



PHOENIX LIFE

SIMPLIFYING OUR BUSINESS

Your questions answered

Transferring all the policies of NPI Limited (NPIL) and certain policies of National Provident Life Limited (NPLL) to Phoenix Life Limited

November 2011

NPI

PEARL

LondonLife

Contents

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

If you are not sure of any of the terms shown in bold type in this document, please see the definitions section of the guide (section 12).

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Note for Jersey and Guernsey policyholders

There will be separate schemes relating to policies forming part of the business carried on by NPLL and NPIL in, or from within, Jersey, or issued to any person resident in the Bailiwick of Guernsey. There will be separate court hearings at the Royal Court of Jersey and the Royal Court of Guernsey. At these hearings, Jersey and Guernsey policyholders are entitled to be heard. Please see Appendix 1 of the enclosed 'Simplifying our business - Scheme guide' for more details.

What's happening

1. What are the proposals?

We (the **Phoenix Group**) are proposing to transfer all NPI Limited (**NPIL**) and certain National Provident Life Limited (**NPLL**) policies to Phoenix Life Limited (**Phoenix Life**). **NPIL**, **NPLL** and **Phoenix Life** are all part of the **Phoenix Group** of companies.

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 'Simplifying our business – Scheme guide'), the changes will take place on the **transfer date**, which we expect to be 27 February 2012.

2. Why are you doing this?

The **Scheme** will enable us to apply an improved capital policy, and will also simplify our business. The **Scheme** will also enable us to be more efficient and allow us to make better use of our resources. The **Scheme** follows on from previous similar schemes carried out since 2005, which involved the business of other companies in our Group being transferred to **Phoenix Life**.

3. Which policies are transferring?

If the **Scheme** is approved, the following policies will transfer to **Phoenix Life**.

- **NPIL** pension and life policies
- **NPIL** annuities in payment
- **NPLL non-profit** annuities in payment with a commencement date on or after 1 January 2000

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

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

There are separate sections on pages 6 to 8 of the enclosed 'Simplifying our business - Scheme guide' that provide specific details of the effects of the **Scheme** according to the type of policy (or policies) you hold.

- 4.1 All policies
- 4.2 **NPIL** policies that are fully or partially invested in **unit-linked** funds
- 4.3 **NPIL** policies that are fully or partially invested in the **NPIL with-profits** fund
- 4.4 **NPIL** and **NPLL** annuities in payment

What this means for you

5. How will I benefit?

The proposed transfer will maintain financial security for your policy. Following the transfer, your policy will benefit from **Phoenix Life's** legally binding capital policy (the '**Phoenix capital policy**' or '**PCP**') which requires **Phoenix Life** to hold more capital than the minimum level required under current legislation.

NPIL and **NPLL** currently have their own capital policies, but the **PCP** will require **Phoenix Life** to hold more capital in respect of the transferring business than is currently held by **NPIL** and **NPLL**. This will enable **Phoenix Life** to withstand a higher level of financial stress than is currently the case for **NPIL** and **NPLL**. The **PCP** is dynamic and moves in line with the amount of business in the company. It also offers greater security because it can only be changed in specific circumstances set out in its terms or otherwise with the agreement of the **High Court**.

For full details of the changes you will see, please see the enclosed guide, particularly sections 4 and 9.

6. Will my policy benefits be affected?

Our proposals should not affect the value of any benefits you have on your policy and any guarantees you have on your policy will not be affected. If you have a policy that invests fully or partially in the **NPIL with-profits** fund, annual and final bonuses will be added as and when they are declared in the same way as before. If you are receiving an annuity from us, the amount and payment dates will not be affected by the transfer.

7. Will my policy be invested in the same way?

The **Scheme** will not alter the investment strategy or investment management costs for the fund your policy is invested in.

If your policy invests fully or partially in **unit-linked** funds, you will have the same number and value of units in new **unit-linked** funds that will be created in **Phoenix Life**, corresponding to those in **NPIL**. 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.

8. What changes will I see?

You may see some small changes to the way your policy is managed. For example, your policy provider will change to **Phoenix Life** and payments to you will come from **Phoenix Life**. You will also start to see the **Phoenix Life** name and logo on letters and documents that we send you, and information about your policy will eventually be available on a different website, www.phoenixlife.co.uk, although this will not happen immediately.

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

9. Will my terms and conditions change?

The only changes to the terms and conditions of any of the transferring policies are those set out in section 9 of the enclosed guide.

