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May 2006

Customer reference number

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Dear Mr Other

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.
- 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 or you can ask for a copy by calling us on the telephone number overleaf.

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 of assets held 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. Traditional with profits life business and traditional with profits pension business arising from the former Britannia Life Ltd, which are currently being awarded bonuses under Bonus Series B, have a 25% property and 75% fixed interest mix. The remaining traditional with profits pension business has a lower proportion invested in property, the split is 8% property and 92% fixed interest. We use the relevant investment performance when working out underlying policy values.

Alba remains financially 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 your policy, 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 your policy as final bonus when your policy becomes a claim, 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.

Data Protection Act

Information held by Alba Life Limited may be disclosed to other companies within the Resolution plc group of companies (the "Resolution Group")* and carefully selected third parties for marketing purposes. You may be contacted from time to time, about financial or other products or services offered by the Resolution Group and the carefully selected third parties, which you may find of interest.

*The Resolution Group includes:-

Resolution Life Services Ltd
Britannic Assurance plc
Alba Life Ltd
Century Life plc
Phoenix Life & Pensions Ltd

This list is not exhaustive and may change from time to time.

Please contact us at the address below if you prefer not to be contacted about other products or services.

If you have any further questions, please contact us as follows:

Write to

Customer Services, Alba Life Limited, 1 Wythall Green Way, Wythall, Birmingham, B47 6WG

Phone

0845 938 0556

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

If you're calling from outside the UK call (0)1564 20 7001 using the international dialing code for the UK.

If you need advice we recommend you contact an Independent Financial Adviser (IFA) to discuss your individual position. If you do not already have an Independent Financial Adviser, you can find details of advisers by visiting the IFA Promotions website at www.ifap.org.uk, calling them on 0800 085 3250, or by looking in your local directories.

If you're calling from outside the UK call 117 971 1177 using the international dialing code for the UK.

Yours sincerely



Dave Ratcliffe
Head of Customer Services
Alba Life Limited