Equitable Life

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At the Annual General Meeting of

THE EQUITABLE LIFE ASSURANCE SOCIETY

held on Wednesday, 17 May 2006 at 11.00 a.m.

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The following persons were present:

Vanni Treves	(Chairman)	(in the Chair)
Peter Smith	(Deputy Chairman)	
David Adams		
Ron Bullen		
Michael Pickard		
Fred Shedden		
Charles Thomson		
Andrew Threadgold		
Jean Wood		

There were 322 members entitled to vote present in person and 2 proxies (who were not in their own right members entitled to vote) who had been appointed by members to vote on their behalf at the meeting.

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The Chairman, Vanni Treves, opened the meeting and welcomed those attending. He emphasised that the Board wanted to do justice to the many questions that had been raised and to give as many members as possible the chance to express their views. However, at previous AGMs, because the question and answer session had been so long, a significant number of members had complained that they had to leave before being able to vote. To overcome this, the Chairman suggested say 1½ hours for questions before moving on to the formal business of the meeting, including the voting. That would then conclude the AGM.

The Chairman introduced the directors present at the meeting. He then explained the proposed format and timetable for the meeting, which would comprise presentations from the Chief Executive and the Chairman. These would be followed by a question and answer session after which two of the candidates standing for election as directors at the meeting would make brief statements to the meeting. Voting on the resolutions to be put to the meeting would then follow.

The Chief Executive, Charles Thomson, provided an update on progress in 2005. He commented that, because of changes in accounting rules, the key measure of solvency required of all insurance companies was now described by the Society as “excess realistic assets”. During 2005, the Society’s excess realistic assets had increased by £214 million, from £455 million to £669 million and he commented excess realistic assets were now 6.6% of the with-profits fund. He added that the Board was pleased that it had been possible to increase excess realistic assets in a year when, in common with many other offices, the Society had had to substantially increase mortality reserves.

The Chief Executive reported that, despite needing to have a large proportion of the with-profits fund invested in fixed-interest securities, the Society had achieved an investment return for 2005 of 10.1%. He remarked that part of the return came from falling interest rates, which increased the value of fixed interest stocks but also increased the value of liabilities. After allowing for that feature, for expenses and for the cost of increasing the mortality reserves, the net return achieved had been 5.6%.

The Chief Executive remarked that the Board had announced bonus for 2005 such that policy values for UK with-profits pensions business increased at a non-guaranteed rate of 4.5% per annum. The Board had also announced a non-guaranteed interim bonus from 1 January 2006 until further notice of 3.5% per annum for such policies. Rates for other business had been set consistently with those figures. He added that, as explained in the Annual Report, for with-profits annuities the Society was now completing the recovery of the outstanding guaranteed annuity rate cost that had been deferred in recent years. This was being done by spreading the remaining cost of 3% over six years, at a rate of ½% each year. He commented that the Board was aware of the difficulties faced by with-profits annuitants, but that it could not allow them indefinitely not to meet the costs already met by other policyholders.

The Chief Executive reported that the level of surrenders had fallen very significantly to £482 million in 2005 compared with £835 million in 2004. The Society’s improving financial position had allowed the financial adjustment on surrender to be reduced to 8% from the previous level of 11.1%.

The Chief Executive reported that the major policyholder reviews were now essentially completed. The completion of these reviews removed a major area of uncertainty. The level of provisioning was now much lower and the level of uncertainty far less of a concern.

The Chief Executive reported on the action that the Society had had to undertake as a result of the “pensions simplification” legislation. The Society had had to revise all its procedures and systems for administering pension policies. The systems work had been a major commitment and had cost millions of pounds.

The Chief Executive also remarked on the introduction of new accounting standards across the whole industry, on improved customer service and on the introduction of improvements resulting from policyholders' suggestions.

The Chief Executive remarked that, despite considerable additional work as a result of implementing the "pensions simplification" legislation and the new accounting standards, both exceptional and non-exceptional expenses had fallen.

The Chief Executive drew comparisons with the position in 2001 when the current Board had been appointed and the Society's much improved situation now.

The Chairman then addressed the meeting. He referred to the strategic objectives the Board had set in 2002. These were:

resolving the outstanding claims against the fund
stabilising the with-profits fund to ensure its continued solvency and maintaining an appropriate level of free assets
treating policyholders fairly and ensuring the Society paid at least guaranteed benefits under every policy
reducing expenses and restoring an efficient business model.

The Chairman referred to the recently announced proposed transfer of most of the Society's non-profit annuities to Canada Life Limited. He remarked that this was an important development, in particular as the size of the Society's annuity business was relatively large compared with the rest of its business and that the risk to the Society arising from this business was also relatively large. Transferring the non-profit annuities to Canada Life would remove the bulk of that risk from the Society. He added that it was particularly pleasing that the total of the assets to be transferred to Canada Life and the costs of the deal were no more than the liabilities the Society would be moving off its balance sheet.

The Chairman commented that the Board had worked hard to strengthen the with-profits fund and that the transfer of the non-profit annuities had greatly improved its stabilisation. He added that, despite this, the Society still had less investment freedom than the Board would wish and that it would continue to search for a solution. He added, however, that implementation of the non-profit annuity transfer might not complete until 2007 and that any with-profits solution was inevitably still quite some time away. He added that it would be the with-profits policyholders who would ultimately decide whether to accept a strategic change to the with-profits fund.

