

Phoenix

Simplifying our business

Your questions answered

October 2010

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Please read this document with the enclosed 'Simplifying our business' Scheme guide.

If you are not sure of any of the terms used in this document, please see the definitions section of the Scheme guide (section 11).

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Note for Jersey, Guernsey and Hong Kong policyholders

There will be separate schemes relating to policies forming part of the business carried on by PALAL in or from within Jersey, Guernsey or Hong Kong, or issued to Guernsey residents. There will be separate court hearings at the Royal Court of Jersey, the Royal Court of Guernsey and the High Court of the Hong Kong Special Administrative Region. At these hearings, Jersey, Guernsey and Hong Kong policyholders are entitled to be heard. Please see Appendix 1 of the Scheme guide for more details.

1 Q What are the proposals?

- A** We are proposing to transfer all Phoenix & London Assurance Limited (PALAL) policies to Phoenix Life Limited (Phoenix). PALAL is a sister company to Phoenix and they are both part of the same group of companies, headed by Phoenix Group Holdings.

We have referred to these proposals in this leaflet and related documents as 'the Scheme'.

If the High Court approves our plans (see section 2 of the enclosed Scheme guide), the changes will take place on the 'transfer date', which we expect to be 14 February 2011.

2 Q Why are you doing this?

- A** The Scheme will improve financial security for PALAL policyholders and will also simplify our business. We hope this will further improve our efficiency and make better use of our resources. This Scheme follows on from previous similar schemes in 2005, 2006 and 2009, when the business of other companies in our group was transferred to Phoenix.

3 Q Which policies are transferring?

- A** If the Scheme is approved, all PALAL policies will transfer to Phoenix. This includes with-profits policies, non-profit policies and annuities already being paid.

4 Q I didn't think I had a policy with PALAL. Why are you writing to me?

- A** PALAL was previously known as Sun Alliance and London Assurance Company Limited (SALAC) and this name, or the name 'Royal & Sun Alliance' (RSA), may appear on your policy documents. Your policy may also have been issued by one of the three companies that came together in 1967 to form SALAC, namely Alliance Assurance Company Limited, The London Assurance and Beacon Insurance Company Limited, or by the Property Growth Assurance Company that transferred part of its business to SALAC in 1989. If you need more information, please call our helpline.

5 Q I have received more than one pack. Why is this?

- A** You may receive other material related to this Scheme if you have other policies with us, and the letters may be slightly different if you hold different types of policy with us. If you are not sure if you have received the right information, please call our helpline.

There are separate sections in the enclosed Scheme guide that provide specific details of the effects of the Scheme according to the type of policy (or policies) you hold.

- 3.1 With-profits policies
- 3.2 Non-profit policies
- 3.3 Annuities in payment

6 Q How will I benefit and what changes will I see?

A All policies that transfer to Phoenix will benefit from Phoenix's legally binding 'capital policy' (the 'Phoenix capital policy' or 'PCP') under which Phoenix plans to hold a higher level of capital than our industry regulator, the FSA (Financial Services Authority) requires. This capital policy has been set up by a court scheme and can only be changed in line with that scheme or by referring it back to the High Court. PALAL has its own capital policy but changes to PALAL's capital policy do not need court approval. Also, the PCP moves in line with changes to the underlying risks of the business. These two factors combined make the PCP a more appropriate long-term capital policy that will improve financial security for PALAL policies when they transfer to Phoenix.

For full details of the changes you will see, please see the enclosed Scheme guide and, in particular, section 3.

7 Q Will my policy benefits be affected?

A No. Your policy features and benefits (including any guaranteed benefits) will not be affected by the transfer.

8 Q Will my policy be invested in the same way?

A The Scheme will not alter the investment strategy or investment management costs for the fund where your policy is allocated. If you have a unit-linked policy, you will have the same number and value of units in new unit-linked funds that will be created in Phoenix, corresponding to those in PALAL. They will initially invest in the same assets, have the same charges and will be priced on the same basis as the equivalent funds immediately before the transfer.

9 Q What changes will I see?

A You may see some small changes to the way your policy is managed. For example, your policy provider will change to Phoenix and the fund where your policy will be allocated (the SAL With-Profits Fund) will be managed by the Phoenix Board, with input from the Phoenix With-Profits Committee, rather than the PALAL Board and With-Profits Committee.

However, the level of service you receive will not be affected. If you call us, you will speak to the same team of people on the same phone number as you do now and the Phoenix name and logo will continue to be on any letters we send you. Information on your policy will continue to be available through the same website at www.phoenixlifegroup.co.uk.

10 Q Will my terms and conditions change?

A There will be no change to the terms and conditions of any of the transferring policies other than those detailed in section 8 of the enclosed Scheme guide.

