Equitable Life

Dear Policyholder

7 February 2014

We are writing to update you on a few things relating to your policy.

Annual Statement

In recent years, Annual Statements have been issued towards the end of March setting down the value of your policy at the previous 31 December. A number of policyholders have said that it would be more helpful if the value shown was not three months old.

With this in mind, we shall issue the next Annual Statement at the end of April setting down the policy value as at 1 April 2014. We will also show the policy value that appeared on your last Annual Statement, so you can easily compare. In future years, we will issue Annual Statements at the end of April in a similar manner.

Government Compensation Scheme

You may have seen the newspaper advertising encouraging people who have not heard from the Compensation Scheme to come forward. If you believe that you are entitled to Government compensation and have not yet heard, do call the Government helpline on 0300 0200 150.

Strategy

Last September, we wrote to you about our strategy of getting capital back into the hands of with-profits policyholders. We show overleaf questions and answers similar to those issued at the time. I hope these are helpful, and confirm that we will be in touch with you again at the end of March.

Yours sincerely

Dave Pearce
Head of Customer Service

Helpful questions and answers overleaf

What is capital?	It's the money a company needs to hold to protect itself against things going badly wrong that would otherwise lead to insolvency.
How do you calculate the amount of capital needed?	We take the value of all the assets we hold and then deduct a conservative estimate of what we are contractually required to pay out to with-profits policyholders in the future. Our regulators specify a certain minimum excess. Anything in addition to that is known as surplus capital. That is what the Board is determined to return to policyholders as fairly and as soon as possible.
What have you done so far to distribute capital to policyholders?	In April 2011, we announced that an amount equivalent to 12.5% of the underlying value of each policy would be payable when policyholders take their benefits. That 12.5% was what we deemed to be policyholders' fair share of the capital. This was an enormous step forward for the Society given its troubled history.
How does the 12.5% increase work?	At the point a policyholder leaves the Society, we take the policy value, add the 12.5% capital distribution and compare it with the policy's guaranteed value. We then pay out the larger amount.
Is the 12.5% guaranteed?	No. It can go up and down depending on, for example, the state of the financial markets from time to time.
How can the Society afford to pay the 12.5% at all?	We now have surplus capital. The more risky assets we hold, the more capital we have to hold. By replacing risky assets with safer investments, we have more surplus capital to return to policyholders. For example, in 2013 we completed two transactions to release the Society from its outstanding obligations under the Equitable Life Staff Pension Scheme. In consequence, the Society needs to hold less regulatory capital, thereby increasing our surplus capital.
How certain are you about being able to increase the 12.5%?	The views of the regulators and the state of the financial markets will have an important bearing on the Board's decision. It is our hope that the next time we adjust the 12.5%, it will be up rather than down.
Why don't you increase the 12.5% now?	We need to establish when and how much capital we can safely return to you. We believe we can do that properly at our March 2014 Board meeting, when we agree our 2013 year end figures.
Should I wait until April before making any decision about when to take the benefits under my policy?	We are not able to advise you. What we want to do is give you a sense of our current thinking as far as we are able. That way, you can take this into account in your financial planning.
Where can I get financial advice?	We recommend you speak to an Independent Financial Advisor or visit the Money Advice Service website www.moneyadviceservice.org.uk