

Important information for Personal Pension Plan (Channel Islands) customers

Your investment with Phoenix Life Limited

Your Personal Pension Plan is invested in Phoenix Life's Britannic With-Profits Fund.

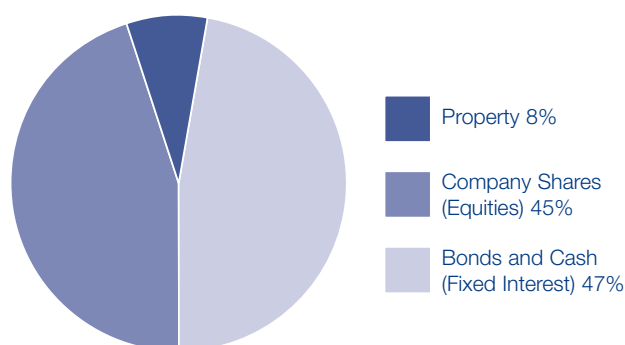
How is the Britannic With-Profits Fund invested?

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 Personal Pension Plans 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 is the annual bonus rate for Personal Pension policies?

The 2006 with profits annual bonus rate is 3% for Britannic With-Profits Fund Personal Pension policies. The actual number of bonus units added to your policy is shown in your statement.

The with profits annual bonus rates for the last 5 years are:

2002	2003	2004	2005	2006
0%	3.0%	3.0%	3.0%	3.0%

Has the annual bonus rate changed?

No. Our bonus rates reflect both historic investment returns and likely long term investment conditions. Although the Britannic With-Profits 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 there is insufficient justification to increase annual bonus rates for Personal Pension policies. On top of this, we believe that both interest rates and inflation will continue to remain low in the long term.

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 at the selected retirement date or in the event of a death claim, rather than increasing annual bonus rates. We take this approach because it ensures that all with profits policyholders receive a fair share of any available surplus.

Are you adding a final bonus now?

We are currently adding a final bonus for Personal Pension policy payments where units were purchased either before 1998 or after 2001. If you transfer your policy or retire at any time which is not the selected retirement date, the final bonus may be reduced and a market value reduction may be applied as described below. Final bonuses are not guaranteed and may change at any time.

How are bonus rates calculated?

When deciding whether we should add an annual bonus 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. We will add an annual bonus 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.

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.

So what about the future?

Annual bonuses are guaranteed once they are added to your policy. We would therefore need to see the financial markets enter a period of prolonged stable growth before we can be confident about increasing future levels of annual bonus.

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.

What about guarantees?

The with profits guarantee is that with profits and bonus units will be valued at 100.00p on retirement at your selected retirement age, or on earlier death.

What is a market value reduction (MVR)?

If you cash-in, or transfer your plan, at any time other than the selected retirement date (for example upon early retirement or transfer to another scheme), we compare the underlying value of your policy 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 plan below 100.00p.

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

- the cash-in or transfer value is not unfairly higher than the plan'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.

Market value reductions are not applied to payouts on retirement at your selected retirement age or death.

What are Phoenix Life's charges?

Charges are taken into account when bonuses are declared and are approximately 1% per annum. If you're making payments into your plan, we also make a charge of up to 5% of each payment. In addition we may deduct a plan fee from each premium, which varies according to the amount and frequency of payment. The current maximum is £18 per annum.

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 5553

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.