

NPI

SIMPLIFYING OUR BUSINESS

Your questions answered – for National
Provident Life Limited policyholders

December 2014



PHOENIX LIFE

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Please read this document with the enclosed 'Scheme Guide for National Provident Life Limited policyholders'.

Terms shown in **bold type** in this document, are explained in section 9 of the guide.

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Note for Jersey and Guernsey policyholders

There will be separate schemes relating to policies forming part of the business carried on by NPLL in or from within Jersey, or issued to any person resident in Guernsey. Please see Appendix 1 of the enclosed guide for more information.

What's happening

1 What are the proposals and which policies are transferring?

We (the **Phoenix Group**) are proposing to transfer all **NPLL** policies to **PLAL**. **NPLL** and **PLAL** are both part of the **Phoenix Group** of companies. We refer to these proposals as 'the **Scheme**'.

If the **High Court** approves our proposals, the changes will take place on the 'transfer date', which we expect to be 6 April 2015.

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. At the same time the **Scheme** provides advantages for policyholders of **NPLL** including the benefit of an improved capital policy. You can find more information about the **PLAL capital policy** in section 6.7 of the enclosed guide.

What this means for you

3 Will my policy benefits be affected?

Our proposals will not have a material adverse effect on the expected value of your policy benefits, and will not change any guarantees that apply to your policy.

If you are receiving an annuity from us, the amount and payment dates will not be affected by the transfer.

4 Will my policy be invested in the same way?

If your policy is **with-profits**, the **Scheme** will not change the way the assets associated with your policy are invested.

If your policy invests in **unit-linked** funds, following the transfer you will have the same number and value of units in new **unit-linked** funds that will be created in **PLAL**, corresponding to those in **NPLL**. They will initially invest in the same assets, have the same charges and will be priced on the same basis as the equivalent funds immediately before the transfer.

5 What changes will I see?

You may see some small changes to the way your policy is managed. For example, your policy provider will change to **PLAL**, payments to you will come from **PLAL**, you will start to notice 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 6 of this leaflet and section 6 of the enclosed guide for details.

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.

6 Will my terms and conditions change?

There will be some changes that affect the terms and conditions of NPLL policies, as explained in the enclosed guide (see sections 3 and 6). In particular:

- currently, NPLL may, subject to regulatory approval, cease to maintain the NPLF (the fund containing the NPLL policies) if the **with-profits** liabilities of the fund fall below a minimum value. Under the terms of the **Scheme**, PLAL is also allowed to cease to maintain the **NPL WPF** (the new **with-profits** fund to which most of NPLL's business will be allocated) and merge the **NPL WPF** with another **with-profits** fund within PLAL if the **with-profits** liabilities fall below a minimum value. If this happens, policies will remain **with-profits**. Following the transfer, the minimum value will be equivalent to that which currently applies, and was £750 million as at 31 December 2013. The merger of the **NPL WPF** with another **with-profits** fund is also subject to certain safeguards including the approval of our **regulators** and certification from an independent actuary;
- following the transfer, if the value of the **with-profits** liabilities in the **NPL WPF** falls below £50 million, PLAL will, subject to the approval of our **regulators**, be required to convert the **with-profits** policies to **non-profit** policies and close the fund. We do not expect this to happen until around 2038;
- currently NPLL may close, amalgamate or divide the **NPLL unit-linked** funds if permitted by policy terms and conditions. Following the transfer, PLAL will have the same rights to amalgamate or divide **unit-linked** funds. PLAL will also be able to close internal **unit-linked** funds in specific circumstances, even if policy terms and conditions do not allow it. However, additional policyholder protection will apply in these circumstances. Please see section 6.6 of the enclosed guide for more detail.

7 Will the NPI Promise be affected?

No, if the NPI Promise applies to your policy this will not be affected by the **Scheme**.

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

The **Scheme** will not have a material adverse affect on the expected value of your future bonuses, nor will it change the way in which annual and final bonuses are calculated, which will be added as and when they are declared, in the same way as currently.

9 How do I know if I have a with-profits or a non-profit policy?

Your policy documents will tell you the type of policy you have. 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.

10 Who should I contact about my policy after the transfer?

You should contact us in the same way and on the same number. You will speak to the same team of people, and the level of service you receive will not be affected. You will find the number for policy enquiries on any previous letters you have received from us.

If you would like to access information about your policy online, after the transfer this will be available on a different website, www.phoenixlife.co.uk.

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

The transferring policies will be moving to a different, larger company and there will be new risks for NPLL policyholders because of this. Further, the creation of a new fund in PLAL increases the number of funds that may require support from PLAL's other funds. The **Independent Expert** will have considered any new risks, and the protection offered by the **PLAL capital policy**, in his report.

For both transferring policies and existing **PLAL** 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 **PLAL** very remote.

Firstly, **PLAL** is an insurer authorised by the **Prudential Regulation Authority (PRA)**. Any insurer authorised by the **PRA** 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.

Secondly, the **PLAL capital policy** requires **PLAL** to hold assets in excess of the minimum level required under legislation. The aim is to help **PLAL** 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 **PLAL** 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 **PLAL** will be able to adhere to its capital policy.

Thirdly, since **NPLL** is a subsidiary company of **PLAL** and is owned by the **PLAL Shareholder Fund**, **NPLL** is already included in the financial reporting of **PLAL** and **PLAL** takes **NPLL**'s liabilities into account for the purposes of its own capital policy. After the transfer, the **PLAL Shareholder Fund** will provide support directly to the **NPL WPF** under the terms of the **PLAL capital policy**.

