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Equitable Life

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Website: www.equitable.co.uk

15 March 2007
Our ref: D/9999999999Z

Dear Policyholder

The future of Equitable Life: Proposal from Prudential

We are writing to let you know of a very important development for the future of Equitable Life:

- We have entered into an agreement with Prudential which, subject to policyholders' approval, could lead to all Equitable Life's with-profits annuity policies (representing about 20% of the with-profits fund) being transferred to Prudential around the end of this year.
- We believe that this proposal will benefit all our policyholders and we will be asking members to vote on the proposal later in the year.
- ***Nothing will happen without the approval of the voting members of the Society.***
- We will be writing in greater detail later in the year, but this is such an important development, we wanted to write to you as early as possible to let you know.
- Your Board is committed to finding the best possible solution going forward for all our policyholders. That is why we transferred most of our non-profit pension annuities to Canada Life, removing a serious risk from the with-profits fund. Transferring with-profits annuity policies to a large, stronger company is the next phase of our plan to improve the prospects for all with-profits policyholders like you.



Equitable Life today

- Your Board is acutely aware that most of Equitable Life's with-profits annuities reduce each year. This is partly because the Society has to keep most of its assets in fixed interest investments and that limits the bonus earning potential of the fund. (The anticipated bonus rates on many policies were set when interest rates generally were much higher and the bonus earning potential of the fund was much greater). Also, annuity policies cannot be surrendered so with-profits annuitants cannot choose to leave the Society (as most other policyholders can) and many feel particularly 'locked in'.
- The strategic opportunities for the Society as a whole are limited by the presence of the with-profits annuity business. This is because the structure of the Society's with-profits annuities is relatively unusual which limits their appeal to most third party insurers.

Key benefits of the proposal

- Prudential would put the with-profits annuities into an actively managed fund which is one of the largest and strongest in the UK and which has much greater bonus earning potential than the current Equitable Life fund. Prudential's with-profits fund generated an investment return of 12.4% in 2006, 63.8% over the last 5 years and 161.9% over the last 10 years (note: past performance is no guide to the future).
- With-profits annuitants would put the remaining risks and uncertainties of Equitable Life behind them.
- The proposal provides a further step in our strategy of simplifying Equitable Life's business and improving the prospects for policyholders.
- The potential cost of with-profits annuitants living longer than expected will move to Prudential (just as the similar potential cost of non-profit annuitants living longer moved to Canada Life). This removes another risk from the remaining business.
- Once the with-profits annuities have transferred to Prudential, the Board will be able to focus all of its attention on the 80% of policyholders who will remain. Our ability to find an attractive strategy for the benefit of the remaining policyholders (including group pension schemes) would be significantly improved.

Further features

- Prudential has committed to maintain expense charges for with-profits annuities at the level currently levied by Equitable Life. Prudential is a shareholder owned company that needs to make a profit, and has an opportunity to make a satisfactory return from the current level of charges. In contrast, we cannot guarantee to maintain charges at their current level for the future.
- The proposal will be reviewed by an Independent Expert to consider the potential impact on with-profits annuitants, the remaining Equitable Life policyholders and Prudential's policyholders. He will be asked to verify that no group of policyholders will be worse off as a result of the proposal and we will publish his report in full.

- The proposal will be scrutinised by the Financial Services Authority.
- The costs of the transfer will be met from the Society's Excess Realistic Assets (the difference between the value of the liabilities including final bonus and the value of the assets). There is unlikely to be any noticeable effect on the Society's bonus rates.
- With-profits annuitants may receive a small special bonus addition to their policies if the transfer proceeds. This is because their share of the Society's Excess Realistic Assets will no longer be required to support their part of the Society's business. Part of these Excess Realistic Assets will be used to cover costs arising from the transfer and any balance will be available in the form of a special bonus. The special bonus, if any, is not expected to be significant. The remaining policyholders' share of the Society's Excess Realistic Assets will continue to support the Society's remaining business.

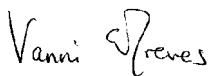
What happens next?

- In the coming months we will be working on the legal process and communications for holding a vote of members. We will also be working with Prudential so that we are ready to complete the transfer if that is what members decide.
- We will send you full details of the proposal in the autumn and members will be invited to vote at that time.
- In the meantime, we will update our website www.equitable.co.uk with new information as it becomes available.
- If members vote for the proposal, we will ask the High Court to approve the transfer towards the end of the year.

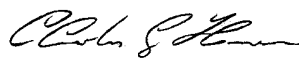
Further information

Further information is enclosed and we will also be providing regular updates on our website.

Yours sincerely



Vanni Treves
Chairman



Charles Thomson
Chief Executive

Enc:
Press release
Questions and answers
The proposal in detail



