

THE EQUITABLE LIFE ASSURANCE SOCIETY
FOUNDED 1762

Private and Confidential

06 August 2001

Our ref: CC9/<client ref no.>

Dear Policyholder

With-profits policy values

I hope you have recently seen an open letter in the national newspapers explaining the reductions in the Society's with profits policy values. I know that this will have come as a great shock to you. But it was essential to take this action in order to be fair to all policyholders.

This announcement has resulted in a high level of queries and our customer service team are doing their very best to help. We realise that many of you wish to know how your policy values will be affected so we are enclosing Ready Reckoners to assist you.

In October we shall send you a new statement, giving your policy value as at the end of September.

Much progress has been made on developing the compromise scheme between those with guaranteed annuity rate policies and those without. You will soon be receiving a consultative compromise proposal upon which we look forward to hearing your views.

Yours sincerely

Charles Thomson
Chief Executive

NOTES

REDUCTION IN WITH PROFITS POLICY VALUES

The Board has reduced policy values of with profits pensions policies by 16% (14% for with profits life assurance policies) as at 31 December 2000. In addition, there will be no growth for the period from 1 January 2001 to 30 June 2001. The growth rate accruing to with profits policies during the current year will now be 6% (5.6% for Equitable 2000 Personal Pension Plans and 5% for life assurance policies) per annum from 1 July 2001. Guarantees under policy contracts will, of course, be met.

For with profits annuitants we are able to spread the impact of this change. Last year the impact of withholding growth on with profits policies was spread so that 1% of the return would be withheld each year for 5 years. That measure taken together with this decision will mean that a total of 1.5% of the return (currently 6% per annum) will now be withheld each year until further notice.

FINANCIAL ADJUSTMENT

The financial adjustment, which is applied to with profits policies which are surrendered early, was reduced on 16 July 2001 from 15% to 7.5% because policy values will now be closer to the value of underlying investments.

CONTACTING US

If you need to contact us, please do so

By writing to us:

CSC, The Equitable Life Assurance Society,
Walton Street,
Aylesbury,
HP21 7QW

By fax: 01296 386383

By telephone: 0870 901 0052 or, for recorded information: 0870 600 2272

In order to help us answer as many calls as possible we are using a specialist telephone services company. They can answer general queries as well as provide some details of your policies.

RESPONDING TO YOUR INSTRUCTIONS

We currently aim to process payments out within 4 weeks and switches and direct debit alterations within 2 weeks. We will acknowledge all requests within ten days.

How different with-profit contracts are affected

Please use the Ready Reckoners that follow as indicated in the table below

Ready Reckoner 1	<ul style="list-style-type: none">• With profits pensions contracts• With profits Income drawdown plans*• With profits Managed Pension plans*• With profits bonds• With profits personal investment plans• With profits flexible protection plan• With profits maximum investment plan
Ready Reckoner 2	<ul style="list-style-type: none">• With profits annuities
Ready Reckoner 3	<ul style="list-style-type: none">• Endowment policies• Whole life policies

Note*

Please note that any regular payments from these plans will continue at the level previously specified. This may mean your fund reduces at a faster rate.

Contracts not affected

Conventional (without profits) policies
OEICs & Halifax Equitable policies
Unit-linked plans

READY RECKONER 1

FOR:

With Profits Pension policies
 With profits income drawdown plan
 With profits managed pension plans
 With profit bonds
 With profit personal investment plans
 With profit flexible protection plans
 With profit maximum investment plans

This ready reckoner can help you calculate an approximate contractual policy value as at 30 June 2001. Just follow each step in turn.

Step 1 From your annual statement (which you will have received in March 2001) take the total value of with profits benefits as at 31 December 2000.

£

Step 2 If you have a **pension policy**, you will need to reduce the value from Step 1 by 16%. You can do this by multiplying the value from Step 1 by 0.84.

From Step 1 x 0.84 = £

If you have a **life assurance policy**, you will need to reduce the value from Step 1 by 14%. You can do this by multiplying the value by 0.86.

From Step 1 x 0.86 = £

Step 3 Add up premiums you have paid into your policy between 1 January 2001 and 30 June 2001.

£

Step 4 Add up payments you have received from your policy between 1 January 2001 and 30 June 2001.

£

Step 5 To calculate revised policy value at 30 June 2001:
 Take the value from Step 2 and **add** the total premiums paid (Step 3) and **subtract** payments received (Step 4).

£ from Step 2

+ £ from Step 3

- £ from Step 4

=

Value at 30/06/01 £

This figure is a rough estimate of the value of your policy as at 30 June 2001.

If the guaranteed value of the policy is higher than the revised policy value shown at Step 5, then, on maturity or other contractual event, in accordance with the policy terms, the higher figure will be paid. The guaranteed value at 31 December 2000 is set out in your annual statement.

NOTES

1. **Policy values after 30 June 2001**

The growth rate accruing to your policy from 30 June 2001 going forward is currently 6% per annum of the revised value of your policy as at 30 June 2001 for pensions policies, 5% per annum for with profits bonds and 5.6% for the Equitable 2000 Personal Pension Plan.