Given this, the security of policyholders is extremely unlikely to be affected by the transfer. Further, in extreme circumstances where the capital available under the capital policy was insufficient, **PLAL**, in conjunction with its shareholder and **regulators**, would expect to investigate and seek to implement other actions before one **with-profits** fund would be called upon to provide support to another **with-profits** fund. Taking all these factors into account, we believe that it is extremely unlikely that a policy in any of the **PLAL with-profits** funds will be affected by losses from another **PLAL** fund.

12 Will the Scheme affect my personal tax situation?

The **Scheme** will 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 not affected.

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

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

14 I have a pension and am considering my retirement options. How will the timing of the changes affect me?

The timing of the changes won't affect your retirement options. Any options or guarantees that you have on your policy will transfer over, and if you have been offered an annuity by **NPLL**, the **Scheme** will not affect this.

15 My policy has an option to take out a new policy, how will this be affected?

If your policy has an option or other right which entitles you to take out a new, additional or replacement policy, that option or right will continue to be available after the transfer and you will be entitled to require **PLAL** to issue such a policy. However, the **Scheme** also provides that if **PLAL** is not issuing such policies at that time, **PLAL** may (subject to satisfying certain requirements) offer you an alternative policy which **PLAL** considers to be the nearest equivalent policy it is then writing. **PLAL**'s right to make such an offer does not affect your right to have the right or option satisfied by **PLAL**.

More about the Scheme

16 How is the management of the National Provident Life With-Profits Fund changing?

Currently, your policy is in the **National Provident Life Fund (NPLF)** of **NPLL**. The **NPLF** is managed by the **NPLF Supervisory Board**, a committee of the **NPLL Board** which oversees the continuing interests of policyholders within the **NPLF**. Following the transfer, and in line with current regulation, the **PLAL Board** will be responsible for the general management of the **NPL WPF**. However, the **Scheme** will provide that the **With-Profits Committee** of **PLAL** will have oversight of decisions made by the **PLAL Board** in relation to its management of the **NPL WPF** and in addition will be responsible for determining investment policy and bonus policy for the **NPL WPF**. Further details about how the **NPL WPF** will be managed are provided in section 6.3 of the enclosed guide.

17 When will the changes happen?

If the **High Court** approves our plans, we expect the transfer to take place on 6 April 2015.

18 What is the difference between the 'transfer date' and the 'effective date'?

The '**transfer date**' is the date when the assets, liabilities and policies of **NPLL** will transfer to **PLAL**. If the **Scheme** is approved, the **transfer date** is expected to be 6 April 2015.

In order to simplify our accounts, the **Scheme** will have the financial effect, within these accounts, as if the changes had taken place on 1 January 2015. This date is called the **effective date**. Having an **effective date** that is before the **transfer date** does not alter the way your policy is dealt with by the **Scheme**.

19 How will my interests as a policyholder be protected?

The proposed transfer can only take place with the approval of the **High Court**, who must be satisfied that the transfer meets all the necessary legal requirements and that it treats policyholders appropriately. In reaching its conclusion, the **High Court** will take into account any representations made by individual policyholders. The notification of policyholders and their right to make representations if they believe they would be adversely affected by the transfer provides an additional protection for policyholders. We explain the court process 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 **NPLL** or **PLAL** policyholders. Section 7 of the enclosed guide contains a summary of the **Independent Expert's** report.

We are also working closely with our **regulators**, to make sure that they do not have any objections to our proposals.

20 Who is the Independent Expert?

The **Independent Expert** is Dr David Hare of Deloitte MCS Limited; he 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 **PRA**, 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**, we will place a notice 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 4 of the enclosed guide.

23 Who will pay for the Scheme?

The **Scheme** will be paid for by the **Shareholder Fund** of **PLAL** 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 5 million policyholders.

The **Phoenix Group** includes Phoenix Life Assurance Limited, National Provident Life Limited and Phoenix Life Limited.

25 Who is PLAL?

Pearl Assurance Limited was renamed Phoenix Life Assurance Limited (**PLAL**) in September 2012. **PLAL** and **NPLL** are both part of the **Phoenix Group**, and **NPLL** is a subsidiary company of **PLAL**. **PLAL** is a long established UK company that can trace its history back to 1857. As at 31 December 2013, **PLAL** had approximately 1.8 million policies and **NPLL** had approximately 0.3 million policies.

Next steps

26 What do I need to do now?

Please read this leaflet and the other enclosed documents. You do not need to take any further action unless you want more information, want to say how you may be adversely affected by the **Scheme**, or plan to come to the **High Court hearing** (see section 4 of the enclosed guide for more information).

Please make sure that 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, has the chance to read the documents in this pack.

If you are a Trustee of a group pension scheme, please make sure all scheme members know about the **Scheme** and how these proposals affect them (see section 5 of the enclosed guide for more information).

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, the terms of the **Scheme** and other documents relating to the **Scheme** on our website at www.npi.co.uk/FM14scheme.

If you would like paper copies of these documents, or have any other questions, please call our helpline on 0845 266 9221. 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 1733 478993.

You may also write to us at the address given in the enclosed guide, or use our website enquiry form.

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** (and the **overseas schemes**). If you have any general questions about your policy (or policies), please contact us on your usual customer telephone number which you will find on previous letters that you have received from us.



PHOENIX LIFE

ANY MORE QUESTIONS ABOUT THE SCHEME?

Please call our helpline on

0845 266 9221

or visit our website

www.npi.co.uk/FM14scheme

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 1733 478993. We may monitor or record calls.

**If you would like this information in large print,
in Braille, or on cassette or CD, please call us on 0845 266 9221.**

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