

ANNUAL GENERAL MEETING PRESENTATION SCRIPTS

18 MAY 2005

Important Note: these are the scripts of the presentations made by the Chairman, Chief Executive and Chairman of the Remuneration Committee. Equitable Life's 243rd Annual General Meeting was held at Congress Centre, London on Wednesday 18 May 2005. Please note that these are not transcripts of their speeches and as such should not be read as a precise, word-for-word record.

Vanni Treves, Chairman

Address to Annual General Meeting

I became your Chairman in 2001

I took on the role as did, I know, my other Board colleagues with me today, because we thought that with our combined experience and commitment we could help a business that was, to be blunt, facing oblivion.

It has been the most demanding, intense and, at times, distressing role of my career.

I feel sure that I have no need to dwell on this point for long, to this audience in particular!

Suffice to say, in recent years, enjoyment, calm and Equitable Life are not words that one has ever used in combination.

Yet at all times, we have tried our hardest to do the right things for the Society's members.

But as I stand here today, in this my fifth year as your Chairman, I am pleased - delighted - to confirm to members that your Society is more stable and secure than at any time since the House of Lords' judgment at the turn of the Millennium.

2004 was a year of significant progress for your Society. Although its solvency has strengthened only very modestly year-on-year, we have in fact made significant headway.

Let me summarise why in this way:

- We have made substantial progress with the Rectification and Managed Pensions policyholder reviews;
- The Society repurchased £179m of the £350m Subordinated Debt issued and, in doing so, improved the Society's financial position;
- The Penrose Report, published in March 2004, did not raise any new issues likely to result in material adverse financial consequences for the Society – it could have been damaging for the Society, but it wasn't.
- After significant lobbying by your Board and others, the Parliamentary Ombudsman decided to open a fresh statutory investigation into the prudential regulation of the Society in the period up to 2 December 2001;
- We have reduced administrative expenses in line with our stated objectives;
- Some progress has been achieved by HBOS, the third party supplier appointed by the former Board to carry out administration services, to improve policyholder customer services to standards that are now closer to policyholders' expectations;
- Surrenders have continued to fall and in 2004 totalled £835m (2003: £1,788m) and;
- A tangible demonstration of the advances we have made is that non-guaranteed bonus additions have increased policy values by 3.5% in respect of 2004 (2.8% for life policies),

I emphasise that notwithstanding the further strengthening of technical provisions, we more than satisfy the minimum regulatory capital requirements of the Financial Services Authority (FSA).

After several years when a major continuous effort was required just to prevent the financial condition of the Society worsening, it is refreshing to be able to report progress on so many fronts.

As I mentioned earlier, Charles Thomson and Jean Wood will be speaking shortly and then I would like to share with you the Board's thoughts about the review of the Society's longer term future.

Before that I think it is important that I mention the legal actions, currently before Mr Justice Langley in the High Court, against 15 of the Society's Former Directors and Ernst & Young, your Society's former auditors.

As I'm sure many members present will appreciate, as the trial has now started, we cannot discuss the specifics of the claims. I say that now, ahead of the question and answer session, to explain why Directors are constrained in what we can presently say about the claim.

However, this can be said.

When the Board decided to pursue the actions against both parties, it did so with (great) reluctance and, despite what some have alleged in recent weeks and months, there has never been any malice what-so-ever on the part of this Board of Directors.

As I have said many times before, and I stress again today, we were advised by leading Counsel that we had a duty to bring these actions. Not to do so, we were told, would have been a dereliction of fiduciary duty on our part.

We would not have been representing the interests of policyholders if we had failed to take the action we have.

And I might add that the action to pursue the former directors and Ernst & Young has been overwhelmingly supported by policyholders, according to the Society's independent research.

Of course, litigation is very expensive and in 2004 the Society's own costs amounted to £8.4m. As you will have expected, the Board has regularly reviewed with its legal team the cost justification of the claims and we remain of the view that we are pursuing strong and substantial claims, and are duty bound to do so.

Any compensation the Society receives will be added to the with-profits fund for the benefit of continuing with-profits policyholders.

