

12 April 2016

Dear Policyholder

With-profits policies - capital distribution

As is usual at this time of year, the Equitable Life Board decides on the level of capital distribution and I am able to say that this will be maintained at 35% of policy values.

It is no overstatement to say that the world economy is once again in turmoil. To quote the Chancellor of the Exchequer in his recent Budget statement: *Financial markets are turbulent.....And the outlook for the global economy is weak.....It makes for a dangerous cocktail of risks.*

With the European Referendum and the American Presidential Elections looming large, we are expecting this turbulence to be with us some while yet. Given this climate, and the new capital regulation known as Solvency II, it is not unthinkable that the capital distribution may have to reduce.

Whether or not there is any reduction, a return to economic stability will be the Society's platform from which it can once again aim to increase the capital distribution.

We shall be writing to you in the next few days to set out details of next month's Annual General Meeting, as well as issuing annual value statements at the end of April.

Yours sincerely



C M Wiscarson
Chief Executive

Helpful questions and answers overleaf

Capital Distribution - questions and answers

Q. How does the capital distribution work?

A. For each with-profits policy, we look at its value as at 31 December 2014 and, for every £1000, we allocate an extra capital distribution of £350 to that value. At the point a policyholder leaves the Society, we take the policy value plus the capital distribution, compare it with the policy's guaranteed value, where applicable, and pay out the larger amount.

Q. What is meant by the policy's "guaranteed value"?

A. Most with-profits policies have a guaranteed value and this is clearly shown on your Annual Statement.

Q. How likely is it that capital distribution will reduce?

A. Under the new solvency regulations introduced in January 2016, low interest rates and sharply moving markets typically require more capital to be set aside to safeguard the Society. For example, in the run up to the Referendum, or even after, it is possible that markets will become more turbulent. In such a situation, we may need to reduce capital distribution and that is the risk we want to draw your attention to. It is impossible to say how likely that risk will turn into a reality.

If the Society decided it was the right thing to reduce the capital distribution, it would act very quickly with no advance warning.

Q. What could the capital distribution reduce to?

A. It is impossible to predict where in the range of 0% to 35% it might fall as that will depend on the economic circumstances at the time. A return to economic stability will be the Society's platform from which it can once again aim to increase the capital distribution.

Q. What happens if I leave and the capital distribution subsequently changes?

A. The prevailing capital distribution amount will be the one that applies at the point you take your policy benefits. There would be no subsequent adjustment.

Q. How can I see what the capital distribution is worth to me?

A. Your Annual Statement, due at the end of April, will clearly show your policy value and the impact of the 35% capital distribution. Unless you need to see your policy value urgently, we recommend that you hold on for the Annual Statement to see what your policy is worth.

Q. How do I know that you will have enough money for policyholders who are likely to retire some years in the future?

A. We go to great lengths to establish an appropriate level of fairness between policyholders who leave and those who stay. To help policyholders with their planning, we thought it right to point out the impact current world economic markets are having on capital distribution.

Q. Where can I get financial advice?

A. We recommend you speak to an Independent Financial Advisor or visit the website www.moneyadvice.service.org.uk.