

SCHEME GUIDE

FOR PHOENIX LIFE LIMITED POLICYHOLDERS

This guide summarises our proposals to transfer all policies of Abbey Life Assurance Company Limited (Abbey Life) to Phoenix Life Limited (Phoenix). We refer to these proposals as 'the Scheme'. Abbey Life and Phoenix are both part of the Phoenix Group of companies.

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

August 2018

If you would like this information in large print, braille or audio, please call your customer services team.

1. THE PROCESS WE ARE FOLLOWING

Abbey Life and Phoenix have applied to the High Court for permission to transfer all Abbey Life policies to Phoenix. 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, The Rolls Building, 7 Rolls Buildings, Fetter Lane, London EC4A 1NL on 5 December 2018. If the High Court approves the Scheme, we expect the transfer to take place on 31 December 2018 (the transfer date).

An Independent Expert, Tim Roff, who is a partner at Grant Thornton 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 5 of this guide and you can see the full report on our website. In the summary of his report, the Independent Expert says that, overall, the Scheme will not have a material adverse impact on any group of the current policyholders of Phoenix.

2. 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 Phoenix 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, the Phoenix Capital Policy will not be altered as a result of the Scheme and will provide security to both existing and transferring policyholders. The Phoenix Capital Policy commits Phoenix to holding more capital than the minimum required under current regulation, for all its operations. The aim is to ensure that Phoenix can withstand extreme financial conditions.

With-profits policies

If you have a with-profits policy, the Scheme will not affect how the Phoenix 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 Phoenix 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.

3. WHAT YOU SHOULD DO NEXT

You do not need to do anything unless you would like further information or feel you would be adversely affected by the Scheme. If anyone else has an interest in your policy (for example a beneficiary, trustee in bankruptcy, executor or personal representative, or if your policy has been assigned), please make them aware of these proposals.

You can find further information relating to our proposals, including the full scheme document and the Independent Expert's full report, on our website www.phoenixlife.co.uk/FM18. If you have any further questions, or would like paper copies of any documents on our website, please call your normal customer services team. You can find their number on any recent letters we have sent you, or on the Phoenix website. Alternatively, you can write to:

Abbey Life Transfer Team
100 Holdenhurst Road
BOURNEMOUTH BH8 8AL

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 your customer services team, or by writing to the address above quoting reference FM18.
- 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 FM18, ideally before 16 November 2018. 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 16 November 2018.

4. SUMMARY OF THE TERMS OF THE SCHEME

Transferring the business

If the High Court approves the Scheme, all Abbey Life policies will transfer to Phoenix on the transfer date. Phoenix will become the product provider and will be responsible for the transferred policies. Phoenix will take over Abbey Life's rights and obligations relating to the transferred policies. Any contracts that Abbey Life has with other organisations will also transfer so that they will be between Phoenix and that organisation.

The transfer date

If the High Court approves the Scheme, we expect the transfer date to be 31 December 2018. Phoenix and Abbey Life can agree to defer the transfer, although it should take place no later than 31 March 2019. Any change to the transfer date will be announced on our website www.phoenixlife.co.uk/FM18.

Unit-linked funds

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

Further, the Scheme will not change the way the unit-linked funds in Abbey Life are managed, the assets of the unit-linked funds, the charges which apply or the bases used to price units in the funds. Phoenix will create internal unit-linked funds corresponding to all those currently in Abbey Life, and policyholders will be allocated the same value of units in those new Phoenix funds as they held in the unit-linked funds of Abbey Life immediately before the transfer. All of Abbey Life's arrangements with external unit-linked fund providers will also transfer.

With-profits policies

The Scheme will not change Phoenix with-profits policies and no policies will transfer to the Phoenix with-profits funds. There will be some changes to Abbey Life with-profits policies as a result of the transfer.

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 Phoenix to issue such a policy.

The Scheme will not affect any option or other right of existing Phoenix 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 Abbey Life and Phoenix.

Data protection

Following the transfer, Phoenix will become the 'data controller' and take over the rights and responsibilities in respect of personal data which is associated with the business of Abbey Life.