In particular:

- For policyholders who are fully or partially invested in **unit-linked** funds, the **Scheme** will give **Phoenix Life** the right to close any **unit-linked** fund if the value of assets in that fund falls below a certain amount, or if **Phoenix Life** decides (following appropriate advice) that maintaining the fund is not feasible. If this happens, **Phoenix Life** will let you know about the changes. The policies affected would be given new units of an equal value in a different **unit-linked** fund. The substitute **unit-linked** fund would, in the opinion of the **Phoenix Life** Board, provide reasonably equivalent investment exposure. The **Scheme** will give policyholders the right to one free switch into another fund, if they are affected by any closure.
- Under the terms of the **Scheme**, **Phoenix Life** will be required to close the **NPI With-Profits Fund** if substantially all of the **with-profits** benefits are no longer fully **reinsured** out and the value of the **NPI With-Profits Fund's with-profits** liabilities falls below a certain amount (for example as a result of policyholders taking their benefits or leaving the fund). If the fund closes, any **guaranteed benefits** will be protected and policyholders will be allocated guaranteed bonuses at a guaranteed rate that will be worked out in a way that is fair to them.

10. How will future bonuses be affected on policies that are fully or partially invested in the NPIL with-profits fund?

The **Scheme** is unlikely to affect future bonuses. Your **with-profits** benefits will continue to be **reinsured to Pearl** on the same basis as before. Annual and final bonuses will be added as and when they are declared, in the same way as before.

For more information on the effect of the **Scheme** on policies that are fully or partially invested in the **NPIL with-profits** fund, please see sections 4.1 and 4.3 on pages 6 to 8 of the enclosed 'Simplifying our business – Scheme guide'.

11. How do I know which fund, or funds, my policy is invested in?

Your policy documents will give details on the type of policy you hold and the type of funds it is invested in. If you are not sure, please call our helpline on 0845 601 0170 quoting the client reference number at the top of your letter and we will be happy to help you.

12. Who should I contact about my policy after the transfer?

You should contact us in the same way and on the same number as now. You will speak to the same team of people 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.

If you like to access information about your policy online, immediately after the transfer, this will continue to be available on the www.npi.co.uk, www.pearl.co.uk or www.london-life.com website, but will move to the www.phoenixlife.co.uk website later in 2012.

13. Will the transfer expose my policy to any new risks?

Every insurance policy has risks. Some will relate to the type of policy and some to the company that the policy is with.

The transferring policies will be moving to a different company and there will be new risks associated with this. The policies that are transferring from **NPIL** and **NPLL** will move from a company that only contains one **Long-Term Insurance Fund** to a company that, following the transfer, will have 11 sub funds within its **Long-Term Insurance Fund**.

There is a very remote possibility that, in extreme circumstances, one **Phoenix Life with-profits** fund may need to provide financial support to another fund in **Phoenix Life**. However, under our proposals, the **Phoenix capital policy (PCP)** should make sure **Phoenix Life** holds more assets than the minimum level required by current legislation for each of its funds, including the new **NPI With-Profits Fund**. One **with-profits** fund would only need to support another if:

- there are no spare assets available in the **Phoenix Life Non-Profit Fund** and **Shareholder Fund**; and
- any action **Phoenix Life** takes to solve the problem has been unsuccessful.

Given this, we believe it is extremely unlikely that a policy with benefits in the **NPI With-Profits Fund** will be affected by losses from another **Phoenix Life** fund.

14. Will the Scheme affect my personal tax situation?

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

15. Will there be any 'windfall' benefits for me?

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

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

The timing of the changes won't affect your retirement options. Any options or guarantees that you have on your policy will transfer over and if you have been offered an annuity by **NPIL**, this offer will be honoured by **Phoenix Life** following the transfer.

17. I have a pension with NPLL and have been sent a letter about buying an annuity from NPLL. How will the changes affect me?

The timing of the changes won't affect your retirement options or any guarantees that you have on your pension policy. However, if you accept an annuity offer from **NPLL** and your annuity commences payment before 27 February 2012, then your annuity will transfer to **Phoenix Life** under the **Scheme**. Please see section 4.4 of the enclosed guide.

More about the Scheme

18. When will the changes happen?

If the **High Court** approves our plans, we expect the transfer to take place on 27 February 2012.

