Important Information for
Phoenix Life Limited
Alba With-Profits Fund Customers

PHOENIX LIFE

FORMER ALBA LIFE EX BRITANNIA LIFE ASSURANCE / CRUSADER INSURANCE NESTEGG POLICIES (AND ALSO NESTEGG 32, EMERITUS AND VERSATILE POLICIES)

1 January 2016

Your investment with Phoenix Life

Former Alba Life ex Britannia Life Assurance / Crusader Insurance Nestegg policies are invested in the Phoenix Life Limited Alba With-Profits Fund ('the with-profits fund'). Nestegg 32, Emeritus and Versatile policies are similar to Nestegg policies, but have different interest rates.

Interest rates

Nestegg policies are with-profits deposit administration arrangements where interest is added to the accounts built up from the contributions paid.

The Nestegg interest rate (declared return / bonus) is based on the investment return less annual management charge (to cover investment and administration expenses) and the effect of other profits and losses arising in the with-profits fund and is smoothed.

The Nestegg and associated interest rates (declared return / bonus) for 2015 and the first quarter of 2016 are shown in the table below.

Type	Interest rate for first quarter 2016	Interest rates for 2015
Nestegg	3.50%	3.25%
Nestegg 32	3.50%	3.25%
Emeritus	4.00%	3.75%
Versatile (exempt)	6.00%	6.00%
Versatile (other)	3.50%	3.25%

Versatile (exempt) applies to exempt approved schemes. The different interest rates reflect different annual management charges and charging structure for the different types of products and also the guaranteed interest rate for Versatile (exempt).

The interest rates for 2016 have been increased compared to 2015, with the exception of the guaranteed interest rate for Versatile (exempt) policies. With the exception of Versatile (exempt) policies the interest rates are not guaranteed and we may change them at any time.

Versatile (exempt) has a much higher guaranteed interest rate and is unchanged.

What are the excess assets?

The with-profits fund your policy is invested in currently has some excess assets. These excess assets provide a buffer to protect the fund so that it can expect to meet its commitments to policyholders even if adverse events occur.

In 2014 we used some of these excess assets to increase the underlying value of policies which had previously been charged for guarantee costs. We take the increase in the underlying policy values into account when we work out the interest rates. We smooth interest rates, and the effect of the increase is being spread over a number of years. We are still smoothing in this increase and as a result interest rates are higher than they would otherwise have been. It is expected that once the increase has been added in full, the interest rates will reduce to a sustainable level.

The amount of excess assets in the fund goes up and down depending on a range of factors including the performance of investment markets, the level of policy claims due to death and surrender, the expected lifespan of policyholders whose policies provide a retirement income and other operational profits and losses. Because of this we will regularly review the amount of the excess assets and whether we are able to make any allowance for the excess assets when setting interest rates. The charges for the cost of guarantees may be reintroduced if the experience of the fund is sufficiently adverse.

Investment strategy

The asset mix for Nestegg and associated policies at 31 December 2015 was 50% in short term fixed interest stocks issued by the UK government and cash combined, 42% in fixed interest stocks and 8% in property and has been roughly the same since August 2003. Of the 42% in fixed interest, this is currently split 29% in stocks issued by the UK government and 13% in other stocks (including corporate bonds). Therefore Nestegg and associated policies have not had exposure to equity (company shares) growth or losses since August 2003.

The annual management charge for Nestegg policies is 1.75%, having reduced from 2.25% in 2002.

The table below shows:

- the interest rate (declared returns / bonus);
- the investment return we achieved on the assets backing Nestegg policies;
- our annual management charge;
- the transfer to our shareholders; and
- the net investment return after annual management charge and transfer to shareholders;

for each year since 2002 for Nestegg policies.

Phoenix Life Limited Former Britannic Life Assurance / Crusader Nestegg deposit administration					
Year	Interest rate (declared return / bonus)	Investment return (before charges)	Annual management charge	Shareholder transfer	Net investment return
2015	3.25%	0.82%	1.75%	0.18%	-1.11%
2014	2.75%	7.37%	1.75%	0.15%	5.47%
2013	2.75%	0.79%	1.75%	0.15%	-1.11%
2012	1.00%	3.64%	1.75%	0.06%	1.83%
2011	1.25%	6.84%	1.75%	0.07%	5.02%
2010	1.00%	5.89%	1.75%	0.06%	4.08%
2009	0.50%	5.05%	1.75%	0.03%	3.27%
2008	0.50%	2.98%	1.75%	0.03%	1.20%
2007	1.00%	3.81%	1.75%	0.06%	2.00%
2006	1.00%	3.58%	1.75%	0.06%	1.77%
2005	1.25%	7.27%	1.75%	0.07%	5.45%
2004	1.50%	6.99%	1.75%	0.08%	5.16%
2003	0.61%	5.03%	1.75%	0.03%	3.24%
2002	1.12%	0.39%	2.25%	0.06%	-1.93%
Notes					
(a)	Interest rates are annualised.				
(b)	Shareholder transfer is half of one ninth of the interest rate.				
(c)	Net investment return is investment return (before charges) less annual management charge and less shareholder transfer.				

