



THE EQUITABLE LIFE ASSURANCE SOCIETY



"Today I become your Chairman. I wanted to tell you immediately what I intend to do."

1st March 2001

Dear Policyholder

I would have preferred to write to you individually but that would have cost several times as much as open letters in the national press and taken much longer to reach you. There will be times when only an individual letter will do but to reduce costs I will continue to use this rather impersonal way of keeping you informed.

I will communicate very openly. This is our Society and members are entitled to know everything significant about how it is run unless open disclosure would be commercially damaging. This is what I understand by "mutuality" and I say "our Society" intentionally. I have been a policyholder since 1982 and my accrued benefits are substantial. Until I joined the Board my policies were all entitled to Guaranteed Annuity Rates (GARs) but to ensure even-handedness, I have removed half of my GAR entitlement. I have had no other involvement with the Society.

An open dialogue with policyholders will start in three ways. First, I am arranging policyholders' meetings during the week beginning 12th March in Edinburgh, Birmingham, Leeds, Bristol and London. If you would like to come, please write to me immediately at the address below so that we have an idea of how many of you will attend. Numbers may have to be limited and, if so, we will try to organise more meetings.

Secondly, I need to have a clearer idea of the concerns of policyholders, so that we can prioritise and deal with them effectively. As part of this we are asking MORI, the market research experts, to contact a cross-section of policyholders. If you are contacted, please take part if you can.

Thirdly, please write to me at the Society or e-mail me at vanni_treves@elays.co.uk with your suggestions or worries. I doubt if I will be able to reply to each of you personally but I will read every letter I receive. A summary of what we learn and of the action we are taking as a result will be published regularly on our website (www.equitable.co.uk).

Many of you will want to know my priorities. The first I hope is already clear. I look forward to an atmosphere of trust and transparency between the policyholders and our Society. I will look back to the difficult recent years only to learn from them or to deal with grievances, to the extent that may be possible.

In parallel, a new senior management and Board needs to be put in place. I am glad that Charles Thomson has agreed to take over as Chief Executive today and to join the Board. Charles came to the Society in January from Scottish Widows where he had been Deputy Chief Executive. He is greatly respected in the insurance industry and he is experienced, wise and approachable.

We are working hard on the appointment of new non-executive Directors. We received very many nominations, all of which will be carefully considered. The Board must be representative of policyholders, trusted by them and have the necessary mix of professional experience and disciplines without being too big. Getting it right is vital and will take time. I am aiming to ask you to approve most of the new Directors at the AGM in May.

By then we will have made substantial progress with the preparation of the possible compromise between different classes of policyholders. The position as I see it is this: the with profits fund is intact and solvent and has been strengthened today by Halifax's first payment of £500m for buying the operations of the Society. However the potentially open-ended nature of the guaranteed annuity rate policies means that the position of the fund is unsatisfactory for all policyholders and investment freedom is constrained. Over time this will result in lower returns for policyholders.

What can be done about this? A compromise agreement between policyholders with guaranteed annuity rates and those without them will allow us to stabilise the GAR costs and will trigger a further, large payment from the Halifax. The combination of these should restore the investment freedom of the fund. Clearly a compromise is desirable but it is highly complex and will only succeed if it is attractive to all classes of policyholders. I will lead the team that is concentrating on what can be done.

We will be writing soon on the subject of bonus rates. Normally the overall annual bonus for policyholders is split between final and guaranteed bonus. In March, the entire bonus will be allocated to your final bonus for the year, with nothing being allocated to the guaranteed bonus. There is a very good reason for this. As soon as a guaranteed bonus is declared, the Society has to reserve against that additional guarantee. That would further aggravate the constraints on investment freedom. If a compromise agreement on GARs is achieved, the fund may be better able to reserve against guaranteed bonuses without restricting investment freedom. We will look at the situation again later in the year.

I have been entrusted with a difficult job of great importance. I will give it all my effort. We should all be clear however that I can and will only do it for so long as I have the support and consensus of policyholders.

I look forward to meeting many of you soon, and to serving the Society.

Yours sincerely

Vanni Treves

Policyholder meetings will be held in city centre venues at the following times:
Bristol, 1.00pm Monday 12th March; Birmingham, 1.00pm Tuesday 13th March; London, 6.00pm Wednesday 14th March;
Leeds, 10.30am Saturday 17th March; Edinburgh, 6.30pm Saturday 17th March.

If you would like to come to one of these meetings, please write immediately to Vanni Treves, Policyholders' Meetings (MKT), The Equitable Life, FREEPOST, Aylesbury, Bucks, HP21 2BR, quoting your policy reference number(s) and stating which meeting you would like to attend. We will then write to you with details of the venue. We expect the meetings to last not longer than two hours. If demand is overwhelming we will do our best to arrange further meetings.