2 to the Insurance Business (Jersey) Law 1996, under which we propose to transfer, from **NPLL** to **PLAL**, 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, which are not held for the benefit of its shareholders.

National Provident Life Fund or **NPLF** – the **Long-term Insurance Fund** of **NPLL**, held to cover policy and related liabilities.

National Provident Life With-Profits Fund or **NPL WPF** – a new **with-profits** fund which will be set up within **PLAL**. The transferring policies from **NPLL,** other than annuities in payment**,** will be allocated to this new **with-profits** fund.

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.

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

NPLL – **National Provident Life Limited**, a company formed in anticipation of the **demutualisation** of National Provident Institution, which took effect on 1 January 2000, to take over the existing National Provident Institution business.

NPLL Scheme – the scheme under which the entire long-term insurance business of National Provident Institution was transferred to **NPLL**, which took effect on 1 January 2000 and was subsequently amended in 2010.

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

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

PLAL – Phoenix Life Assurance Limited, the company to which **NPLL** business will be transferred on the **transfer date**.

PLAL 2012 Scheme – the 2012 insurance business transfer scheme under which the entire long-term insurance business of London Life Limited was transferred to **PLAL**.

PLAL capital policy – imposes requirements for the amount of capital which **PLAL** must hold over and above regulatory capital requirements. The **PLAL capital policy** is contained in the **PLAL 2012 Scheme**.

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

Regulators – the **Prudential Regulation Authority** (**PRA**) and the **Financial Conduct Authority** (**FCA**).

Reinsurance and **reinsured** – an arrangement where some or all of the risk 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 includes how **NPLL** policies will transfer to **PLAL.**

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 – 6 April 2015 or any later date that **PLAL** and **NPLL** agree. This is the date on which the assets, liabilities and policies of **NPLL** will transfer to **PLAL** under the **Scheme**.

Unit-linked – a policy or investment where benefits are decided using the value of a fund of investments. Some **unit-linked** policies can invest in **with-profits** units.

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

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

Appendix 1

Overseas schemes (Jersey and Guernsey)

NPLL has a small number of policies that may have been taken out as part of the business carried on by NPLL in or from within Jersey, or have been issued to people resident in Guernsey. We will transfer these policies separately under a Jersey Scheme and a Guernsey Scheme. We refer to these together as the 'overseas schemes'.

The overseas schemes are based on the same terms as the Scheme. The summary of the Scheme in section 6 of this guide and the summary of the Independent Expert's report in section 7 apply equally to the overseas schemes. In terms of the overseas schemes, where we refer to the approval of the High Court, you should read this as approval by the Royal Court of Jersey or the Royal Court of Guernsey, as appropriate.

The court hearings are expected to take place as follows.

- Jersey Scheme: 1 April 2015 at the Royal Court of Jersey, Royal Court Building, Royal Square, St Helier, Jersey JE1 1JG.
- Guernsey Scheme: 31 March 2015 at the Royal Court of Guernsey, The Royal Court House, St Peter Port, Guernsey GY1 2PB.

If you believe you would be adversely affected by either 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.

- By calling our helpline, or by writing to us at the address given in section 8, quoting reference FM14.
- You or a representative can go to the hearing and present your objection to the relevant court. In Jersey, your representative must be a Jersey 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 6 February 2015.

If you or your representative plan to come to the Jersey or Guernsey court hearing, please call or write to us quoting reference FM14, ideally before 6 February 2015. By informing us, we will be able to let you know about any changes that may take place to the time or date of the relevant court hearing. We may also be able to deal directly with any concerns.

If the overseas schemes are approved, transfers will take place on the transfer date, or at a later date if the relevant courts order this.

If the overseas schemes are not approved by the transfer date, the policies that would have been transferred under those schemes will be reinsured to PLAL, although they will remain with NPLL. Whether the Scheme is approved does not depend on the overseas schemes also being approved.

The UK tax status of NPLL policies for Jersey and Guernsey policyholders does not change as a result of the Scheme taking place.

More information

You can see or obtain copies of the overseas schemes and the Independent Expert's full report, free of charge, at the offices of our Jersey and Guernsey advocates, Carey Olsen.

- Jersey Scheme – 47 Esplanade, St Helier, Jersey JE1 0BD, up to the date of the Jersey court hearing.
- Guernsey Scheme – Carey House, Les Banques, St Peter Port, Guernsey GY1 4BZ, up to the date of the Guernsey court hearing.

They are also available from our websites at www.npi.co.uk/FM14scheme and www.phoenixlife.co.uk/FM14scheme or by calling our helpline.

Appendix 2

LEGAL NOTICE

In The High Court of Justice

Chancery Division

Companies Court

In the matter of
National Provident Life Limited

- and -

In the matter of
Phoenix Life Assurance Limited

- and -

In the matter of the
Financial Services and Markets Act 2000

Notice is hereby given that on 18 December 2014 National Provident Life Limited ("NPLL") and Phoenix Life Assurance Limited ("PLAL") 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 PLAL of all of the long-term insurance business carried on by 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 being carried on by PLAL. 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 PLAL. All claims in respect of the policies comprised within the Business shall, upon the transfer becoming effective, be dealt with by PLAL.

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 or PLAL 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 NPLL website at www.npi.co.uk and on the PLAL website at www.phoenixlife.co.uk.

Any questions or concerns relating to the proposed transfer should be referred to NPLL or PLAL using the following telephone number or address:

Restructure Team (reference FM14)
The Pearl Centre
Lynch Wood
Peterborough
PE2 6FY

Telephone: 0845 2669221 or, if phoning from overseas, +44 1733 478993.

If you have a policy with NPLL or PLAL, 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 30 March 2015 and any person (including any policyholder or employee of NPLL or PLAL) 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 6 February 2015, setting out their grounds of objection or how they may be adversely affected, either to NPLL or PLAL by calling the above number or in writing to the address above or to the solicitors named below.

Any person who objects or says they may be adversely affected by the Scheme but does not intend to attend the hearing may also make representations about the Scheme by giving notice of such representations, as soon as possible and preferably before 6 February 2015, either to NPLL or PLAL 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
Ref: C1JSR

Solicitors to NPLL and PLAL

PHOENIX LIFE

ANY MORE QUESTIONS ABOUT THE SCHEME?

Please call our helpline on

0845 266 9221

or visit our websites

www.npi.co.uk/FM14scheme

www.phoenixlife.co.uk/FM14scheme

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 478993.

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 266 9221.

Phoenix Life Limited No.1016269, Phoenix Life Assurance Limited No.1419 and National Provident Life Limited No. 3641947 are authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. All companies are registered in England and have their registered office at: 1 Wythall Green Way, Wythall, Birmingham, B47 6WG.