Equitable Life

At the Extraordinary General Meeting of

THE EQUITABLE LIFE ASSURANCE SOCIETY

held on Friday, 26 October 2007 at 11.00 a.m.

....

The following persons were present:

Vanni Treves	(Chairman)	(in the Chair)
Peter Smith	(Deputy Chairman)	
David Adams		
Ian Brimecome		
Ian Reynolds		
Charles Thomson		
Andrew Threadgold		
Jean Wood		
Tim Bateman	(With-profits Actuary)	

There were 239 members entitled to vote present in person and 10 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.

....

The Chairman, Vanni Treves, opened the meeting and welcomed those attending. He remarked that the sole purpose of the meeting was to consider and vote on the proposed transfer of the Society's with-profits annuities to the Prudential.

The Chairman introduced the directors present at the meeting and the Society's With-profits Actuary who was also on the stage with the directors. The Chairman gave Fred Shedden's apologies as he was unable to attend the meeting. The Chairman explained the proposed format and timetable for the meeting, which would comprise presentations by the Chairman and the Chief Executive to be followed by a question and answer session and then voting on the resolution to be put to the meeting.

The Chairman then addressed the meeting. He remarked that the directors believed the proposed transfer of the Society's with-profits annuity policies to the Prudential represented the most important milestone in the Society's road to recovery since the events of 2000. He added that the transaction would not only radically improve the prospects of those with-profits annuitants who would be transferring to the Prudential, but would simplify the Society and therefore very much increase the chances of finding a strategic solution for all the remaining policyholders.

The Chairman remarked that, although much progress had been made in stabilising the Society's financial position, the constraints within which it was required to operate were such that the Society remained predominantly invested in fixed-income investments. He added that those policyholders transferring would join an actively managed fund that was able to invest far more in equities and property than the Society was currently able to do.

He commented that the Society's with-profits annuities were unattractive to most other insurers. Simplifying the Society's book of business by transferring the with-profits annuities would make what remained more attractive to potential purchasers.

The Chief Executive, Charles Thomson, then addressed the meeting. He referred to the information packs issued to policyholders earlier in the month which had provided details of the proposed transfer. He added that if the Society's members voted in favour at the current meeting, the High Court would be asked on 28 November 2007 to sanction the transfer and that, subject to those approvals, it was intended to complete the transfer of policies on 31 December 2007.

The Chief Executive remarked that, if the transfer of with-profits annuities went ahead, their policy conditions would not change but their investment would be in the with-profits fund of the Prudential rather than that of the Society. The future bonuses for with-profits annuities would then depend on the performance of the Prudential's with-profits fund. The Chief Executive commented that the Prudential was one of the UK's strongest insurance companies and had access to capital support. Consequently, it was able to operate with a much greater proportion of the fund in equities and property. He added that, of course, a greater exposure to equities and property investments could also have its downside and no-one could guarantee that the Prudential would be able to pay greater bonuses in the future than the Society. However, the Society's Board believed that the opportunity to have benefits relating to an actively managed, mixed investment fund would be attractive to with-profits annuitants and was closer to the sort of fund they had originally chosen for their investment.

The Chief Executive referred to the safeguards for with-profits annuity policyholders in the future under the proposed transaction. These included the specific minimum income guaranteed in the policy terms that would be honoured by the Prudential regardless of their investment achievements. Also, the terms of the agreement negotiated with the Prudential included fixed administration charges and a limit on the charge that could be made for meeting guarantees under the policies. There were also safeguards regarding the impact of future changes in mortality experience. If the Prudential decided to change its mortality forecasts in the future, only changes seen as fair by the Prudential's Independent With-profits Committee would be allowed. Also, the impact of changes to the mortality forecasts would be limited so that it did not affect annuitants' income by more than 0.5% per annum in any event. The Chief Executive remarked that the up-front costs of providing these safeguards would be met from the with-profits annuitants' share of the Society's excess realistic assets.

He added that the excess realistic assets would also be used to compensate the remaining policyholders for the expected increase in unit cost as a result of the transfer of annuitants away from the Society.

Following the presentations, the Chairman opened the meeting to the floor for the question and answer session.

Questions were asked and comments made by 23 members or their proxies; responses were provided by the Chairman, the Chief Executive, the Chairman of the Investment Committee (Andrew Threadgold) and the With-profits Actuary (Tim Bateman). Among topics raised were: the rights of policyholders (including those who would transfer under the transaction) to any compensation from the Government resulting from publication of the Parliamentary Ombudsman's report; the basis of calculating the amount to be transferred to the Prudential, the form this would take and the timing of the transaction; the manner in which future benefits under with-profits annuities would be determined and how the Prudential would declare bonuses; the approach taken by the Society in connection with outstanding litigation and other claims and the provisions made for these; that further information should have been provided in the Policyholder Circular (including projections of potential future benefits); that options for with-profits annuitants to change the basis of their policies should have been negotiated.

All pre-registered questions together with those raised from the floor having been dealt with, the question and answer session closed after approximately 2 hours.

The Chairman then moved to voting on the resolution to be put to the meeting which was as set out on the poll card which members eligible to vote or their proxies had been given on entering the meeting. The Chairman proposed that the resolution should be dealt with on a show of hands.

The Chairman moved that the proposed transfer of the with-profits annuity business of The Equitable Life Assurance Society, as described in the Policyholder Circular dated 14 September 2007 to members and policyholders of Equitable Life, be approved.

The 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 and that almost 99% of the proxy votes received were in favour of the resolution.

The Chairman declared the EGM closed at 1.25 p.m.