

GUIDE FOR PHOENIX LIFE LIMITED POLICYHOLDERS

Transferring AXA Wealth Limited policies
to Phoenix Life Limited

August 2017



PHOENIX LIFE

1. Introduction

This guide summarises our proposals to transfer all policies of AXA Wealth Limited (AWL) to Phoenix Life Limited (PLL). We refer to these proposals as 'the Scheme'.

This guide is for Phoenix Life policyholders: there are separate guides for transferring policyholders.

AWL and PLL are both part of the Phoenix Group of companies.

In this guide you will find:

- information about the Scheme and how it affects you (*section 3*);
- details on how to raise any concerns you may have about the Scheme (*section 4*); and
- a summary of a report by an Independent Expert that considers how policyholders' interests may be affected by the Scheme (*section 6*).

2. The process we are following

AWL and PLL have applied to the High Court for permission to transfer all AWL policies to PLL. 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 to be held at the High Court of Justice of England and Wales, 7 Rolls Building, Fetter Lane, London EC4A 1NL on 21 November 2017. If the High Court approves the Scheme, we expect the transfer to take place on 8 December 2017 (the transfer date).

An Independent Expert, Oliver Gillespie, who is a partner at Milliman LLP and 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 6 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.

3. What this means for you

The Scheme will not change the way your policies are managed and the terms and conditions of your policies will not change. No PLL policies will move as a result of the Scheme. The Scheme will not affect your existing benefits, the premiums payable, any guarantees you have or any payment you are receiving.

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.

Security for your policy will be maintained and the Scheme makes it clear that the PLL capital policy will not be altered and will provide security to transferring policyholders. The PLL capital policy commits PLL to holding more capital than the minimum required under current legislation, for all its operations. The aim is to ensure that PLL can withstand extreme financial conditions.

With-profits policies

The Scheme will not affect how the with-profits funds are managed, the way your policy is invested or the way your bonuses are calculated. No policies will transfer into the existing PLL with-profits funds.

Non-profit policies and annuities in payment

If you have a non-profit policy or a unit linked policy, the Scheme will not affect your benefits or the way your policy works. If you have a unit linked policy the Scheme will not affect the unit linked funds your policy is invested in.

If you have an annuity in payment, the payment dates, the amount you receive and any guarantees you have will not be affected by the transfer.

4. What you should do next

If you are happy with our proposals, you do not need to do anything unless you would like further information or feel you would be adversely affected by the Scheme.

You can find further information relating to our proposals on our website www.phoenixlife.co.uk/FM17. If you have any further questions, or would like paper copies of any documents on our website, please call or write to your normal customer services team. You can find their number and address on any recent letters we have sent you.

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

- By calling or writing to your customer services team, quoting reference FM17.
- 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 wish to do this, please contact us quoting reference FM17, ideally before 31 October 2017. By informing us, we will be able to let you know if there are any changes to the date of the hearing. We may also be able to deal directly with any concerns you have.

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 31 October 2017.

5. Summary of the terms of the Scheme

Transferring the business

If the High Court approves the Scheme, all policies in AWL will transfer to PLL on the transfer date. PLL will become the product provider and will be responsible for the transferred policies. PLL will take over AWL's rights and obligations in relation to the transferred policies and transferring policyholders will be entitled to the same rights against PLL in respect of their policy as they had against AWL.

Any contracts that AWL has with other organisations will also transfer so that they will be between PLL and that organisation.

The transfer date

We expect the transfer date to be 8 December 2017. PLL and AWL can agree to defer the transfer, although it should take place no later than 31 March 2018. Any change to the transfer date will be announced on our website. For accounting and financial reporting purposes, the Scheme will be treated as effective between AWL and PLL from 30 September 2017. However, this does not affect policyholders or their rights against AWL and PLL.

Unit-linked funds

The Scheme will not change the way in which the existing PLL unit-linked funds are operated.

The Scheme will also not change the way the AWL unit linked funds are managed or invested. PLL will create internal unit-linked funds corresponding to those currently in AWL. All of AWL's arrangements with external unit-linked fund providers will also transfer. The Scheme will not change the assets of the unit-linked funds, the charges which apply, the bases used to price units in the funds or the investment strategy of the funds. PLL will have the same rights in respect of the unit-linked funds which AWL had prior to the Scheme.

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

Following the transfer, transferring policyholders whose policy has an option or other right which entitles the holder to take out a new, additional or replacement policy, will be entitled to require PLL to issue such a policy.

The Scheme will not affect any option or other right of existing PLL policyholders to take out a new, additional or replacement policy.