I am surprised and disappointed these claims were not settled before the trial began, as was widely predicted. Only the defendants can explain why they haven't been.

We, for our part, remain ready to consider any serious and substantial settlement offer from the other parties. If a settlement cannot be achieved, we have no hesitation in continuing to fight the issues in Court.

I will now hand you over to your Chief Executive, Charles Thomson,

CHARLES THOMSON, CHIEF EXECUTIVE

Address to Annual General Meeting

Good morning Ladies and Gentlemen.

And thank you for joining us today.

As the Chairman has highlighted already, your Society's overall health is improving and we have made significant strides forward over the last year to fix many of the issues of the past.

In the next few minutes, I would like to share with you the progress against our objectives in 2004 and the issues that remain to be resolved.

I intend to say a few words on the Society's improving:

- Financial management;
- Progress against the various policyholder review we have been managing in recent years;
- Customer service standards;

Also about,

- With-profits annuitants;

And finally,

- External developments that may affect the Society and you.

First the subject of the Society's finances.

The Society's net resources, after allowing for its liabilities, are represented by the Fund for Future Appropriations - the FFA - our key measure of solvency.

The Society seeks to maintain the FFA balance at a level that protects solvency whilst treating continuing and exiting policyholders fairly.

At 31 December 2004, the FFA balance was £547m, an increase of £5m over the prior year, despite the reducing size of the business.

The principal changes in the FFA are explained in more detail within the financial Review section of your Annual Report.

During the year, the Society experienced further reductions in the level of both maturities and surrenders.

Surrenders in 2004 were £835m against £1,788m the previous year.

Maturities and other claims totalled £1,373m against £1,910m.

There is an ongoing review of claim payments in order to avoid undue strain on the FFA.

Where a policyholder surrenders his policy (or switches to a unit-linked fund) before maturity, contractual obligations in respect of payouts under the policy generally do not apply. The Society takes account of the interests of all policyholders where a policyholder surrenders a policy (or switches to a unit linked fund) by paying the policy value (or equivalent), less a financial adjustment.

In setting the financial adjustment, the aim is for the amounts paid to surrendering policies to be fair, but not to disadvantage continuing policyholders. In particular, the amounts paid to surrendering policyholders should not reduce the payout prospects of the continuing policyholders.

There has been no change to the level of the financial adjustment in 2004, being 11.1 per cent for most products.

As always, the Board keeps the level of the financial adjustment under constant review.

We are making progress in the area of balance sheet provisions. These have reduced over the year, although substantial uncertainty remains about the level of provisions.

For example, the rectification and managed pension provision has reduced because of payments made and because of a better definition, and the accordingly lower number, of eligible claimants.

However, the provision for exceptional expenses includes an increase in the provision because of higher contractual costs relating to the pension obligations to former staff.

There is also a new provision to allow for current estimates of VAT expected to be levied on the outsourced services from HBOS, if UK Customs and Excise implement a European Court judgment announced on 3 March 2005, the effect of which would be to eliminate exemption to VAT on the provision of insurance services.

The FFA reconciliation shows an increase in provisions and expenses.

There remain inherent uncertainties in establishing appropriate values relating to certain provisions, particularly those relating to mis-selling, and there continues to exist the possibility of changes arising from regulatory interpretations or requirements.

Despite this volatility, we believe - and have done our best to ensure - that the funds we have set aside are appropriate to manage the various claims against the Society.

Expenses, incorporating administration, exceptional, claims, investment and interest costs, have increased slightly to £174m in 2004 from £168m in 2003. Exceptional expenses have increased, reflecting the significant costs of completing the GAR Rectification and Managed Pension reviews and uplift in provisions for future costs in respect of pension obligations.

However, having largely completed the reviews we can expect a significant reduction in exceptional expenses in the coming year. As this slide shows, lower administration and claims costs reflect reduced levels of activity. Investment costs have declined in line with the reduction in funds invested.

The subordinated debt was effectively a loan of £350m taken out by the Society in 1997 at a fixed interest rate of 8% per annum.

