

Equitable Life

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January 2004

Policy number: XXXXXXXXXXXX
Your policy anniversary is: XX XXXXXXXX
The anticipated bonus rate on your policy is: X.XX%

Your with-profits annuity – further reduction to income payments

Dear Mr Sample

I am writing to confirm the reductions we will make to with-profits annuities on the policy anniversary after 1 February 2004.

In November 2002 we wrote to you to tell you that most other with-profits policyholders had suffered significant reductions in the value of their policies, whereas holders of with-profits annuities had not. In November 2002 we also said that with-profits annuities were out of line with other with-profits policies by about 30%.

We needed to bring with-profits annuities back into line with other policies and we planned to do this over two policy years. We said that 'On your policy anniversary after 1 February 2003, we will reduce the value of your total annuity, (which we would otherwise pay), by up to 20%.' I can now let you know that on your policy anniversary after 1 February 2004, we will reduce the value of your total annuity (which we would otherwise pay) by up to 10%. This will complete the process of bringing final bonuses under with-profits annuities back into line with other with-profits policies.

Also, the amount of your income payments will usually change each year at your policy anniversary. You can find an explanation of this process in the leaflet enclosed in this pack. The reductions referred to above will apply as well as those normal changes in the amount of annuity after this regular annual review.

We would like to emphasise that you will not receive less than the total of the guaranteed payments under the annuity (known as the 'basic annuity' and 'declared bonus annuity') and this may limit the effect of the reductions described above.

We have enclosed a leaflet that includes:

- details of how your with-profits annuity policy works;
- some examples of the effect of these changes; and
- other questions and answers you may find useful.

I am sorry that we have had to take this decision. We carried out a great deal of work to look for alternatives that would avoid reducing incomes in this way. This second reduction will complete the process of bringing with-profits annuity bonuses into line with other with-profits policies. After these special reductions have come into force, your income will continue to vary. This reflects the difference between the anticipated bonus rate you chose and the bonus rate that we apply from time to time.

Because we cannot set final bonuses beforehand, it is not possible to provide individual calculations before the anniversary date. However, I hope that the details set out in the enclosures with this letter will give you a reasonably clear idea of how much the further reduction in your income will be. You will, of course, receive your annual statement at your anniversary date in the usual way.

Yours sincerely



Charles Thomson
Chief Executive