11 Q I am a with-profits policyholder. Will future bonuses be affected?

A The Scheme will not affect future bonuses. Annual and final bonuses will be added as and when declared, in the same manner as before. These will reflect the historic performance of the PALAL Long-Term Fund before the transfer. After the transfer, bonuses will also reflect the performance of the SAL With-Profits Fund into which your policy is transferring. You can get more information on the effect of the Scheme on with-profits policies in section 3 and 3.1 of the enclosed Scheme guide.

12 Q How do I know if I have a with-profits or a non-profit policy?

A If you are not sure what type of policy you hold, please call our helpline on 0845 070 4060, quoting the client ID at the top of your letter, and we will be happy to help you.

13 Q Who should I contact about my policy after the transfer?

A When you call us, you will speak to the same team of people on the same number as you do now and the level of service you receive will not be affected. You will find the number for policy enquiries on any previous letters you have received from us. You will continue to get information on your policy through the same website at www.phoenixlifegroup.co.uk.

14 Q Will my policy be exposed to any increased risks as a result of the transfer?

A Your policy is transferring into a new fund in Phoenix, the SAL With-Profits Fund. Following the transfer, the new SAL With-Profits Fund will have the same level and nature of support as the other Phoenix with-profits funds, in line with the Phoenix capital policy (PCP). Adherence to the PCP results in Phoenix holding extra capital for all its operations that is above the FSA's additional capital requirements. The aim is to help Phoenix withstand extreme financial conditions. PALAL currently has its own capital policy but the PCP offers policyholders more protection. This is because changes to the PCP need to be approved by the High Court (except certain prescribed, permitted changes) and because the PCP moves in line with changes to the underlying risks of the business, unlike the PALAL capital policy. These two factors combined make the PCP a more appropriate long-term capital policy that will improve financial security for PALAL policies after they transfer to Phoenix.

There is currently a very remote possibility that, in extreme circumstances, one Phoenix with-profits fund may need to provide financial support to another fund in Phoenix. However, our proposals mean that the PCP should make sure Phoenix holds assets in excess of the FSA's requirements for each of its funds, including the SAL With-Profits Fund. Support would only be provided from one with-profits fund to another fund if:

- there are no spare assets available in the Phoenix Non-Profit Fund and Shareholder Fund; and
- the FSA's intervention has been unsuccessful.

Although this is a new risk to the transferring PALAL policyholders, it is currently a very remote risk. For Phoenix policyholders, this remote risk is not materially affected by transferring the policies in from PALAL. Given this, we believe it is extremely unlikely that a with-profits policy in the SAL With-Profits Fund will be affected by losses from another Phoenix fund.

15 Q Will the Scheme affect my personal tax situation?

A No. The Scheme will only take place on the basis that there will be no negative impact on your tax situation.

16 Q Will there be any 'windfall' benefits for me?

A No. There will be no cash payments or special policy bonuses under these proposals.

17 Q I have a pension with PALAL and am considering my retirement options. How will the timing of the changes affect me?

A The timing of the changes won't affect your retirement options. If you take your benefits before the transfer takes place and choose not to take the open market option, at first your annuity will be provided by PALAL. Then, on the transfer date, it will transfer to Phoenix along with the other PALAL policies. If you take your benefits after the transfer date and choose not to take the open market option, your annuity will be provided directly by Phoenix.

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Q You wrote to me last year about changes to guaranteed pension rates. Is this connected with the Scheme?

A This Scheme is different to and separate from the 'scheme of arrangement' relating to certain with-profits policies with guaranteed pension rates. PALAL with-profits policyholders were told about this last year. If you have a with-profits pension that originally had a guaranteed pension rate and your policy was covered by the scheme of arrangement, the benefits you gained as a result will not be altered by the Scheme that we are proposing here.

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Q I didn't receive a communication about the proposals to change guaranteed pension rates. Why is this?

A From September 2008 to February 2010, we sent several letters to PALAL with-profits policyholders to let them know about the proposed changes, the voting process and to confirm when we had implemented the changes, following High Court approval. If you have a PALAL with-profits policy and your details were incorrect at the time of the original mailings, but we have since amended them, we will have written to you individually to let you know about the changes and how they have affected you. If you are a non-profit policyholder or are receiving an annuity from PALAL, we won't have written to you as the changes did not relate to you.

20 Q When will the changes happen?

A If the High Court approves our plans, we expect the transfer to take place on 14 February 2011.

21 Q What is the difference between the 'transfer date' and the 'effective date'?

A The 'transfer date' is the date when the assets, liabilities and policies of PALAL will transfer to Phoenix as a result of the Scheme. If the Scheme is approved, the 'transfer date' is expected to be 14 February 2011.