In today's terms that is an expensive rate of interest and, because of the Society's financial difficulties, the loan has traded at less than face value for several years.

We have considered whether to repurchase the debt on several occasions but for various reasons, were unable to do so. Finally, at the end of 2004 and with the approval of the FSA, a pre-requisite to proceeding, we succeeded in repurchasing £179m of the debt at a price of £980 per £1,000 of principal.

This made an immediate improvement to the Society's financial position of £3m, which will be accounted for in 2005 but, more importantly, it eliminated a substantial amount of high-coupon debt, saving a considerable sum in interest payments in the future.

The Society has the option, subject to certain conditions, to repurchase the remainder of the debt in 2007 and in the meantime, we shall continue to monitor the situation.

Last year we produced a detailed statement, called Principles and Practices of Financial Management (PPFM), about how the Society manages the with-profits fund. The document complies with new requirements laid down by the FSA and is intended to allow knowledgeable observers to understand the way in which our with-profits business is conducted. We will keep members informed, updating the PPFM, as necessary.

Finally Ladies and Gentlemen,

For the next Report and Accounts, new accounting standards will change the way the Society's financial position is reported.

This is a technical and complex area and some policyholders may be concerned to see some of the figures in the accounts being altered. However, it is important to understand that the Society's true financial position will not be affected by the new standards, which only change the way in which that position is presented.

Also,

The supplementary information provided in the Financial Review shows that the position is largely unchanged measured on this new basis.

The new Rectification Scheme was launched in November 2003 with the intention of making the scheme simpler and easier to administer. That scheme is now essentially complete for individual policies with over 17,000 cases reviewed and, where appropriate, compensation paid.

The version of the scheme for group pensions was launched in mid 2004 and is progressing on schedule.

The review of the sale of managed pensions has continued into 2005 and most of the 15,000 cases have now been reviewed and, where appropriate, compensation offered.

The uncertainty surrounding the outcome of these reviews (and the corresponding accounting provisions) has been a considerable concern for several years. The enormous progress achieved in settling them over the last 12 months is a great step forward.

The complaints by former non-GAR policyholders were mostly settled in 2003. However, approximately 800 so called "late joiner" complaints remain at the Financial Ombudsman Service (FOS). On 22 March 2005, FOS announced a different approach to redress from the Society for non-GAR complaints lodged with FOS. We are disappointed with the FOS determination, which is inconsistent with the legal advice obtained by the Society and by the FSA.

We are now reviewing the FOS determinations including the actuarial assumptions to be used in calculating settlement amounts on the FOS basis.

During the year - and I might add after some pressure from this Board, and policyholders and MPs - the Parliamentary Ombudsman opened a new inquiry into the regulation of the Society by Government, including the role of the Government Actuary's Department.

If she finds mal-administration leading to injustice, she has the power to recommend that the Government pay compensation.

Your Society is co-operating fully with her inquiry and we understand that she hopes to report to Parliament by the end of 2005.

One policyholder and one action group have separately petitioned the European Parliament with regard to the standards of regulation by the UK Government. I should add these are not claims against the Society. The European Parliament has agreed to carry out a preliminary investigation and, again, we are in dialogue with the relevant secretariat in Brussels regarding this matter.

There have been very few complaints received by the Society arising out of the Penrose report.

Your Board has always maintained that the Penrose report does not give rise to any new material series of claims resulting in an adverse impact on Society finances.

In July 2004, the Financial Services Authority (FSA) completed its own detailed analysis and concluded that generic claims from individual policyholders against Equitable Life regarding its basis for allocating bonuses during the 1990s were unlikely to succeed. Last year, we also submitted our view to FOS that it would be inappropriate for FOS to attempt to assess complaints based on Lord Penrose's report.

In March of this year, FOS announced that it would not investigate Penrose-related complaints. We welcome this decision.

The Serious Fraud Office (SFO) continues to assess certain issues in Lord Penrose's report. We have given the SFO our full assistance and we still wait to see whether it wishes to carry out a full investigation into the actions of some individuals.

Individuals, I might add, not currently before you!

