At the Annual General Meeting of

THE EQUITABLE LIFE ASSURANCE SOCIETY

held on Wednesday, 31 May 2017 at 11.00 a.m.

....

The following persons were present:

Ian Brimecome	(Chairman)	(in the Chair)
Keith Nicholson	(Deputy Chairman)	
Penny Avis		
Daniel Finkelstein		
Ian Gibson		
Cathryn Riley		
Simon Small		
Chris Wiscarson		

There were 56 members entitled to vote present in person. The Chairman and Chris Wiscarson had also been appointed by members to vote on their behalf at the meeting.

....

The Chairman, Ian Brimecome, opened the meeting and welcomed those attending. He introduced his fellow directors.

The Chairman outlined the agenda for the meeting. He and the Chief Executive will give their assessment of the Society. General questions will then be taken on the 2016 Report and Accounts.

Presentations to the meeting were then given by the Chairman and by the Chief Executive, Chris Wiscarson.

The Chairman's presentation referred to two significant events in 2016: the introduction of the new Solvency II regulations; and interest rates reaching an all-time low in August, following the Referendum. He remarked that capital requirements under Solvency II increase significantly when interest rates fall. The consequences were a direct threat to the 35% capital distribution introduced in 2015. The Chairman added that the measures put in place over the last few years to rebuild the Society had stood firm.

The Chairman commented that the great irony is that when interest rates hit record lows, asset values hit record highs. Yet, it is not possible to give credit to policyholders for these higher values. This is very unsatisfactory. The Board wants to find ways of making the 35% capital distribution feel a great deal more certain than it did throughout most of 2016; and to find ways of returning, to with-profits policyholders, all the capital currently held.

The Chairman remarked that the current high assets values could give rise to a capital distribution in excess of 50%. Policyholders are faced with a choice. They can take their benefits now so ensuring they get the 35% capital distribution. Or they can wait in the hope that some of the free capital will eventually be distributed, knowing that the only certain amount is the guaranteed value under the policy, which is often less than the policy value.

The Chairman commented that the strategy review is being led by Simon Small and in recognition of his contribution to the Society, Board have unanimously agreed to promote Simon to Deputy Chief Executive and Finance Director.

The Chairman remarked on the appointment of Daniel Finkelstein to the Board. He commented that Daniel's expertise in behavioural economics and data analysis brings an important new perspective when judging strategic proposals.

The Chairman concluded by saying that the strong hope of Board is that by this time next year, it will be able to come forward with ways of making the capital distribution of 35% feel more certain, as well as finding ways of returning capital to with-profits policyholders sooner rather than later.

The Chief Executive then commented on matters in relation to 2016. He remarked that, as the Chairman noted, actions taken over the last few years have rebuilt the financial foundations of the Society. The Society is in good shape going into 2017, and there is more confidence in being able to maintain the 35% capital distribution that there was a year ago.

The Chief Executive paid tribute to his team who had taken determined steps to maintain the 35% capital distribution. One such step being the successful application to the regulators to phase in Solvency II more gradually. This is known as transitional measures. They provide assistance in periods of very low interest rates but do not address the consequences of policyholders deferring taking their benefits. The Chief Executive remarked that this is, by far, the Society's greatest risk in a low interest environment.

The Chief Executive commented on the marked reduction in policyholders taking benefits in the period 2009 to 2014. This position was reversed in 2015 following the introduction of new pension freedoms which saw an increase in those aged between 55 and 60 taking cash, something they had not been able to do previously. In 2016, claims had returned to pre-2015 levels until the last quarter when there was a marked increase. This appears to be in direct response to the letter to policyholders saying that the 35% capital distribution may have to be suspended because of low interest rates. In 2017, claims have returned once again to pre-2015 levels.

