

Walton Street
Aylesbury
Bucks
HP21 7QW

Website: www.equitable.co.uk

Our ref: malt/pst

Dear Client

Scheme name:

Transfer of non-profit pension annuity business to Canada Life

I am writing to let you know that Equitable Life has agreed to transfer most of its non-profit pension annuity business to Canada Life. If the Society currently pays one or more annuities for the above named scheme then this letter explains what will happen when the transfer takes place.

What this means for pension annuities which transfer

The transfer will not affect the annuities being paid.

The responsibility for making the payments in the future will simply transfer from Equitable Life to Canada Life. All the annuity payments are guaranteed and, following the transfer, they will be guaranteed by Canada Life (instead of by Equitable Life).

In addition, following the transfer, the administration of these annuities will be handled by Canada Life.

If the Society is currently paying annuities direct to the annuitants and, following the transfer, an annuitant changes their bank account or their address they will need to contact Canada Life. We have written to each annuitant to inform them of this change (see enclosed example). Canada Life will contact each of the annuitants nearer the time of the transfer with further details.

Following the transfer, in the event of the death of an annuitant Canada Life will contact you for instructions on how to deal with any death benefits that may be payable.

If the Society is currently paying annuities to the trustees (or their agents) for them to pay the annuities then no contact has been made with the annuitants and, following the transfer, the trustees will need to contact Canada Life for any information regarding the annuities or any changes that need to be made. Canada Life will contact you nearer the time with details.

Canada Life is a UK subsidiary of a large multi-national financial services network and is owned by Great-West Lifeco. Canada Life specialises in the management of annuities and is already making regular payments to over 150,000 UK annuitants.

What this means for annuities which do not transfer

A number of non-profit annuities will remain with Equitable Life. Where annuities are not transferred, we will continue to make the payments and handle the administration as before. We expect to be able to let you know in the Autumn if any of your annuities will not be transferred.

Why the transfer is happening

People's life expectancy has been increasing rapidly and as a result the cost of paying annuities has been increasing. If pension annuities cost more than we have planned for, benefits under Equitable Life's with-profits policies will have to be lower. By transferring our non-profit pension annuities to Canada Life, we remove most of that risk from our with-profits policyholders. This improves the stability of the Society for the benefit of all its remaining policyholders. Those annuitants whose annuities are transferred get the same benefits as before, just paid by Canada Life.

When will this happen?

In order to ensure that the interests of all policyholders are fully protected, the transfer will need the agreement of the High Court. The Court will receive a report from an Independent Expert and the Financial Services Authority (which has a statutory responsibility to safeguard policyholders' interests) will approve the form of the report. This can be a lengthy process and, as a result, we do not expect to apply to the Court until later this year or in 2007. The transfer will take place after the Court approval has been granted. In the meantime, we have arranged to get some of the benefits of the transfer immediately by entering into a reinsurance arrangement with Canada Life. Under the reinsurance arrangement, we continue to pay the non-profit annuities to annuitants or trustees as before and we recover the amounts we have paid from Canada Life.

What happens next?

The transfer agreement we have reached with Canada Life is an agreement in principle. We will work with Canada Life in the coming months to finalise the details of the transfer. When the full details are available, we will write to you again. At that time we will also explain the Court process.

Yours sincerely

Charles Thomson
Chief Executive

Encl: Letter to annuitants
Press release

If you have any questions on the content of this letter please call our special helpline on 0845 1202 512 (+44 1296 386242 if you are calling from overseas).