2. **Non-contractual termination values**

Where a policy is surrendered, transferred or otherwise terminated outside the terms of the contract then the value is not guaranteed. Currently, a financial adjustment of 7½% is applied. An approximation to the amount paid under such circumstances can thus be obtained by multiplying the value from step 5 (above) by 0.925.

READY RECKONER 2:

FOR:
With Profits annuities

Payment calculations for with profits annuities are carried out just before the start of each policy year to calculate the pension that will be paid during that year. This means that the level of your annuity will not be affected until the next policy anniversary. The calculations are complex as they need to reflect the changing levels of bonus during the policy year and the level of growth anticipated when the policy was set up. However, the following table gives examples of the approximate changes that may be anticipated at the next policy anniversary, if the rate of return allocated to with profit annuities remains at its current level.

Anniversary month	Effected before 01.07.1996			Effected on or after 01.07.1996 and before 20.07.2000		Effected on or after 20.07.2000
	Anticipated Bonus			Anticipated Bonus		Anticipated Bonus
	2.5%	4.5%	6.5%	3.0%	5.0%	5.0%
August 2001	0.99	0.97	0.95	1.02	1.00	1.01
September 2001	0.98	0.97	0.95	1.01	1.00	1.01
October 2001	0.98	0.96	0.95	1.01	0.99	1.01
November 2001	0.98	0.96	0.94	1.01	0.99	1.01
December 2001	0.98	0.96	0.94	1.01	0.99	1.01
January 2002	0.97	0.96	0.94	1.00	0.98	N/A
February 2002	0.97	0.95	0.94	1.00	0.98	N/A
March 2002	0.98	0.96	0.94	1.01	0.99	N/A
April 2002	0.98	0.96	0.94	1.01	0.99	N/A
May 2002	0.98	0.96	0.94	1.01	0.99	N/A
June 2002	0.98	0.96	0.94	1.00	0.99	N/A
July 2002	0.97	0.95	0.94	1.00	0.98	1.00

- Step 1 Ascertain when your annuity was effected.
- Step 2 Ascertain the level of bonus anticipated at the start of your annuity. This would have been shown on the illustration you accepted and in subsequent annual statements.
- Step 3 Ascertain the month in which the next anniversary of the inception of your annuity falls.
- Step 4 Using the above information, look up the adjustment factor in the table above. If the anticipated bonus rate for your policy isn't given in the table please use the next highest rate shown.
- Step 5 Multiply the current level of your annuity by the adjustment factor to obtain a rough estimate of the level of your annuity from the next anniversary.

READY RECKONER 3

FOR:
Endowments
Whole life policies

The following calculations can be used to produce an approximate value for death claims or maturities for with-profits endowments. Please note that this ready reckoner is not applicable to other circumstances, including policy surrenders.

Step 1 Add together the "Sum assured eligible for declared bonus" and the "Total declared bonus" from the annual statement you received in April 2000.

Sum assured £	+	Total declared bonus £	=	£
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Step 2 Take the "Number of Complete Years" figure from the same annual statement and increase it by 1 (to bring it up to date).

Number of complete years	+	1	=	Step 2
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Step 3 Look up the final bonus rate from the table below which corresponds with the number from Step 2.

No. from Step 2	Final Bonus Rate %		No. from Step 2	Final Bonus Rate %		No. from Step 2	Final Bonus Rate %	No. from Step 2	Final Bonus Rate %
1	0		11	16		21	70	31	128
2	0		12	18		22	77	32	129
3	0		13	20		23	84	33	130
4	0		14	23		24	91	34	131
5	2		15	26		25	98	35	133
6	4		16	30		26	105		
7	6		17	35		27	112		
8	8		18	41		28	118		
9	10		19	50		29	123		
10	13		20	60		30	126		

Final bonus rate	%
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Step 4 Take the final bonus rate figure from Step 3 and add 100. Divide the resulting figure by 100.

For example if the figure in step 2 is 25 years, then the final bonus rate from Step 3 will be 98% and the final figure from this calculation will be:

$$\frac{(98 + 100)}{100} = 1.98$$

$$\frac{\text{From Step 3} \quad \% + 100}{100} = \begin{array}{|c|c|} \hline \text{Multiplication} & \\ \hline \text{factor} & \\ \hline \end{array}$$

Step 5 To calculate maturity or death claim value:

Take the figure from Step 1 and multiply it by the multiplication factor from Step 4.

$$\begin{array}{|c|} \hline \text{Step 1 } \pounds \\ \hline \end{array} \times \begin{array}{|c|} \hline \text{Multiplication} \\ \hline \text{factor} \\ \hline \end{array} = \begin{array}{|c|} \hline \text{Maturity or} \\ \hline \text{death claim value } \pounds \\ \hline \end{array}$$

NOTE

Where a policy is surrendered or otherwise terminated, or altered outside the terms of the contract then the value is not guaranteed. The ready reckoner above is not applicable in such circumstances.