



PHOENIX LIFE

SIMPLIFYING OUR BUSINESS

Your questions answered, for
Pearl Assurance Limited policyholders

June 2012



PEARL

Contents

Please read this document with the enclosed 'Simplifying our business – Scheme guide for Pearl Assurance Limited policyholders'.

If you are not sure of any of the terms shown here in **bold type**, please see the definitions section of the Scheme guide (section 11).

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Note for Jersey and Guernsey policyholders

There will be separate schemes relating to transferring policies forming part of the business carried on by **London Life** 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. Jersey and Guernsey policyholders have the right to be heard at these hearings. Please see Appendix 1 of the enclosed guide for more details.

What's happening

1 What are the proposals?

We (the **Phoenix Group**) are proposing to transfer all London Life Limited (**London Life**) policies to Phoenix Life Assurance Limited. Phoenix Life Assurance Limited (**Phoenix Life Assurance**) will be the new name for Pearl Assurance Limited (**Pearl**). **London Life** and **Phoenix Life Assurance** are both 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 guide), the changes will take place on the '**transfer date**', which we expect to be 30 September 2012.

2 Why are you doing this?

The **Scheme** will simplify our business, enable us to be more efficient and allow us to make better use of our resources.

3 Which policies are transferring?

If the **Scheme** is approved, all **London Life** policies will transfer to **Phoenix Life Assurance**.

4 My policy is with Pearl Assurance Limited. Why are you writing to me?

Although your policy is not transferring under the **Scheme**, there are some changes to your policy as a result of the **Scheme** that we need to make you aware of. For more information on the changes to your policy, please see the enclosed guide (in particular section 4).

We also wish to inform you that Pearl Assurance Limited (**Pearl**) will be renamed Phoenix Life Assurance Limited (**Phoenix Life Assurance**) to reflect the fact that this company is a key part of the **Phoenix Group**. This will mean that you will start to see the Phoenix Life name and logo on letters and documents we send you. You can see the Phoenix Life logo on the front of this booklet.

5 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.

What this means for you

6 How will I benefit?

Following the transfer, your policy will benefit from a new **Phoenix Life Assurance** capital policy.

At the moment, **Pearl** and **London Life** have their own capital policies, under which **Pearl** and **London Life** hold more capital than the minimum level required under legislation. **Phoenix Life Assurance** will establish a new capital policy which will cover your policy. The new capital policy will require **Phoenix Life Assurance** to hold a buffer of capital over and above the minimum requirement and will be at least as strong as those currently operated by **Pearl** and **London Life**. The new **Phoenix Life Assurance** capital policy is dynamic and moves in line with the amount and type 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**.

As the capital policy will require **Phoenix Life Assurance** to hold a buffer of more capital than the minimum level required under legislation, this will restrict the amounts that can be passed to our shareholders, for example by way of dividends. It will also establish a mechanism for the **Shareholder Fund** or the **Non-Profit Fund** to provide support to any of **Phoenix Life Assurance's** **with-profits** funds, if they cannot meet their regulatory capital requirements, and maintain the additional buffer required by our capital policy, on their own.

For full details of the changes you will see, please see the enclosed guide, in particular sections 4 and 8.

7 Will my policy benefits be affected?

Our proposals will not affect the value of any existing policy benefits and any guarantees your policy has will not be affected either. If you are a **with-profits** policyholder, future annual and final bonuses are unlikely to be affected and will be added as and when they are declared in the same way as before. If you are receiving an annuity, the amount and payment dates will not be affected by the transfer.

8 I have a with-profits policy. Will future bonuses be affected?

Annual and final bonuses will be added as and when they are declared, in the same way as before. The **Scheme** is unlikely to affect future bonuses. However, if you have a **Pearl with-profits** policy (other than a **SERP** policy), including a **with-profits** policy reinsured to **Pearl**, some changes may be made in the future to the investment strategy for the assets backing your policy, as described in section 8.5 of the enclosed guide.

You can find more information on the effect of the **Scheme** on **Pearl with-profits** policies in sections 4 and 8 of the enclosed guide.