The Chairman commented on the Parliamentary Ombudsman's inquiry and on the European Parliament Committee of Inquiry which were both investigating how the Society had been regulated. The Society was giving both inquiries all the help it could.

The Chairman commented on the Society's legal action against its former auditors, Ernst & Young, and certain of the Society's former directors. He remarked on the Board's and members' frustration that the Society had had to finish that litigation without securing any compensation for policyholders.

Following the presentations, the Chairman indicated that the meeting would move on to the formal business. He asked that the Notice of the meeting and the Auditors' Report be taken as read and this was agreed. He then proposed that the meeting receive and adopt the Report and Accounts but, before the resolution was put to the meeting, members' questions would be taken.

Questions were asked and comments made by 22 members or their proxies; responses were provided by the Chairman, the Chief Executive, the Chairman of the Investment Committee (Andrew Threadgold), the Chairman of the Legal Audit Committee (Fred Shedden) and the Chairman of the Remuneration Committee (Jean Wood). Among topics raised were the conduct of and advice received in connection with the litigation against Ernst & Young and the former directors; the position of with-profits annuitants, including the continuing reductions to their annuity payments; the remuneration of the Chief Executive and the other directors and the number of directors required; the transfer of the non-profit annuities to Canada Life; the investment of the with-profits fund, including whether greater investment freedom was likely; the Report and Accounts, including the provision of expense ratio data; the timing of and voting at Annual General Meetings; the tax position of compensation payments following implementation of the "pensions simplification" legislation; the legal action being brought against the Society by various with-profits annuitants.

The question and answer session having lasted for almost two hours, the Chairman drew it to a close. As he had indicated earlier, two of the candidates standing for election to the Board would be making brief statements to the meeting. John Newman and David Adams made statements concerning their candidacy and, in the case of David Adams, in relation to the candidacy of the other directors standing for re-election.

The Chairman then moved to voting on the resolutions to be put to the meeting which were as set out on the poll card which members eligible to vote or their proxies had been given on entering the meeting. He remarked that the resolutions shown as 4.1 to 4.4, relating to the election of directors, would be dealt with through a poll in accordance with the Society's Articles of Association, as voting by showing hands would involve carefully counting votes for and against each of the candidates which would take an exceptionally long time. The Chairman proposed, however, that the other resolutions be dealt with on a show of hands.

The Chairman moved that the report of the Directors and the statement of accounts for the year ended 31 December 2005 together with the report of the auditors thereon be received and adopted. This resolution was passed overwhelmingly on a show of hands. The proxy votes received were displayed and the Chairman noted that the result of the show of hands was consistent with the proxy votes received.

The Chairman proposed that PricewaterhouseCoopers LLP be reappointed as auditors of the Society until the conclusion of the next General Meeting at which accounts are laid before the Society at a remuneration to be determined by the Board. This resolution was passed overwhelmingly on a show of hands. The proxy votes received were displayed and the Chairman noted that the result of the show of hands was consistent with the proxy votes received.

The Chairman proposed that the Directors' remuneration report be approved. This resolution was passed on a show of hands. The proxy votes received were displayed and the Chairman noted that the result of the show of hands was consistent with the proxy votes received.

Referring to the resolutions relating to the election of directors in place of those retiring at the meeting, the Chairman noted that three directors were retiring and seeking re-election, and one other candidate was standing for the posts vacated by the retirements. Members eligible to vote at the meeting had received with their Annual Report an explanation of who was standing for election and a statement from each candidate. As stated in the letter accompanying the Annual Report, the Board's recommendation was that members vote in favour of the re-election of the three directors retiring at the meeting.

The Chairman added that, to be elected as a director, a candidate must receive more votes in favour of his election than against. Of those candidates who met this condition, the directors elected would be the three with the greatest number of votes in favour of their election.

The Chairman explained that the poll on resolutions 4.1 to 4.4 would take place immediately after the close of the meeting. He described the procedure for the poll and the completion of poll cards and asked members or their proxies to mark their votes for or against those resolutions. On a poll, each member present in person or by proxy, and entitled to vote at the meeting, had between 1 and 10 votes depending on the size of that member's with-profits policy or policies with the Society. Completed and signed poll cards should be placed in the ballot boxes, at the exits to the auditorium, which were being supervised by representatives of Electoral Reform Services Ltd. The poll would remain open for 30 minutes after the close of the meeting and the result would be announced on the Society's website the following day.

The Chairman explained that, in accordance with the Combined Code on Corporate Governance, as the vote was being conducted by a poll rather than a show of hands, the proxy votes that had already been cast would not be displayed at the meeting. This would avoid any suggestion of an attempt to influence the outcome of the vote prior to it being counted by the independent scrutineers.

The Chairman declared the AGM closed and the poll open at 2.00 p.m.

The results of the poll are shown in the appendix to these minutes.

Appendix to the minutes of the Annual General Meeting of
The Equitable Life Assurance Society
held on 17 May 2006

In respect of the resolution to elect directors in place of those retiring, for which a poll was taken

Votes on the poll

	For	**Against**	**Abstain**
To re-elect David Adams	218,045	58,367	12,279
To re-elect Charles Thomson	193,506	85,580	9,553
To re-elect Andrew Threadgold	217,634	58,606	12,462
To elect John Newman	116,372	163,415	8,779

As there were three vacancies arising to be filled, the following were re-elected directors as a result of the poll: David Adams, Charles Thomson, Andrew Threadgold.