Costs

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

5. SUMMARY OF THE INDEPENDENT EXPERT'S REPORT

The following is a summary of the report written by the Independent Expert, Tim Roff. You can see the full version of the Independent Expert's report on our website, or you can get a paper copy by calling your customer services team.

Introduction

Purpose of this summary

- Under the Scheme, it is proposed that all of the business of Abbey Life Assurance Company Limited (Abbey Life), another company within the Phoenix Group, is transferred to Phoenix Life Limited (Phoenix).
- It is a requirement that when a scheme of transfer of insurance business from one company to another is submitted to the High Court of Justice of England and Wales (the 'Court') for approval, it must be accompanied by a report from a person who is experienced in insurance matters and is independent of the companies involved ('Independent Expert'). There are similar requirements for schemes of transfer relating to policies issued to or held by residents of Jersey and Guernsey.
- I have been appointed as the Independent Expert to consider the effect which the proposed Scheme is expected to have on the policyholders of Abbey Life and Phoenix. I have written a report setting out my views to assist the Court in deciding whether or not to allow the Scheme to go ahead. Although there are separate schemes covering policies issued to or held by residents of the UK, Jersey and Guernsey, each of these schemes are substantially the same and are referred to collectively as 'the Scheme'.

- This is a summary of the conclusions in my report in respect of the current policyholders of Phoenix ('Current Policyholders'). A copy of my full report and a copy of the Scheme is available on the website of Abbey Life (www.abbeylife.co.uk/FM18) and the website of Phoenix (www.phoenixlife.co.uk/FM18).

The Independent Expert

- I am a Fellow of the Institute and Faculty of Actuaries and I have over 30 years' experience in the life insurance industry. I am a Partner at the consultancy firm Grant Thornton UK LLP. I am independent of the companies involved in the Scheme and my appointment has been approved by the Prudential Regulatory Authority (PRA) following consultation with the Financial Conduct Authority (FCA). The PRA and the FCA are responsible for the regulation of UK insurance companies.

The impact of the Scheme on Current Phoenix Policyholders

Policyholder benefit expectations and contractual rights

- All of Abbey Life's business will be transferred to the Non-Profit Fund in Phoenix. Any new annuities written in respect of Abbey Life pension policies after the transfer date will be written in the Non-Profit Fund.
- No business will transfer to the with-profits funds of Phoenix. These will continue to operate as separate ring-fenced funds within Phoenix. There will be no change to the management and operation of with-profits discretion as a consequence of the Scheme.
- Under the terms of the Scheme, there will be no change to any of the terms and conditions of the current policies within Phoenix. Phoenix management has discretion with regard to the level of charges on existing unit-linked business in the Non-Profit Fund. The exercise of this discretion or any related governance is set out in the Group discretion policy, which will not change as a result of the Scheme.

- On this basis, I consider that there will be no reduction in the benefit expectations of the Current Policyholders as a result of the Scheme.

Security and level of benefits

- The regulatory capital requirements will not change as a result of the Scheme and so there will be no change to the financial strength applicable to Phoenix and security provided by the regulatory capital requirements before and after the implementation of the Scheme.
- The proposed Scheme will not change the capital policy of Phoenix nor the governance around the capital policy. The additional capital requirements will be maintained post the implementation of the Scheme.
- The financial analysis I have considered indicates that Phoenix would continue to meet its regulatory capital requirement as well as the requirements of its own capital policy after the Scheme has been implemented. The implementation of the Scheme will have a positive impact on the Solvency Capital Requirement (SCR) cover of Phoenix. The company is well capitalised post transfer, the SCR cover is above the target level. The SCR cover is significantly higher immediately post transfer, however the excess over the target level can be distributed as dividends.
- The implementation of the Scheme will have no effect on:
 - the capital policy of Phoenix;
 - the risk management framework, risk policies and risk appetite of Phoenix;
 - the existing reinsurance arrangements of Phoenix, besides the collapse of the inter-company reinsurance with Abbey Life;
 - the with-profits funds of Phoenix;
 - additional protection provided by the Financial Services Compensation Scheme; and
 - the regulatory regime under which the company operates.

