

Important information for Portfolio With Profits Bond customers

Your investment with Phoenix Life Limited

Your Portfolio With Profits Bond is invested in Phoenix Life's Britannic With-Profits Fund.

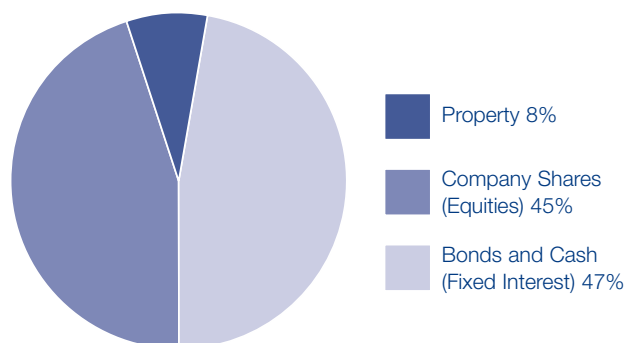
How is the Britannic With-Profits Fund invested?

We invest the Britannic With-Profits Fund in a mix of assets such as company shares, 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 Britannic 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 investments which we expect to provide a higher return, such as company shares (equities) and property. The rest are lower risk investments such as bonds and cash (fixed interest).

The chart below shows the split of investments supporting Portfolio With Profits Bonds at the end of December 2006.

Split of Investments at 31 December 2006



The return on the investments in the Britannic With-Profits Fund in 2006 was 7.7%. By keeping approximately 50% of the Fund invested in equities and property, we believe that we are well placed to benefit from any growth due to the stock market or property price increases, whilst still protecting the long term security of the Fund.

What has happened to bonus rates for the Portfolio Bonds?

Over the last couple of years we have indicated that if investment markets continued to show further recovery, then it would be more likely that any growth in the Britannic With-Profits Fund, in excess of that required to meet the value of the guaranteed benefits, would be added to policies as a final bonus when the policy is cashed in on a guarantee date or in the event of a death claim, rather than as an annual bonus.

Investment markets have indeed recovered and we have increased final bonus rates over time as set out in the table opposite:

Year units purchased	Final bonus rates as a percentage of with profits units purchased			
	Date final bonus paid			
	Jan 2007	Jan 2006	Jan 2005	Jan 2004
1999	4%	0%	0%	0%
2000	8%	2%	0%	0%
2001	8%	2%	0%	0%
2002	16%	13%	0%	0%

The table shows that in January 2004 and 2005, no final bonus was being paid. However, in January 2007, final bonuses were paid on all with profit units.

When do you pay these final bonuses?

We pay these final bonuses when you cash in your policy on a guarantee date or in the event of a death claim. However, the rates of final bonus may be different to those shown in the table.

What about annual bonuses?

We are currently focusing on final bonuses, as we said we would, and are not adding any annual bonuses. We take this approach because it ensures that all with profits policyholders receive a fair share of any available surplus. We will add annual bonuses only if we are confident that the underlying value of policies will be enough to enable us to pay these bonuses when they become due, even if future investment returns or other factors become unfavourable.

What happens at dates other than the guarantee dates?

If you die your policy is treated as if the date were a guarantee date. If you cash in your policy at any time other than a guarantee date, the final bonus may be reduced and a market value reduction may be applied. These reductions vary from policy to policy and are designed to protect the interests of continuing policyholders. In January 2007 no market value reductions were being applied whereas three years ago all policies would have had some form of reduction applied.

How are bonus rates calculated?

The underlying value of policies reflects the investment performance of the Britannic With-Profits Fund over the lifetime of the policies, after allowing for 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.

When deciding whether we should add annual bonus units we look at the current financial position of the Britannic With-Profits Fund and estimate how we expect this to change in the future. We also compare the guaranteed benefits with the underlying value of policies.

Although the Fund achieved a reasonable investment return in 2006, when this is combined with the returns over the previous five years and compared to the level of the guarantees already provided, it means that we can declare

final bonuses but that there is currently insufficient justification to reintroduce annual bonuses for Portfolio Bonds. On top of this, we believe that both interest rates and inflation will continue to remain low in the long term. Our bonus rates reflect both the historic investment returns and likely long term investment conditions.

So what about the future?

Final bonuses are not guaranteed and may change at any time. Final bonuses will continue to be the focus of the bonus declarations in 2007. If investments continue to perform well, then higher final bonuses will be paid on more policies. Adverse future market conditions will lead to lower final bonuses.

Because annual bonuses are guaranteed once they are added to your policy, we need to see the financial markets enter a period of prolonged stable growth before we can be confident about future levels of annual bonus. However, the first step towards reintroducing annual bonuses is the declaration of final bonus rates more widely and this has been achieved.

What are guarantee dates?

Your Portfolio Bond does not have a fixed end date and this means you can cash it in at a time that suits you. Guarantee dates operate on specific bond anniversaries. The next guarantee date is shown on your statement. Your policy document provides further information on your bond's guarantee dates. On these guarantee dates the with profits and bonus units will be valued at 100.00p.

What is a market value reduction (MVR)?

If you cash in your Portfolio Bond at any time other than a guarantee date, we compare the underlying value of your bond with the value of the guaranteed benefits. Where the underlying value is less than the guaranteed value then no final bonus is added and we may apply a market value reduction (MVR), which reduces the value of the with profits and bonus units in your bond below 100.00p.

Market value reductions are applied to ensure fairness to all with profits policyholders so that:

- the cash-in value is not unfairly higher than the policy's share of the underlying value of the Britannic With-Profits Fund's assets; and
- the interests of the remaining with profits policyholders are protected.

Your personal information

Here is an update on how we process the personal information you provided to us when you originally applied for your policy.

Your personal information is held in our data systems:

- o to provide the product for which you applied;
- o for the purpose of fraud prevention;
- o for the purposes of identity verification via electronic credit reference systems; and
- o for the marketing of further products offered by Resolution companies or carefully selected third parties by telephone, post or other electronic means.

Your data may be shared with other members of the Resolution group of companies ("Resolution Group"), its agents and their subcontractors and other parties where there is a legitimate reason to do so.

If it is necessary for the above purposes, we may also transfer your personal information to another country or countries that may not provide the same level of protection as the UK. We shall ensure that any such transfer is made only on terms which safeguard the security of the information and comply with the Data Protection Act 1998.

A full copy of our data protection statement can be obtained from Customer Communications on 01564 202529 or at communications@resolutionplc.com. This includes details of all members of the Resolution Group.

Please contact us at the address below if you would 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, Phoenix Life Limited, 1 Wythall Green Way, Wythall, Birmingham, B47 6WG.

Phone

0845 305 5556

Local call rates apply, although these may vary between telecom providers.

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