The Chief Executive commented on research undertaken in 2016 to better understand how, when and why policyholders think about taking their benefits. This understanding is important because, if it is possible to estimate accurately when payments are to be made, less capital has to be set aside to address uncertainties. He remarked that Board pays much attention to policyholder feedback. The more that can be learnt about policyholder motivations, the better the Society can manage the implications.

The Chief Executive commented that management of the Society's costs continues as intensively as ever. Costs in 2016 reduced to £24m, down from £26m in 2015. Much of this saving came from the reduction in staff numbers by 70 over the year. He paid tribute to the Society's staff who do such a good job by policyholders.

The Chief Executive concluded by echoing the Chairman's message; that Board and management intend to investigate deeply how the 35% uplift can be made more certain, and to explore what could trigger payment of the free capital sooner rather than later.

Following the presentations, the Chairman invited Members' questions.

Eight members made reference to the following principal topics:
- The relevance of Daniel Finkelstein's previous experience to a mutual insurer in run-off;
- The increase in non-executive Director fees in the period 2012 to 2016;
- Non-executive Directors' fees and the remuneration paid to Executive Directors;
- The changes anticipated for management of the Society's unit-linked fund with the proposed merger of Aberdeen Asset Management and Standard Life;
- The adjustment to investment returns in regard to movements that affect liabilities;
- Board's decision not to pursue further compensation from Government for policyholders;
- What is meant by 'as soon as possible' in regard to capital distribution;
- The average age of policyholders.

Responses were provided by the Chairman, the Chief Executive; the Chair of the Remuneration Committee and the Finance Director.

The Chairman moved on to the formal business. He asked that the Notice of the meeting and the Auditors' Report be taken as read and this was agreed.

The Chairman then turned to voting on the resolutions to be put to the meeting which were as set out on the poll card which members eligible to vote or their proxies had been given on entering the meeting. The Chairman proposed that all the resolutions should be dealt with on a show of hands.

The Chairman moved that the report of the Directors and the statement of accounts for the year ended 31 December 2016 together with the report of the auditors thereon be received and adopted. This resolution was passed overwhelmingly on a show of hands. The proxy votes received were displayed and the Chairman noted that the result of the show of hands was consistent with the proxy votes received.

The Chairman proposed that PricewaterhouseCoopers LLP be reappointed as auditors of the Society until the conclusion of the next General Meeting at which accounts are laid before the Society at a remuneration to be determined by the Board. This resolution was passed overwhelmingly on a show of hands. The proxy votes received were displayed and the Chairman noted that the result of the show of hands was consistent with the proxy votes received.

The Chairman proposed that the Directors' remuneration report be approved. This resolution was passed overwhelmingly on a show of hands. The proxy votes received were displayed and the Chairman noted that the result of the show of hands was consistent with the proxy votes received.

The Chairman proposed that the revised maximum limit for Directors' aggregate fees be approved. This resolution was passed overwhelmingly on a show of hands. The proxy votes received were displayed and the Chairman noted that the result of the show of hands was consistent with the proxy votes received.

Resolutions relating to the election of directors in place of those retiring at the meeting were then put to the meeting. The Chairman remarked that, as had been the practice in recent years, all the Society's directors were submitting themselves for re-election at the current meeting. The meeting voted on a resolution in respect of each of the directors retiring and seeking re-election at the meeting, these being: Penny Avis, Ian Brimecome, Daniel Finkelstein, Ian Gibson, Keith Nicholson, Cathryn Riley, Simon Small and Chris Wiscarson. The Deputy Chairman, Keith Nicholson, took the chair for the part of the meeting during which the re-election of the Chairman, Ian Brimecome, was proposed and voted on. In each case, the result of the show of hands was overwhelmingly in favour of the re-election of the director in question. After each show of hands, the proxy votes received were displayed and it was noted that the result of the show of hands was consistent with the proxy votes received. The Chairman noted that each of the directors standing for re-election had been re-elected as a director of the Society.

The Chairman thanked the members for their attendance and declared the AGM closed at 12.10 p.m.