

December 2010

Dear Member

IMPORTANT DEVELOPMENTS AT EQUITABLE LIFE

Government compensation scheme

Since we wrote in August, Government has announced total compensation of £1.5bn of which some £775m free of tax is reserved for distribution over the next three years to policyholders such as you. That is about one fifth of policyholders' total losses.

Government has set up an Independent Commission whose job is to allocate that £775m to policyholders in as fair a way as possible. The Commission is due to report at the end of January 2011 so we shall all become rather clearer on who will get what after that.

Government say that, from their calculations, about a third of all policyholders did not suffer any losses and a further third of policyholders have suffered losses of up to £500. Of course, that gives you no indication of what, if anything, you might expect to receive.

At this stage, there is no need for you to take any action to register for compensation. In order that payments can be made, we will need to share your information with the Treasury who will then have access to your details just as we do.

On the back of this letter, we have answered some questions that you may have.

Principles and Practices of Financial Management

The Society's Principles and Practices of Financial Management is a detailed statement about how we manage the with-profits fund. In setting surrender values, the key principle is our intention that the amount paid on surrender should be fair, but that it should not disadvantage continuing policyholders.

There is a further statement under the Principles that, on surrender, the Society pays the policy value less a financial adjustment. This letter gives notice that, from 1 April 2011, this statement will be removed from the Principles and a comparable statement included in the Practices. This change will allow the Society greater freedom in how it manages surrender values to the benefit of all policyholders.

We shall write again in 2011 as more information becomes available.

Yours sincerely



Mark Earls
Chief Operating Officer

GOVERNMENT COMPENSATION YOUR QUESTIONS ANSWERED

Q: How much is available for compensation?

A: Government announced it would allocate £1.5bn to compensating policyholders past and present. Included in that figure is an amount to cover losses for with-profits annuitants. This leaves £775m free of tax and administrative costs for distribution to other policyholders. That is about 20% of their total losses.

Q. Will I get compensation?

A: An Independent Commission will determine the rules as to who will get what. It is due to report at the end of January 2011. Government has said that about a third of policyholders have not suffered loss and a further third have losses under £500.

Q. Can you tell me how much I will get?

A: The Independent Commission will determine how the £775m will be allocated to individual policyholders in as fair a way as possible. Investments made before the end of 1992 are excluded from compensation.

Q. When will I get compensation?

A: The Independent Commission is also responsible for prioritising which policyholders should receive compensation first. The Government is working towards making the first payments to policyholders by the middle of 2011 and expects to complete payments other than for with-profits annuitants over the following three years.

Q. How will compensation be paid?

A: Government has announced compensation will be paid as a tax free lump sum. With-profits annuitants will have regular payments. National Savings and Investments (NS&I) will be responsible for getting the compensation into policyholders' hands.

Q. Is there anything I need to do now as a policyholder to speed up payment?

A: No. How the fund will be allocated will be determined by the Independent Commission which is due to report at the end of January 2011. Payments to policyholders are due to start in mid 2011.

Q. Has the Society made any representations to the Commission?

The Society has recently completed research among current members to establish their preferences on the compensation. In accordance with the research findings, the Society's Chief Executive has twice met the Independent Commission to speak up for current members. Our written submission to the Commission confirming our representations will be published with the Commission's report at the end of January. We have not provided any comments in regard to compensation to with-profits annuitants as they are no longer policyholders and do not fall within the remit of the Commission.

Q. Where can I get up to date information?

A: We will continue to add up to date information to our website www.equitable.co.uk.

The Treasury also has information on their website www.hm-treasury.gov.uk/fin_equitable_life.htm

The Independent Commission's website is <http://equitablelifepayments.independent.gov.uk/>

The Equitable Members Action Group (EMAG) website is <http://www.emag.org.uk/>