Excluded policies

If, for technical reasons, we are unable to transfer any policy or group of policies, 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 AWL and PLL.

Data protection

Following the transfer, PLL will become the 'data controller' and take over the rights and responsibilities in respect of personal data which is associated with the business of AWL and is subject to the Data Protection Act 1998.

Costs

None of the costs and expenses relating to the preparation of the Scheme or the High Court process will be met by policyholders.

6. Summary of the Independent Expert's report

The following is a summary of the report written by the Independent Expert, Oliver Gillespie, who is a senior actuary and partner at Milliman LLP. He is independent of companies involved in the Scheme and his appointment as the Independent Expert has been approved by the PRA. You can see the full version of the Independent Expert's report on our website, or you can get a paper copy by calling our helpline or writing to us at the address given in section 4.

My role and why I am writing this report

It is proposed to transfer all the business of AXA Wealth Limited ("AWL") into another regulated life insurance company in the Phoenix Group, Phoenix Life Limited ("Phoenix"). There is a reinsurance arrangement in place between AWL and Phoenix that replicates the economic effects of the proposed transfer called the Intra-Group Reinsurance ("IGR").

The transfer will be carried out in accordance with the Financial Services and Markets Act 2000 ("FSMA") and must be approved by the High Court of Justice of England and Wales (the "Court"). Such an application to the Court must be accompanied by a report on the terms of the transfer by an Independent Expert.

I have produced a report on this transfer ("my main report") and this is a summary of that report. I encourage anyone who is interested in the details behind this transfer, and in how I reached my conclusions, to read my main report and the other documents regarding this transfer that are available at the companies' websites.

My comments and conclusions apply to all policyholders of AWL and Phoenix irrespective of their place of residence and/or the jurisdiction within which the business is said to be carried on or in which their policy was issued. References to the "Scheme" in my main report should be taken to include the Guernsey Scheme.

My role as Independent Expert is to consider how policyholders are likely to be affected by the proposed transfer.

The effect of the transfer on the AWL policies

Introduction

As part of my work on the transfer I have considered the expected effects of the proposed transfer on the following:

- The financial strength available to provide security for the benefits under the AWL policies where financial strength is provided by:
 - The assets required to be held to support the AWL policies; and
 - The restrictions in place in respect of changing the amount or quality of these assets held.
- The profile of risks to which the AWL policies are exposed.
- The governance and management that apply to the AWL policies.
- The standards of administration and service that apply to the AWL policies.
- The management of the AWL unit-linked funds.
- The expectations of the AWL policyholders in respect of their benefits.

I summarise the key points of my analysis below.

The financial strength available to provide security for the AWL policies

I am satisfied that the transfer will not have a material adverse effect on the financial strength available to support the security of the benefits under the AWL policies because, after the transfer:

- The regulatory regime will be the same as currently and so the calculation of the technical provisions and capital requirements in respect of the AWL business will not change. Therefore, Phoenix will be required to hold a similar amount and quality of assets to back the technical provisions and capital requirements of the AWL policies after the transfer as AWL does currently.
- The business will be subject to the Phoenix Capital Policy (the “PCP”) and:
 - The PCP is not materially different to the capital policy that currently applies to the AWL policies;
 - The extra capital (above the regulatory requirements) that is required by the PCP provides a level of security for the AWL policies that is significantly in excess of that required by the regulations; and
 - Any changes to the PCP must be submitted in advance for non-objection by the PRA and approved by the Phoenix Board.
- Phoenix’s excess assets will be much larger than those currently in AWL and these will be available to provide security for the AWL policies in extreme circumstances.

The profile of risks to which the AWL policies are exposed

After the transfer, the AWL policies will be direct policies of Phoenix and therefore directly exposed to the risks within the Phoenix business. Phoenix is much larger than AWL and has written different types of business, to different profiles of policyholders, and so the transfer will change the risks to which the AWL policies are exposed. However, I am satisfied that this change will not have a material adverse effect on the security of the benefits because:

- The exposure to a wider range of risks results in a greater level of diversification in the risk exposures;

- The profile of risks of Phoenix after the transfer will be reflected in the capital that Phoenix is required to hold under the regulations and the PCP; and
- Due to the IGR, the AWL policies are already exposed to a significant degree to the risks of Phoenix.

The management and governance of the AWL policies

The AWL policies are currently managed by, and subject to the governance of, the AWL Board and, after the transfer, will be subject to the management and governance of the Phoenix Board. I am satisfied that the transfer will not have a material adverse effect on the standards of governance and management that apply to the AWL policies because:

- The members of the Boards of AWL and Phoenix are the same; and
- The Phoenix Board has considerable experience of writing business that is similar to the AWL business.

