Equitable Life

27 September 2016

2016 – The year so far

Capital distribution

Since the start of the year, we have been operating under the new Solvency II regulatory regime which requires the Society to hold additional capital. As interest rates fall, this additional capital increases further.

Following the EU referendum, interest rates on government bonds have fallen to historically low levels. As a result, our solvency coverage at the half year is less than at 2015 year end, but still remains within our risk appetite.

There is little sign that interest rates are going to increase to 2015 levels for some significant time. Consequently, it remains a very real possibility that the 35% capital distribution, payable when policyholders take benefits, may have to be suspended.

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

Key actions taken by the Society in the first half year

Costs continue to be managed downwards in line with the reduction in policies. The rate of policy run off remains at similar levels to 2015.

The rationalisation of the unit-linked funds will complete in 2016, so ensuring policyholders are in funds that have appropriate scale.

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