

Reduction in final bonus for International sterling / dollar with-profits policies

Dear policyholder

At the Annual General Meeting in May the new Board promised to put the Society on a more stable footing. As part of this task we have concluded a detailed financial review including an assessment of cash flows, premiums, the rates of policies being encashed, the value of investments underlying the fund, our obligations to all policyholders and the fundamental uncertainties already made clear in the Annual Report.

The outcome of this review and the need to ensure fairness between all policyholders have led to hard but necessary decisions.

Consequently, the Board has reduced final bonuses for sterling and dollar denominated international with-profits policies by 16% (*14%) of the policy value 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 your policy during the current year will now be currently 6% (*5%) per annum from 1 July 2001. Guarantees under policy contracts will, of course, be met.

(*The rates in brackets are those applying for policies that do not qualify as overseas life assurance business.)

For with-profits annuitants the impact of this change is being spread. Last year the impact of withholding growth on with-profits annuities 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.

We realise that you may wish to know how your policy values will be affected so we are enclosing Ready Reckoners to assist you. With-profits annuitants will receive statements on their anniversary as usual. Additionally, in November, we shall send other with-profits policyholders a statement of policy value.

All unit-linked and without-profits policies are completely unaffected by these changes as they are invested separately from the with-profits fund.

This action is, we know, an unwelcome shock, particularly for those about to take their benefits. But it is vital for the long-term interests of the Society and its policyholders. It had to be done and could not be delayed because:

- Stock markets had fallen heavily over the preceding 18 months;
- Maturity values significantly exceeded the value of the investments underlying maturing policies;
- As a mature fund, a large number of policyholders are currently retiring and taking their benefits.

We cannot keep adding growth to policies whilst the underlying investments have been falling. More information is given by the Society's Questions and Answers.

The legal reviews into past events are being pursued vigorously. But we must now look forward. Much work is underway on developing the compromise scheme between those with guaranteed annuity rate policies and those without. A compromise will make the Society financially stronger, will allow greater investment freedom and will help us weather future stock market fluctuations. You will very soon be receiving a consultative compromise proposal upon which we look forward to hearing your views.

Vanni Treves
Chairman

CONTACT DETAILS

The administration of your existing policies with the Society will continue to be carried out in the UK, and, as previously, our International Client Servicing Centre can be contacted directly with any general administration enquiries.

You may contact us by:

Telephone +44 (0) 1296 386242

Fax +44 (0) 1296 386243

Our office hours are Monday to Friday 8:45 a.m. to 4:45 p.m. British Standard Time. (Outside these hours you will be able to leave a message.)

In writing to:

*The Equitable Life Assurance Society
International Client Servicing Centre
Walton Street
Aylesbury
Bucks
HP21 7QW
United Kingdom*

Ready Reckoner - International business

FOR:

Personal Pension Plans
Investment Plans
Flexible Protection Plans
Guernsey Personal Pension Plans
Jersey Personal Pension Plans

This ready reckoner can help you calculate an approximate contractual policy value from your last March 2000 statement. Just follow each step in turn.

Step 1 - Pick up the total value of with profits benefits as at 31 December 1999

This can be obtained from the statement issued in March 2000.

If you took your policy out during 2000 (and therefore did not receive a statement in March 2000), record a value of zero for this step.

Step 2 - Premiums you paid during 2000

Collect details of any premiums you have paid into your policy between 1 January 2000 and 31 December 2000.

Step 3 - Payments you received during 2000

Collect details of any payments you have received from your policy between 1 January 2000 and 31 December 2000.

Step 4 - Calculate the policy value at 31 December 2000

Take the value from Step 1 and multiply it by 1.03. Then add on the total premiums from Step 2 and take off the total payments from Step 3.

Step 5 - Calculate the reduced policy value at 31 December 2000.

You will need to reduce the value from Step 4 by 16%. You can do this by multiplying the value from Step 4 by 0.84.

Step 6 - Premiums you paid up to 30 June 2001

Collect details of any premiums you have paid into your policy between 1 January 2001 and 30 June 2001.

Step 7 - Payments you received up to 30 June 2001

Collect details of any payments you have received from your policy between 1 January 2001 and 30 June 2001.

Step 8 - Calculate revised policy value at 30 June 2001.

Take the value from Step 5 and add on the total premiums from Step 6 and take off the total payments from Step 7.

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

If the guaranteed value of the policy is higher than the revised policy value shown as Step 8, 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 1999 is set out in your March 2000 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 (5% per annum for policies that do not qualify as overseas life assurance business).

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 10% is applied. An approximation to the amount paid under such circumstances can thus be obtained by multiplying the value from Step 8 (above) by 0.9.

READY RECKONER - STERLING DENOMINATED 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-profits 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	0.96	0.95	1.01	0.99	1.01
October 2001	0.98	0.96	0.94	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	0.97	0.95	0.93	1.00	0.98	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	1.01	0.99	N/A
July 2002	0.98	0.96	0.94	1.01	0.99	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 anniversary 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 - DOLLAR DENOMINATED WITH-PROFITS ANNUITIES

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March 2002	0.97	0.95	0.93	1.00	0.98	N/A
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