9 What changes will I see?

The name of your policy provider will change to **Phoenix Life Assurance**. Payments to you will come from **Phoenix Life Assurance**, you will start to see the Phoenix Life logo on letters and documents that we send you and information about your policy will be available on a different website, www.phoenixlife.co.uk. There may also be some changes to the terms and conditions of your policy – see question 10 in this leaflet.

If you are a member of a group pension scheme, the name of the pension scheme won't change as a result of the transfer, but the benefits will be provided and administered by **Phoenix Life Assurance**.

However, 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.

10 Will my terms and conditions change?

The only changes to the terms and conditions of **Pearl** policies (including **SERP** policies) are those set out in section 8 of the enclosed guide.

In particular:

- For policyholders with **unit-linked** funds, the **Scheme** will give **Phoenix Life Assurance** the right to close an internal **unit-linked** fund if the value of assets in that fund falls below a certain amount (£5.9m increasing annually in line with the Retail Prices Index), or if maintaining the fund is seen (following appropriate advice) as not being feasible. If this happens, **Phoenix Life Assurance** will let you know about the changes. The policies affected would be given new units of an equal value (as determined by the **Phoenix Life Assurance** Board having obtained the advice of the **Phoenix Life Assurance** Actuary) in a different linked fund. The substitute linked fund would, in the opinion of the **Phoenix Life Assurance** Board, provide reasonably equivalent investment exposure. The **Scheme** will give policyholders the right to one free switch into another fund for 12 months, if they are affected by any closure.
- Under the terms of the **Scheme**, **Phoenix Life Assurance** will be required to close the **Pearl With-Profits Fund (Pearl WPF)** or **SERP Fund** if the value of their **with-profits** liabilities falls below £50m (for example as a result of policyholders taking their benefits or leaving the fund). If a fund is closed, any **guaranteed benefits** will be protected and policyholders will be given guaranteed increases in benefit that will be worked out in a way that is fair to them.
- **Phoenix Life Assurance** will also be entitled, at any time, to merge all of the policies, assets and liabilities allocated to the **Pearl WPF** or **SERP Fund** with another **with-profits** fund and close the fund. **Phoenix Life Assurance** will have to obtain written permission from the **FSA** before it closes or merges a **with-profits** fund, and obtain a report from an independent actuary if **with-profit** funds are merged.
- For policies in, or **reinsured** to, the **Pearl WPF**, the **Scheme** will allow the **Phoenix Life Assurance** Board to decide that returns on particular groups of **with-profits** policies will be determined by reference to particular assets or asset types within the **Pearl WPF**. There are formal safeguards that need to be satisfied before the **Phoenix Life Assurance** Board can make any change.

The safeguards include the requirement to take appropriate advice and the requirement that the proposed change is unlikely to have a material adverse effect on any group of policyholders in the **Pearl WPF** and unlikely to have an adverse effect on the interests of policyholders in the **Pearl WPF** considered as a whole.

11 Will my policy be invested in the same way?

If you have a **SERP** policy with **Pearl**, this will be invested in the same way as now.

If you have a **unit-linked** policy with **Pearl**, initially this will be invested in the same way as now. However, the **Scheme** will give **Phoenix Life Assurance** rights, under certain conditions, to modify the investment objectives of any **unit-linked** fund (see section 8.7 of the enclosed guide).

If you have a **with-profits** policy in the **Pearl With-Profits Fund**, then there will be no immediate changes to the way this is invested, but some changes may occur in the future, as described in section 8.5 of the enclosed guide.

Whatever type of policy you have, the **Scheme** will not alter the fund management costs or change the policy charges or pricing.

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

Your policy documents will tell you the type of policy you hold and the fund(s) it is invested in. If you are not sure, please call our helpline quoting the client reference number at the top of your letter and we will be happy to help you.

13 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 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, after the transfer this will be available on a different website, www.phoenixlife.co.uk.

If you have a financial adviser, then you can continue to speak to them about your policy in the same way as before.

14 Will the transfer expose my policy to any new risks?

For existing **Pearl** policyholders, the transfer in of business changes the risks affecting their policies. Further, the creation of new funds in **Phoenix Life Assurance** increases the number of funds that may require support from **Phoenix Life Assurance's** other funds. The **Independent Expert** will have considered any new risks, and the protection offered by the new capital policy, in his report.