The management of the AWL unit-linked funds

As a result of the transfer, new unit-linked funds will be created in Phoenix corresponding to the existing AWL unit-linked funds.

These new unit-linked funds will receive the assets held by the corresponding funds in AWL immediately prior to the transfer, and the AWL policies will be allocated the same number and value of units as they had before the transfer. There will be no changes to how unit-linked funds operate including the charges, pricing practices and investment objectives, and no changes to the funds available under the AWL policies.

I am satisfied that the transfer will not have a material adverse effect on the unit-linked funds in which the AWL unit-linked policies invest.

The standards of administration and service that apply to the AWL policies

Phoenix has an ongoing project to integrate the AWL business (the "AXA integration project") with the Phoenix business and as part of this the administration and servicing of the transferring AWL policies will change. The AXA integration project and the changes to the administration arrangements are not part of the transfer and these changes will take place whether or not the transfer goes ahead.

There is not expected to be any reduction in the standards of administration or service that policyholders experience or any change to premium collection dates and income and withdrawal payment dates.

I am satisfied that the transfer will not, of itself, lead to changes to the administration and servicing arrangements for AWL policies and that therefore the transfer will not have a material impact on the standards of administration and service applied to the transferring policies.

The expectations of AWL policyholders in respect of their benefits

The transfer will not change:

- The terms and conditions of the AWL policies (except that the policies will become policies of Phoenix);
- The charges that apply to the AWL policies; or
- The outsourcing and asset management arrangements for the AWL policies.

In addition, as discussed above, I am satisfied that the transfer will not have a material adverse effect on:

- The security of the AWL policies;

- The standards of administration, service, management and governance that apply to the AWL policies; or
- The unit-linked funds in which the AWL unit-linked policies invest.

Therefore, I am satisfied that the transfer will not have a material adverse effect on the reasonable benefit expectations of the AWL policyholders.

The effect of the transfer on the existing Phoenix policies

Introduction

As part of my work on the transfer I have considered the expected effects of the proposed transfer on the following:

- The financial strength available to provide security for the benefits under the Phoenix policies;
- The profile of risks to which the Phoenix policies are exposed; and
- The expectations of the Phoenix policyholders in respect of their benefits.

I summarise the key points of my analysis below.

The financial strength available to provide security for the Phoenix policies

The transfer will not change the regulatory regime or the PCP and therefore, in respect of the Phoenix policies, there will be no change to:

- The technical provisions and capital required by the regulations; or
- The extra capital (above the regulatory requirements) required under the PCP.

The excess assets in Phoenix and the percentage coverage of its required solvency capital are both expected to improve slightly as a result of the transfer.

The transfer will not affect the Phoenix ring-fenced funds or the possible support from those funds, or the external reinsurance arrangements of Phoenix (except the IGR).

I am satisfied that the transfer will not have a material adverse effect on the financial strength available to support the security of the benefits under the Phoenix policies.

The profile of risks to which the Phoenix business is exposed

I am satisfied that the transfer will not have a material adverse effect on the profile of risks to which the existing Phoenix policies are exposed because:

- Under the IGR, Phoenix is currently exposed to the majority of the risks of the transferring business; and
- The remainder of the risks associated with the AWL business are similar in nature to risks to which Phoenix is already exposed.

The expectations of the Phoenix policyholders in respect of their benefits

I am satisfied that the transfer will not have a material adverse effect on the reasonable benefit expectations of the Phoenix policyholders because:

- The transfer will not change:
 - The terms and conditions of the Phoenix policies;
 - The charges that apply to the Phoenix policies;
 - The principles and practices used in the management and exercise of discretion of the Phoenix with-profits, unit-linked and non-profit business;

- The rights of the Phoenix policies to any future distributions from the inherited estates; or
- The operation of Phoenix or any of its business funds.
- The transfer will have no effect on the administration, servicing, management or governance that apply to the Phoenix policies.

Conclusions

I am satisfied that the transfer will not have a material adverse effect on:

- The security of benefits under the transferring AWL policies and the existing Phoenix policies;
- The reasonable expectations of the transferring AWL policyholders and the existing Phoenix policyholders in respect of their benefits; or
- The standards of administration, service, management and governance that apply to the transferring AWL policies and the existing Phoenix policies.



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**If you would like this information in large print,
Braille or audio please call us on 0808 164 2266.**

Phoenix Life Limited is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Phoenix Life Limited is registered in England No. 1016269 and have their registered office at: 1 Wythall Green Way, Wythall, Birmingham, B47 6WG.