The Nestegg interest rates have been affected by the smoothing applied in previous years in particular from 2000 to 2002 when low and negative net investment returns were earned, but the Nestegg interest rates were never reduced to below nil. The Nestegg interest rates have also been affected by the impact of the losses arising in the with-profits fund due to the cost of guarantees and guaranteed annuity options. The poor investment returns in 2006, 2007 and 2008 did not lead to any material improvement in the position. However the improved investment returns from 2009 to 2011 has meant that the effect of net investment returns being less than the interest rate after allowing for the losses arising from the cost of guarantees and guaranteed annuity options historically has now been smoothed out.

As a result, the interest rates from 2015, excluding the excess assets uplift, are now more in line with the net investment returns we expect to earn. The excess assets uplift is being spread over a number of years, and once it has been fully applied it is anticipated that the Nestegg interest rates will return to a lower level as the net investment returns we currently expect to earn are low.

The return on the investments in the with-profits fund for 2015 was 0.8%. This return is before tax, charges and expenses. The return benefited from an increase in the value of fixed interest stocks and property.

The table below shows the Nestegg and associated interest rates (declared return / bonus) since 2002.

Phoenix Life Limited Former Britannic Life Assurance / Crusader Deposit administration Interest rate (declared return / bonus)					
Year	Nestegg	Nestegg 32	Emeritus	Versatile (exempt)	Versatile (other)
2015	3.25%	3.25%	3.75%	6.00%	3.25%
2014	2.75%	2.75%	3.25%	6.00%	2.75%
2013	2.75%	2.75%	3.25%	6.00%	2.75%
2012	1.00%	1.00%	1.50%	6.00%	1.00%
2011	1.25%	1.25%	1.75%	6.00%	1.25%
2010	1.00%	1.00%	1.50%	6.00%	1.00%
2009	0.50%	0.50%	1.00%	6.00%	1.00%
2008	0.50%	0.50%	1.00%	6.00%	0.50%
2007	1.00%	1.00%	1.50%	6.00%	0.50%
2006	1.00%	1.00%	1.75%	6.00%	1.00%
2005	1.25%	1.25%	1.75%	6.00%	1.00%
2004	1.50%	1.50%	2.00%	6.00%	1.25%
2003	0.61%	0.61%	0.91%	6.00%	1.50%
2002	1.12%	1.12%	1.62%	6.00%	0.61%

Notes
(a) Interest rates are annualised.
(b) Versatile (exempt) applies to exempt approved schemes.
(c) The different interest rates reflect different annual management charges and charging structure for the different types of product and also the guaranteed interest rate for Versatile (exempt).

Our annual management charge is currently 1.75%, it was reduced from 2.25% from 2003. We deduct the annual management charge from the achieved investment returns when considering the Nestegg interest rates (declared returns / bonus). In addition our shareholders receive half of one ninth of the interest.

Nestegg policies share in all the profits and losses arising in the with-profits fund. Unfortunately these have turned out to be losses. These losses arise from the cost of guarantees and the cost of guaranteed annuity options. These losses are charged across all policies which fully share in the profits and losses arising in the fund. These losses are equivalent to a charge of about 10% applied to policies. We take this charge into account when we work out the interest rates. We smooth interest rates and the effect of this charge is being spread over a number of years.

A history of the asset mix backing Nestegg and associated policies is shown in the table overleaf.

Phoenix Life Limited Former Britannic Life Assurance / Crusader Deposit administration					
Year	Asset mix at end of year				
	Short dated gilts and cash	Fixed interest		Property	Equities
		Issued by UK government	Other (including corporate bonds)		
2015	50%	29%	13%	8%	0%
2014	50%	29%	13%	8%	0%
2013	50%	29%	13%	8%	0%
2012	50%	27%	12%	11%	0%
2011	50%	28%	11%	11%	0%
2010	50%	28%	11%	11%	0%
2009	50%	28%	12%	10%	0%
2008	50%	27%	13%	10%	0%
2007	50%	40% combined		10%	0%
2006	50%	40% combined		10%	0%
2005	50%	40% combined		10%	0%
2004	50%	40% combined		10%	0%
2003	50%	40% combined		10%	0%
2002	50%	35% combined		0%	15%

How much we hold in each type of investment will change over time. We aim to make sure that the with-profits fund can always meet the guarantees we have given to policyholders. Subject to this, we aim to get a good investment return while balancing this with the degree of risk being taken. We currently hold some property investments as well as fixed interest stocks. Over time we expect the returns from property to be higher than the returns from fixed interest stocks. However, the returns on property are likely to be more variable. We expect the amount invested in property to reduce over the next few years as policies mature and the period to maturity for the remaining policies reduces.

The majority of investments held are lower risk such as fixed interest stocks (bonds or loans usually issued by governments or companies).

For some policies taken out after March 1998, we may apply a market value reduction to make sure that any amounts paid to those policyholders who surrender their policies, reflect how the with-profits fund has performed up to that point. The market value reduction reflects that the investment returns we have achieved have not been sufficient to support the declared returns we have added to Nestegg policies to date, after allowing for our charges and the charge for losses in the with-profits fund. From 1 January 2016, the market value reduction is 0% which reflects the good overall returns in recent years.

For some policies we may apply a surrender charge, typically up to 5%, to help recoup the costs of setting up policies. These set up costs would normally be recouped out of the annual management charge over the term of the policy. The charging structure for Nestegg policies means that some of the set up costs were not taken out in the initial charges, but were to be recouped over the lifetime of the policy.

Your policy documents will tell you whether market value reductions and surrender charges may apply.

This information is correct at 1 January 2016.

If you have any questions or would like more information, our contact details are available here.

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