The impact of reduced investment returns and correspondingly reduced bonuses on with-profits annuity policies remains a major concern. While the Society still intends to recover with-profits annuitants' share of the cost of Guaranteed Annuity Rates (GAR) by withholding 1.5% of final bonus for two more years, the Board has decided to defer recovery for this year.

This means that all with-profits annuitants will get the full benefit in their policy values of the 3.5% award for 2004. However, the majority of with-profits annuity policies anticipated a higher level of bonus than is achievable by a predominantly fixed interest fund in the current low inflation environment. For this reason, income from most with-profits annuity policies can be expected to fall each year, though less sharply than in the last couple of years where corrective action was taken to bring them into line with other policies.

In July 2004, a group of with-profits annuitants started legal proceedings against the Society. By the beginning of March, more than half the original number had withdrawn, leaving 421 individuals. A hearing is scheduled to take place in the High Court next month, when the Court will give instructions as to how the case will be managed.

The current FOS approach to determinations in its review of such complaints to date indicates that the Society, the FSA and FOS agree that there was not a generic mis-selling issue.

As members of the with-profits fund, these 421 annuitants are effectively suing themselves, as it is members of the fund that must pay for the costs of defending this claim. Whilst we believe that this is a classic case of attempting to rob Peter to pay Paul, we respect the rights of this group to pursue what they - and their legal adviser - believes is a valid claim.

We believe we have strong defences against their claims and, in the interests of all members, the Society will continue to defend any unmerited claim with vigour.

Finally,

There has been recent comment from the Inland Revenue and, subsequently, in the Press that individual annuitants will be allowed to transfer their annuities to other pensions' offices when the new legislation comes into force next year.

It does not appear to us that the Pensions Act offers anything materially important in respect of individual annuity transfers. It is likely to remain impractical to transfer individual pensions in payment from one office to another. We will, of course, keep this matter under review and inform annuitants of any developments.

We continue to work with HBOS – to whom our administration is outsourced – to make improvements to our service standards.

In 2001, at the height of our issues, we were dealing with 100,000 pieces of customer correspondence each month.

We are now returning to more normal workload volumes and the quality and timeliness of our service continues to improve.

98 per cent of policyholders requesting a policy illustration and 94 per cent of all correspondence received is now answered within our 10 days turnaround time.

Of course, there is always more to do and we are working very closely with HBOS to ensure that we can continue to improve on where we are today.

The Pensions Act 2004 introduces a whole raft of new rules and regulations for pensions, often referred to as 'pensions simplification'. Some minor changes were made in April 2005, but the major changes will be in April 2006.

We shall be analysing the changes, as they are finalised and briefing policyholders of any impact on their Equitable Life policies at the appropriate time.

Following the publication of Lord Penrose's report, Paul Myners was commissioned by the Government to review the Corporate Governance of Mutual Life Offices. We naturally participated fully in the consultation exercise with the Chairman and three of the Society's non-executive Directors and I each meeting the review team. We welcome his report, published in December 2004. Much of what he proposes is already in place at Equitable Life, as we already adopt, to the extent possible, the relevant principles of the Combined Code for listed companies. Mr Myners also recommended that the Association of Mutual Insurers lead the work in developing a governance code of practice for mutual insurers and the Society has accepted an invitation to join this recently formed trade body for mutual insurers.

We are aware that many members would prefer a simplified presentation of the Society's Annual Report and Accounts, which in its current form is a lengthy and technical document.

Although many businesses now publish summary financial statements to shareholders and members, surprisingly, there are legislative barriers that have prevented us from moving to a simpler presentation.

However, a change to the relevant legislation is currently going through a DTI consultation process and we hope to be able to make available these simpler form accounts in future.

This would enable significant cost savings to be made and a simpler presentation of the Society's annual performance to be presented to members.

This is not to say that the current format for our Annual Report & Accounts will be eliminated.

It will continue to be available to those who would like it and, of course, we shall continue to publish it on our website.

We shall keep you informed of developments.

So, Ladies and Gentlemen, in summary;

Your Society continues to make good progress and is certainly over the worst.

Much remains to be done to fix the issues of yesterday but we are confident that we have all known issues under control and each issue is well on the way to being resolved.

