

Alba Life Limited  
Britannic Court  
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Our Ref:  
Your Ref:

May 2006

Dear <Name>

## Your Alba Life with profits statement

I'm pleased to enclose your yearly statement, together with the following:

- How we manage the with profits fund - a guide giving information about how our with profits policies work; and
- PPFM Update leaflet - an information sheet describing the changes to our Principles and Practices of Financial Management (PPFM), and our annual report.

## How we manage the with profits fund

We have enclosed a guide called 'How we manage the with profits fund'. This gives important information about how our with profits policies work. Please read this guide and keep it in a safe place with your other policy documents. You can get a more detailed description of how we manage the with profits fund in our Principles and Practices of Financial Management document (PPFM). You can read our PPFM on our website at [www.albalife.co.uk](http://www.albalife.co.uk) or you can ask for a copy.

## Important Information

### How the with profits fund is invested

We invest the with profits fund in a mix of assets such as property, bonds (types of loan usually issued by the Government or companies) and cash deposits.

How much we put into each type of investment will change over time. We aim to make sure that the with profits fund can always meet the guarantees it has given to policyholders. Subject to this, we aim to get the highest possible investment return while balancing this with the degree of risk being taken. We currently hold some higher risk property investments, which we expect to provide a higher return. However, we do not invest in company shares and, because of the high risks associated with them, the fund is unlikely to invest in them for the foreseeable future. The majority are lower risk investments such as bonds and cash (fixed interest).

Within the with profits fund there are different asset mixes backing the different types of business. Life traditional with profits business and Pension traditional with profits business arising from the former Britannia Life Ltd which are currently being awarded bonus under Bonus Series B has a 25% property, 75% fixed interest mix. Whilst the remaining traditional with profits pension business has a lower proportion invested in property, and the split is 8% property, 92% fixed interest. We use the relevant investment performance when working out underlying policy values.

Alba remains sound and the assets available to meet our liabilities are in excess of the level required by our regulator, the Financial Services Authority.

### **Annual Bonuses**

As in 2004 an annual bonus will not be added for most classes of Alba Life with profits business for 2005. Annual bonuses will not be added to policies for the foreseeable future except where a minimum level of bonus has been guaranteed. Whilst this will be reviewed from time to time it is unlikely that any further annual bonuses will be added.

### **Final Bonuses**

When policies mature, we may add a final bonus. At that stage, we compare the underlying value of policies with the value of the guaranteed benefits, which are the sum assured, basic annuity or cash sum plus the annual bonuses that have been added over the life of the policy.

The underlying value reflects the investment performance of the with profits fund over the lifetime of the policies, after allowing for other factors, such as expenses.

If the underlying value of the policies is more than the value of their guaranteed benefits, we will add a final bonus. However, if the value of the guaranteed benefits is more than the underlying value of the policies, we will not add a final bonus.

### **So what about the future?**

As indicated above, annual bonuses will not be added to policies for the foreseeable future except where a minimum level of bonus has been guaranteed.

It is likely that any growth in the fund will be added to policies as final bonus when policies become claims, rather than annual bonuses each year. This ensures that all with profits policyholders with policies becoming claims both now and in the future will receive a fair share of any available surplus.

**If you have any further questions, please contact your representative at the following address:**

#### **Write to**

Alba Life Limited, Britannic Court, 50 Bothwell Street, Glasgow, G2 6HR

#### **Phone**

**Please see the telephone number shown on the front of this letter underneath our address.**

Local rates apply, although these may vary between telecom providers. For your protection, calls may be recorded or monitored.

Finally, should you wish to advise us of a change of address, please ensure this is communicated to us in writing, at the above address, in a letter signed by at least two Trustees.

Yours sincerely



Alba Life Limited is authorised and regulated by the Financial Services Authority.  
Registered in Scotland No 4348.

Registered Office: **Britannic Court, 50 Bothwell Street, Glasgow, G2 6HR**  
All calls to and from Alba Life may be recorded and/or monitored.

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Andrew Bonnyman  
Head of Operations  
Alba Life Limited

Enc: Bonus Notice  
CFPPFM Leaflet  
PPFM Leaflet