19. What is the difference between the ‘transfer date’ and the ‘effective date’?

The **transfer date** is the date when the assets, liabilities and policies of **NPIL** and **NPLL** will transfer to **Phoenix Life** as a result of the **Scheme**. If the **Scheme** is approved, the **transfer date** is expected to be 27 February 2012.

The **effective date** is the date when the **Scheme** is treated as having taken effect for accounting purposes. To keep our accounts simple, the **effective date** will be 1 January 2012.

20. How will my interests as a policyholder be protected under the Scheme?

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 enclosed 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 concluded that, overall, the **Scheme** is unlikely to have a material adverse impact on the security of benefits, benefit expectations, service standards or **with-profits** governance arrangements for the transferring policyholders, policyholders of **NPLL** whose contracts will not be transferring under the **Scheme** or **Phoenix Life’s** existing policyholders.

Section 10 of the enclosed 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.

21. Who is the Independent Expert?

The **Independent Expert** is Mr David Murray of Deloitte MCS Limited. 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 effect the proposals are likely to have on policyholders. The **FSA**, our regulator, has approved his appointment.

22. How will I find out if the High Court has approved the Scheme?

After the **High Court hearing**, which is expected to take place on 10 February 2012, we will put a note on our websites and a recorded message on our helpline to confirm the **High Court's** decision.

23. Why wasn't I consulted or allowed to vote on the Scheme?

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 to be voted on by policyholders 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 set out the processes for doing this in section 6 of the enclosed guide.

24. Who will pay for the Scheme?

The **Scheme** will be totally paid for by the **Shareholder Fund** of **Phoenix Life** with no cost to any of our policyholders.

25. Who is the Phoenix Group?

The **Phoenix Group** of companies is the largest manager of closed insurance funds in the UK, with approximately six million policyholders and £67.5 billion of assets under management (as at 31 December 2010). A closed insurance fund is one that is no longer selling policies to new policyholders.

The **Phoenix Group** includes Phoenix Life Limited, London Life Limited, National Provident Life Limited, NPI Limited and Pearl Assurance Limited. The **Phoenix Group** was known as the Pearl Group prior to March 2010.

Next steps

26. What do I need to do now?

Please 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 **High Court hearing**.

Section 6 of the enclosed guide explains the procedure if you want to object to the **Scheme** or come to the **High Court hearing**.

If you know 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 group pension scheme, we would ask you to ensure that all scheme members, and any new members who join the group pension scheme before 27 February 2012, know about the **Scheme** and how these proposals affect them (see section 8 of the enclosed guide for more information).

27. How can I find out more?

The enclosed guide describes the proposed changes and includes a summary of the **Independent Expert's** opinion on their implications for policyholders.

You can find the **Independent Expert's** full report and the terms of the **Scheme** on our websites at www.npi.co.uk/FM11scheme, www.pearl.co.uk/FM11scheme and www.london-life.com/FM11scheme, along with some other documents relating to the **Scheme**, as shown in section 11 of the enclosed guide.

If you would like paper copies of these documents, or have any other questions, please call our helpline on 0845 601 0170. The helpline is open from 9am to 5pm, Monday to Friday, up until the day before the **High Court hearing**. Calls are charged at local rates from UK landlines. If you are calling from outside the UK, please call +44 1733 282160. Our contact centre staff will endeavour to answer your questions directly, and all queries will be responded to.

You may also write to:

Restructure Team (reference FM11)
The Pearl Centre
Lynch Wood
Peterborough
PE2 6FY
United Kingdom

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

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

Alternatively, you may wish to speak to an authorised financial adviser about the transfer or, if you have a pension policy, the Pensions Advisory Service. If you do not already have a financial adviser, you can find details of the advisers in your area on the IFA Promotion Ltd website at www.unbiased.co.uk. Please note that financial advisers may charge you for providing advice.



PHOENIX LIFE

ANY MORE QUESTIONS ABOUT THE SCHEME?

Please call our helpline on

0845 601 0170

or visit our websites

www.npi.co.uk/FM11scheme

www.pearl.co.uk/FM11scheme

www.london-life.com/FM11scheme

Lines are open Monday to Friday, 9am to 5pm. Calls are charged at local rates from UK landlines. If you are calling from outside the UK, please call +44 1733 282160.

We may monitor or record calls.

**If you would like this information in large print,
in Braille, or on cassette or CD, please call 0845 601 0170.**

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