Finally, we can now look forward to see if and how we can improve prospects for members over the longer term.

Thank you.

Jean Wood, the Chairman of our Remuneration Committee, will now make a few remarks about the remuneration report contained in the Report and Accounts.

JEAN WOOD, CHAIR, REMUNERATION COMMITTEE

Address to Annual General Meeting

Thank you Chairman,

Good morning Ladies and Gentlemen,

This is the Society's fourth annual report to members on the work of the Remuneration Committee and my second as its chairperson.

The Committee is made up exclusively of Non-Executive Directors, namely Vanni Treves, Peter Smith as well as me.

The Committee, where relevant, sets out to meet the standards of the combined code applicable to listed companies.

Today, I will only provide an overview of the full details of the Directors' Remuneration, which are to be found in the Corporate Governance Report, beginning on page 20 of the 2004 Annual Report, sent to members last month.

As in previous years, you are being asked to approve the Directors' Remuneration Report by way of an advisory vote. I would add, however, that, as a mutual, we do not have to adopt this practice. We do so because your Board believes that it is good practice amongst major businesses and we believe it only right to give members the opportunity to express a view on this matter.

I am pleased to now report to you on our work during the past year.

An important part of the work of the Remuneration Committee is to appraise the performance of senior executives and to ensure that they are remunerated fairly against their achievements.

In assessing that total remuneration, we pay close attention, taking external advice where appropriate, to the overall packages being paid by other companies in the sector.

Where bonuses are payable, we set performance criteria that MUST be achieved in order to trigger any bonus, either in full or in part.

Finally, once the Remuneration Committee has concluded its assessments, where they relate to an Executive Director, the full Board is then presented with our recommendations, which are based on an individual's role and actual performance during the year.

Turning now to the detail of Directors' remuneration for last year.

First the Chairman and the other Non-Executive Directors.

The annual fees paid to the Chairman and the Non-Executive Directors had remained unchanged since June 2002.

From 1 June 2002 to 30 June 2004, the Chairman's fee was £125,000 per annum.

The annual fee, excluding your Chairman, for Non-Executive Directors was £25,000.

From July 1 2004, the fee paid to the Chairman was increased to £140,000 per annum.

In addition, from the same date, July 1 2004 the fees paid to other Non-Executive Directors rose to £28,000 per annum.

As previously reported, the Society's Deputy Chairman and also certain non Executive directors receive additional fees to reflect their extra services on the Board's various Committees and, in one case, as Chairman of University Life. In the case of the Society's deputy Chairman, this additional fee is £10,000 per annum, increased from £5,000 with effect from July 1 2004 and £5,000 other Non-Executive Directors, namely the Chairmen of Board Committees, the Chairman of University Life and the deputy chairman of the Audit Committee.

Mr Chairman, I would now like to report on the remuneration of Executive Directors.

Nigel Brinn, formerly Finance Director, resigned as a director on August 1 2004. His remuneration up to this date - made up of salary, benefits and discretionary bonuses - totalled £279,348. The breakdown can be found in note 2 on page 25 of the Annual Report.

Turning now to the Chief Executive.

With effect from July 1 2004, his annual salary increased from £389,825 to £409,325, an increase of five per cent. His annual benefits remained unchanged.

For 2004/2005, the Remuneration Committee recommended to the Board that Mr Thomson's discretionary bonus should be £ 184,196 - representing 90 per cent of the maximum allowed and 45 per cent of his salary. Payment will be made next month.

As reported to members in previous years, the Society put in place an annual retention bonus scheme for senior executives in 2002, vesting in each year from 2003 to 2005.

In the case of Mr. Thomson, an amount of £68,750 vested on March 31st in each year of 2003, 2004 and 2005 and was payable in full on April 1st 2005.

The Scheme has been extended to December 31 2005 and, if Mr Thomson remains in continuous employment with the Society until that date, he will be entitled to a further bonus retention payment of £75,000, payable on December 31 2005.

The retention bonus scheme for the other members of the senior Executive Team also ends at that date.

