

**Important Information for Phoenix Life Limited
 SPI With-Profits Fund Customers**

Former Scottish Provident Limited Irish unitised with-profits pension policies

Former Scottish Provident Limited Irish unitised with-profits pension policies are invested in the Phoenix Life Limited SPI With-Profits Fund ('the with-profits fund').

Some policies may be split between unit-linked funds and the with-profits fund. This information sheet refers only to the with-profits element.

Your policy has with-profits units that have been purchased with the premiums you have paid.

We may add annual bonuses if the investment return and experience of the with-profits fund has been sufficient to support the payment of these bonuses and the benefits already guaranteed, and is expected to continue to do so, even if future investment returns or other factors become unfavourable. For all units purchased prior to 1 October 1999 (Irish pension series I) there is a guaranteed minimum annual bonus rate of 4% each year. If added, annual bonus increases the value of the with-profits units.

We have not been able to add any annual bonus from 1 April 2010, other than any guaranteed minimum annual bonus.

The investment return and experience of the with-profits fund over the last few years has meant that we have not been able to add non-guaranteed annual bonuses since March 2003. The value of the benefits already guaranteed means that an annual bonus is not currently supported. The addition of any future annual bonuses will depend on the future investment performance and experience of the with-profits fund, after allowing for the historic performance and the value of the guaranteed benefits. Where series of units have a guaranteed amount of annual bonus, these will be added as usual. If added, annual bonuses increase the value of the with-profits units.

Annual bonus rates from 1 April 2010 are shown in the table below.

Annual bonus	
% applied as increase in unit price	from 1 April 2010
Irish pension series I (4% guaranteed)	4.00%
Irish pension series II	0.00%
Irish pension series III	0.00%
Series I applies to units purchased before 1 October 1999	
Series II applies to units purchased from 1 October 1999	
Series III applies to units purchased from 1 April 2000	

We have reviewed our policy of concentrating on final bonuses before reintroducing or increasing annual bonuses and continue to believe that this is the fairest way for all policyholders to benefit from the returns of the with-profits fund.

Phoenix and Phoenix Ireland are trading names used by Scottish Mutual International Limited and Phoenix Life Limited. Scottish Mutual International Limited is registered in Ireland No. 242244. Registered Office: 25-28 North Wall Quay Dublin 1, Ireland. Phoenix Life Limited is registered in England No. 1016269. Registered Office: 1 Wythall Green Way, Wythall, Birmingham B47 6WG United Kingdom. Irish branch registered No. 906073. An up-to-date list of company directors, containing the particulars indicated in paragraphs (a), (b) and (c) of section 196(1) of the Companies Act 1963, is available on application from each company's registered office. Scottish Mutual International Limited is regulated by the Irish Financial Regulator and Phoenix Life Limited is regulated in the United Kingdom by the Financial Services Authority.

We may add a final bonus on retirement at the selected retirement date. We do not guarantee final bonuses. We normally review final bonus rates twice a year from 1 January and 1 July. However we may change final bonus rates at any time. On surrender, transfer or retirement at any other date, we may apply a market value reduction. The market value reduction firstly reduces any final bonus and then reduces the value of the units. We review the market value reductions regularly.

The with-profits fund consists of a wide range of assets with the aim of providing good growth potential over the medium to long term. On 31 December 2009, the split of assets for Irish unitised with-profits pension policies was approximately:

Company shares (equities)	48%
Fixed interest stocks - issued by the euro governments	17%
Fixed interest stocks - other (including corporate bonds)	26%
Property	0%
Cash	9%
Other	0%

We intend to make some changes to the investments underlying policies in the fund as follows:

- We intend to spread the investments of the with-profits fund more widely by reducing the proportion of the fund we invest in European (excluding UK) company shares (equities), and increasing the proportion we invest in Non European and UK company shares (equities) and commercial property. Currently the with-profits fund does not have any property investments. We may also invest a small proportion in alternative types of assets, such as hedge funds.
- We intend to reduce the proportion we invest in cash and increase the proportion we invest in fixed interest stocks issued by the euro governments.
- We will give our investment managers more flexibility in choosing the investments with the aim of improving returns.
- We intend that in future, the mix of investments will vary for different types of policy. Generally there is a single asset mix for all of the different types of with-profits policies in the with-profits fund. In future, for types of policies with guaranteed benefits that are low compared to the underlying policy values, we will invest in more higher risk investments such as company shares (equities) and property than we have done in the recent past, and less in fixed interest stocks. Whilst for types of policies with guaranteed benefits that are high compared to the underlying value, we will invest in fewer higher risk investments such as company shares (equities) and property than we have done in the recent past. We expect that in the longer term the investment return from company shares (equities) and property will be higher than that from fixed interest stocks although in the shorter term the returns may be more variable. We expect the overall proportion of company shares (equities) in the with-profits fund to reduce as our changes are implemented. Whilst the changes might lead to a lower return for some policies, another consequence is that there will be reduced variability in the cost of meeting guarantees in the with-profits fund. This should free up some money in the with-profits fund that currently has to be set aside in case the underlying investments do not grow sufficiently to cover the guaranteed minimum benefits. It also means that the variability in the costs of guarantees on types of policies with particularly valuable guarantees will be less likely to affect the payout on other types of policies. The table overleaf shows the changes we intend to make for Irish unitised with-profits pension policies.

Type of policy	Current guideline range for the proportion invested in company shares (equities)	New guideline range for the proportion to be invested in company shares (equities) and commercial property
Unitised with-profits pension policies with guaranteed minimum bonus rates	40% - 55%	25% - 35%
Unitised with-profits pension policies with no guaranteed minimum bonus rate	40% - 55%	55% - 65%

We currently expect to make these changes in the second half of 2010. We will update you on our progress in the next annual update we send you.

The investment return on the with-profits fund for these with-profits units over the last number of years is shown in the table below.

Phoenix Life Limited - SPI With-Profits Fund Former Scottish Provident Limited Irish unitised with-profits pension policies	
Investment Return (before tax, expenses and charges)	
Year	Investment Return
2009	16%
2008	-19%
2007	4%
2006	6%
2005	13%

We sent a copy of our guide, 'How we manage the Phoenix Life Limited SPI With-Profits Fund' ('the guide') with mailings to policyholders in 2009. The guide is also available on our website www.phoenixlifegroup.co.uk or you can ask us for a copy.

In this guide we mention that we work out bonuses by considering the underlying value of policies. We also mention that we expect to include a fair share of any distribution of the estate in the underlying value of with-profits policies once the estate is large enough to cover the risks in the with-profits fund.

We are currently (as at 1 July 2010) including a distribution of the estate when we set final bonuses. Based on the estate at the end of December 2009, we included an estate distribution of 3.7% of underlying policy values when we set the July 2010 final bonuses. This means that final bonuses are currently higher than they would otherwise be.

We do not guarantee that we will be able to continue this level of estate distribution in future and we normally review the level twice a year. In particular poor investment conditions are likely to mean that we will reduce or remove the current estate distribution.

This information is correct at 1 July 2010.

If you have any questions or would like more information about your policy, please contact us using the details shown in the letter we have sent you.

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