For both transferring policies and existing **Pearl** policies, however, a number of factors mean that the change in risks should not affect the security of policyholders and make the likelihood that one **with-profits** fund may need to provide financial support to another fund in **Phoenix Life Assurance** very remote.

First, **Phoenix Life Assurance** is an insurer authorised by the **FSA**. Any insurer authorised by the **FSA** is subject to its rules for prudential management. These rules have the aim of ensuring that insurers have enough assets to cover their liabilities in all but the most difficult circumstances. They require insurers to identify the risks they face and to prove that they hold sufficient capital to meet those risks. They also require insurers to hold enough assets to cover the liabilities of each fund. The standard set by these rules is high.

Second, the new **Phoenix Life Assurance** capital policy will require **Phoenix Life Assurance** to hold assets in excess of the minimum level required under legislation. The aim is to help **Phoenix Life Assurance** withstand extreme financial conditions. With this capital policy in place, the risk that a **with-profits** fund would need to provide support to another **with-profits** fund or that **Phoenix Life Assurance** will be unable to meet its liabilities will only materialise in extreme circumstances. The transfer will only go ahead if, following the transfer, it is expected that **Phoenix Life Assurance** will be able to adhere to the new capital policy.

Given this, we believe that the security of policyholders is extremely unlikely to be affected by the transfer. Further, we believe that it is extremely unlikely that a policy in any of the **Phoenix Life Assurance with-profits** funds will be affected by losses from another **Phoenix Life Assurance** fund.

15 Will the Scheme affect my personal tax situation?

The **Scheme** does not affect the UK tax status of policies. If you are resident for tax purposes in an overseas territory, you may wish to take advice to confirm that your tax position is unaffected.

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

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

17 I have a pension and am considering my retirement options. Will the changes affect me?

If you have a pension with **Pearl**, the only change for you will be a change of name - you will be offered a **Phoenix Life Assurance** annuity rather than a **Pearl** annuity.

More about the Scheme

18 When will the changes happen?

Pearl Assurance Limited will change its name to Phoenix Life Assurance Limited on or around 30 September 2012. If the **High Court** approves our plans, we expect the transfer to take place on 30 September 2012.

19 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 is fair to policyholders and meets all the necessary legal requirements. 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 the **Scheme** will not have a material adverse impact on either the benefit security or benefit expectations of **Pearl**, or **London Life** policyholders.

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

20 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. His report sets out his opinion on the effect the proposals are likely to have on policyholders. The **FSA**, our regulator, has approved his appointment.

21 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 24 September 2012, we will put a note on our website and a recorded message on our helpline to confirm the **High Court's** decision.

22 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.

23 Who will pay for the Scheme?

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

24 Who is the Phoenix Group?

Pearl Group was renamed **Phoenix Group** in March 2010. The **Phoenix Group** of companies is the largest manager of closed insurance funds in the UK, with approximately 6 million policyholders and £72 billion of assets under management (as at 31 December 2011). Closed insurance funds are funds that are 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.

25 Who is Phoenix Life Assurance Limited?

On or around 30 September 2012, Pearl Assurance Limited (**Pearl**) will be renamed Phoenix Life Assurance Limited (**Phoenix Life Assurance**) to reflect the fact that this company is a key part of the **Phoenix Group**.

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 attend the **High Court hearing**.

Section 6 of the enclosed guide explains the procedure if you want to object to the **Scheme** or attend 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, or you have a trustee in bankruptcy, 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 know about the **Scheme** and how these proposals affect them.

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 website at www.pearl.co.uk/FM12scheme along with some other documents relating to the **Scheme**, as shown in section 10 of the enclosed guide.

If you would like paper copies of these documents, or have any other questions, please call our helpline on 0845 850 9335 or use the enquiry form available on our website at www.pearl.co.uk/FM12scheme. 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 (0)1733 475088. 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 FM12)
Lynch Wood Park
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 (or policies), please contact us on the normal customer number which you will find on previous letters we have sent you.

For further advice about the transfer, you may wish to contact your authorised financial adviser or, if you have a pension, 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 850 9335

or visit our website

www.pearl.co.uk/FM12scheme

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 (0)1733 475088. 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 850 9335.**

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