With this in mind, the Remuneration Committee will be developing a new bonus scheme in order to retain and appropriately incentivise our very capable Senior Executive team as it continues its work on improving further the overall stability of the Society and implements the Board's review of your Society's longer term business strategy.

Ladies and Gentlemen, this concludes my Remuneration Report to you.

In summary, I believe that the Executive of your Society, led by Charles Thomson, has continued to remain focused, committed and driven in the task of improving the financial health of the business and in managing out a myriad of complex risks in order to bring a measure of stability to the Society's affairs.

I think we are very fortunate to such an effective team of high calibre executives.

I sincerely hope that my report to you has been clear and I will happily take questions at the appropriate time in today's proceedings.

Thank you.

Thank you Jean.

VANNI TREVES, CHAIRMAN

STRATEGY ADDRESS TO ANNUAL GENERAL MEETING,

Ladies and Gentlemen.

I would now like to share with you the Board's thoughts about the review of the Society's longer-term future, currently underway.

When your Board took control of the Society in 2001, it was in a desperate state.

It was closed to new business and the Society's liability for guaranteed annuity rates (GARs) made the business hugely unstable.

There was also a daunting range of other problems arising from the Society's past. We were nearly out of control.

Since then your Board has worked hard and made the tough choices necessary to overcome the biggest threats to the future of the Society.

It did so at a time when the investment markets suffered their most sustained fall for a generation. Your Board had to take swift and decisive action to protect your Society and over a million policyholders from the worst effects of that severe downturn.

In the first half of 2002, we effectively sold the remaining holding of listed equities in order to protect the with-profits fund from the worst vagaries of the markets.

We did so when the FTSE was around 4800 Ladies and Gentlemen.

– the FTSE 100 finished 2004 at 4814 and today the FTSE stands at 4925. In the three years since we sold the FTSE has only been above 5000 on a few occasions.

The cynics have said we were lucky.

There is nothing wrong in being lucky!

It was also a wise and necessary decision.

If your Board had prevaricated and stayed in the markets, as many other life offices with much higher exposure to equities did, - and we had not secured the Compromise Scheme and managed out our other risks - your Society would now be insolvent and in catastrophic liquidation.

Therefore, our work with your support has finally delivered to the Society a measure of stability not seen for years.

As you heard from Charles, we have made significant progress in dealing with the GAR policyholders; settling claims from former non-GAR policyholders and reviewing the sales of managed pensions together with the very difficult decisions we had to take on bonuses

We have done everything possible to "clear the decks" and your Society is achieving much greater clarity and certainty regarding the Society's current position and prospects.

Our work with your support has finally delivered to the Society a measure of stability not seen for years.

So where are we now?

The Society's business objectives are to:

Resolve outstanding claims against the fund;

Stabilise the with-profits fund to ensure its continued solvency and maintain an appropriate level of free assets;

Treat policyholders fairly, including leavers, and ensure we meet the guarantees provided to policyholders by pursuing an appropriate investment strategy;

Reduce expenses and restore an efficient business model.

The major obstacles - in particular the rectification schemes, Penrose, incoming litigation, mis-selling allegations, the FOS determinations - are now steadily being overcome.

As you know, the Society in its current form is effectively locked-in to fixed interest investments. This means Equitable's policyholders will see little benefit from any improvements in investment markets.

Without making structural changes to the Society, we simply cannot afford to risk significant investment in shares or other non-fixed investments even though that decision limits the investment returns that can be achieved for policyholders

Although the financial health of the Society continues to improve slowly and steadily, significant risks to the Society's well-being remain.

Let me summarise some of the continuing threats to policy values:

First, interest rate risk

The Society's substantial holding in fixed interest investments is an essential element of stability. However, if interest rates fall significantly, we cannot be sure that the entire Guaranteed Interest Rate obligation can be met. We believe that the chance of such a hostile scenario occurring is small, but the risk remains.

Next, the risks of increasing longevity.