- Overall, I am satisfied that the implementation of the Scheme will not have a materially adverse impact on the security of benefits for the policyholders of Phoenix.

Risk profile

- I am satisfied that the transfer will have a limited impact on the risk profile of Phoenix, as the majority of risks of Abbey Life are already reinsured with Phoenix under the inter-company reinsurance arrangement.

Governance arrangements

- There will be no change to the governance arrangements for policies in Phoenix as a result of the Scheme.

Service standards

- Phoenix currently outsources its administration to Pearl Group Management Services (PGMS) and Pearl Group Services (PGS). There will be no change to this arrangement or the service standards agreement for existing policies as a result of the Scheme. The policy administration will be carried out by the same teams.
- As there are no changes to the terms of the outsourcing arrangements of the existing business, I do not expect the quality of administration or the level of service provided to Phoenix policyholders to deteriorate as a consequence of the Scheme.

Communications with policyholders

- The Scheme does not materially impact the Current Policyholders, in that:
 - there will be no changes to the terms and conditions of policies;
 - there will be no change to the operation of Phoenix or its capital policy;
 - there will be no change in the discretion, governance and service standards of the policies; and
 - the major risks associated with the transferring business have already been reinsured to Phoenix.

- Current Policyholders will be notified via newspaper advertisements and via the Phoenix website.
- I am satisfied that it is fair and reasonable to not send written notices to the Current Policyholders.

Conclusion

Overall, I have concluded that there will be no material adverse impact on any class of the Current Policyholders of Phoenix as a result of the Scheme.

Appendix: Legal Notice

**IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
COMPANIES COURT**

CR-2018-0019764

IN THE MATTER OF ABBEY LIFE ASSURANCE COMPANY 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 23 July 2018 Abbey Life Assurance Company Limited (“Abbey Life”) and Phoenix Life Limited (“Phoenix”) 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 of the entire business of Abbey Life (the “Business”) and for the making of ancillary provisions in connection with the implementation of the Scheme under section 112 of the Act.

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

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 Abbey Life or Phoenix 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 websites of Abbey Life and Phoenix at www.abbeylife.co.uk/FM18 and www.phoenixlife.co.uk/FM18.

Any questions or concerns relating to the proposed transfer should be referred to Abbey Life or Phoenix using the following telephone number or address:

- By post: Abbey Life Transfer Team, 100 Holdenhurst Road, Bournemouth BH8 8AL.

- By telephone: if calling from the UK 0800 046 2009, or if calling from outside the UK +44 (0)1202 076 190. Telephone lines are open from 09:00 to 17:00 Monday to Friday, except if a Bank Holiday in England.

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

The application is due to be heard on 5 December 2018 before a Judge of the Chancery Division of the High Court at The Rolls Building, 7 Rolls Buildings, Fetter Lane, London EC4A 1NL. If approved by the Court, it is currently proposed that the Scheme will take effect at 23:59 GMT on 31 December 2018.

Any person (including any policyholder or employee of Abbey Life or Phoenix) who thinks that he or she may be adversely affected by the carrying out of the Scheme may attend the hearing and make representations in person or instruct a legal representative to act on his or her behalf.

Any person intending to attend is requested, but not required, to give notice of such intention as soon as possible and preferably before 16 November 2018, setting out their grounds of objection or how they may be adversely affected, either to Abbey Life or Phoenix by calling the number above or by writing to the address above, or by writing to the solicitors named below.

Any person who thinks that he or she 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 16 November 2018, either to Abbey Life or Phoenix by calling the number above or by writing to the address above, or by writing to the solicitors named below.

If the Scheme is sanctioned by the Court, it will result in the transfer of all the contracts, property, assets and liabilities of Abbey Life to Phoenix.

Clyde & Co LLP
The St Botolph Building
138 Houndsditch
London
EC3A 7AR
Ref: WOH/JYP/10095741

Solicitors to Abbey Life Assurance Company Limited and Phoenix Life Limited

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