In order to simplify our accounting treatment, the Scheme will have the financial effect, within our accounts, as if the changes had taken place on 1 January 2011. This date is called the 'effective date'.

22 Q How will my interests as a policyholder be protected under the Scheme?

A The proposed transfer can only take place with the approval of the High Court, who must be satisfied that the transfer meets all the necessary legal requirements and is fair to policyholders. We explain the court process we will follow in section 2 of the Scheme guide.

An Independent Expert has been appointed to prepare a report on the Scheme for the High Court. The Independent Expert has considered how the interests of policyholders might be affected by the proposals and has decided that the Scheme will benefit the security of PALAL policyholders in some respects, and overall will not have a material adverse impact on either the benefit security or benefit expectations of PALAL or Phoenix policyholders.

Section 9 of the Scheme guide contains a summary of the Independent Expert's report.

We are also working closely with our regulator, the FSA, to make sure they do not object to our proposals.

23 Q Who is the Independent Expert?

A The Independent Expert is Mr David Murray of Deloitte LLP. Mr Murray is an actuary experienced in the issues concerned with transferring life and pensions businesses. He has been appointed to report his opinion on the likely effect of the proposals on policyholders. The FSA, our regulator, has approved his appointment.

24 Q How will I find out if the High Court has approved the Scheme?

A After the court hearing, which is expected to take place on 2 February 2011, we will put a note on our website, and a recorded message on our helpline to confirm the High Court's decision.

25 Q Why wasn't I consulted or allowed to vote on the Scheme?

A This pack and the information available on our website provide full details of our proposals and are part of the consultation phase. The Scheme does not need a policyholder vote to go ahead. However, you do have the right to share any concerns or raise an objection with us or the High Court. We have outlined the processes for doing this in the enclosed Scheme guide, section 5.

26 Q Who will pay for the Scheme?

A The Scheme will be totally paid for using the Shareholder Fund of Phoenix Life Limited with no cost to any of Phoenix or PALAL's policyholders.

27 Q Who is Phoenix Group Holdings?

A Phoenix Group Holdings is the parent company of the Phoenix group of companies (the 'Phoenix Group', formerly Pearl group). The Phoenix Group is the largest manager of closed insurance funds in the UK with approximately 7.6 million policyholders (as at 31 December 2009) and £69 billion of assets under management (as at 30 June 2010).

The Phoenix Group includes Phoenix Life Limited, Phoenix & London Assurance Limited, Phoenix Pensions Limited, Scottish Mutual International Limited, Pearl Assurance Limited, NPI Limited, National Provident Life Limited and London Life Limited.

28 Q What do I need to do now?

A We encourage you to read this leaflet and the other enclosed documents to find out more about our proposals. You do not need to take any further action unless you want more information, want to object to the Scheme or plan to come to the court hearing.

The enclosed Scheme guide (section 5) explains the procedure if you want to object to the Scheme or come to the court hearing.

If you are aware of anyone else who may have an interest in your policy (or policies), for example if your policy has been assigned, if you are a joint policyholder, the parent or guardian of a policyholder or a trustee, please make sure they have the chance to read the documents in this pack.

If you are a trustee of a trust-based occupational pension scheme, it is your responsibility to make sure all scheme members know about the Scheme and how these proposals affect them. (See the Scheme guide section 7 for more information.)

29 Q How can I find out more?

A The enclosed Scheme guide describes the proposed changes and includes a summary of the Independent Expert's opinion on their implications for policyholders. You can find the full Independent Expert's report and terms of the Scheme on our website at www.phoenixlifegroup.co.uk/PALALtransfer along with some other documents relating to the Scheme, as shown in section 10 of the Scheme guide.

If you would like paper copies of these documents, or have any other questions, please call our helpline on 0845 070 4060. The helpline will be available from 9am to 5pm, Monday to Friday, up until the day before the court hearing. Low call rates apply although costs can vary between telecom providers. If you are calling from overseas please call +44 (0)151 255 5164.

You may also write to:

Phoenix & London Assurance Limited
Restructure Team (reference FM10)
PO Box 30
LIVERPOOL
L69 3HS
United Kingdom

If you do write to us, it would help if you could please quote your client ID. You will find this at the top of the letter accompanying this pack.

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

Any more questions about the Scheme?

Please call our helpline on

0845 070 4060

or visit www.phoenixlifegroup.co.uk/PALALtransfer

Lines are open Monday to Friday 9am to 5pm.

Low call rates apply although costs can vary between telecom providers.

If you are calling from overseas, please call +44 (0)151 255 5164.

We may monitor or record calls.

**If you would like this information in large print, in Braille,
or on cassette or CD, please call 0845 070 4060.**

Phoenix

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