It is a well-publicised fact that people are living longer than historical analysis predicted. Where those people have pensions with the Society, the cost of providing those pensions is greater than expected. We believe we have made adequate provision for this continuing improvement, but there can be no certainty. Because the Society is closed to new business, it has a lot more annuity policies as a proportion of its total business than most, so it represents a particular risk as things stand.

Another risk is that of rising costs.

As you know, the Society's administration is outsourced to HBOS and that contract was negotiated and signed by the previous Board of the Society.

As the number of policyholders reduces, some costs do not reduce in proportion. This means that future expenses may cost a greater and unexpected proportion of the fund. We believe we have made fully adequate provision for these costs, but there can be no certainty within the current service arrangements.

So what are the options?

Although we are pleased to have achieved some stability in such difficult circumstances, your Board wants to try to do more. We believe it is right for us to try to see if there is a breakout from the status quo.

Ladies and Gentlemen,

There may not be a better solution than doing the best with the current structure of the business, but we must investigate the options.

In the 2004 Annual Report, we said that, with improved stability, we would try to develop ideas for the longer-term future of the Society.

This work is well underway.

At this stage, we are ruling nothing in and nothing out of our discussions.

We believe there are three broad options that we now want to compare and analyse in detail:

1. The unitisation of the with profits fund;
2. Continuing to examine ways to maximise the current structure to work for the best advantage of members.
3. In the longer term, a transfer or sale of the business, or part of it

Unitisation of the Fund,

It has been suggested that we might convert with-profits policies to unit-linked policies. Unit-linked policies would give policyholders the freedom to choose to invest more in shares if they want to, but these policies would not have the minimum guaranteed benefits, which most existing with-profits policies provide. The freedom to invest in shares comes with the risk that the shares (and policy values) may go down.

There is also the problem of deciding how to ensure each with-profits policyholder met his or her fair share of his or her obligations in the Society's remaining, inevitably uncertain provisions.

The Current Structure - if you like "the Status Quo" option.

It could be that, after our investigations and analysis, and having taken the necessary external advice, your Board may determine that your longer term prospects can be best served by making the best of the business in its current form and remaining as a substantially fixed interest with profits fund in run off.

Transfer or Sale,

Some have asked if a sale of the Society is a possibility.

The answer is no and yes.

No - because currently this business still has fundamental uncertainties on a number of fronts and, as things stand today with the Society, we do not see where an acquirer would see value in taking this business on.

We must also take into account that the Society is tied into long term contracts with HBOS for the administration of our customer services and also for investment management which does restrict our freedom to act and the attractiveness to purchasers.

Yes - because there does exist the possibility that there maybe businesses that may be interested one day in taking parts of or all of the Society's business.

We will look at whether the sale of all or parts of the business is a real possibility at some point in the future and, if so, what would we need to do in order to give it a real chance of becoming a viable way forward.

Nevertheless, Ladies and Gentlemen, while there remains the possibility of an eventual transfer of the Society's with-profits fund to another financial services group, it is a distant, longer-term prospect...if it can be done at all.

So, in thinking about the next phase of the Society's future, you will see that there are alternatives to the current situation, but each is likely to have its own issues and complexities and there is unlikely to be a "one size fits all" option that we can pull off the shelf that is right for everyone.

PAUSE

This is Equitable Life after all and I'm afraid our particular life is just not that simple!

The alternatives would each require some substantial 'give and take' on the part of the respective policyholder groups.

Where we can improve matters in one area, it may well be that there is a cost in another

So, Ladies and Gentlemen,

We have not found a "magic potion" and we do not expect to.

However, we do believe the timing is now right for the Board to carry out a review of strategy and to look at the possible options.

It must of course be a considered review - and while your Society is now stable and has improving financial health it will be a review conducted with deliberate speed.

We will take external advice as required. I cannot emphasise enough the complexities involved.

In the meantime, as always, your Board will be happy to hear your views and we will always reply to any correspondence we receive.

In conclusion, Ladies and Gentlemen, I make you these promises:

We will communicate when we have more to report;

We will leave no stone unturned in pursuit of greater security and prospects for policyholders.

We will always do what we believe is right for you and your fellow policyholders;

Finally, we will always remain accountable to you for everything we do.

Thank you.