

July 2018

Dear Policyholder

Policy Number XXXXXX

I write to give you what I believe is good news regarding your with-profits savings with the Equitable. We have made plans which we believe will not only secure the 35% capital distribution currently given when with-profits policy benefits are taken, but we also believe would enhance those benefits. The extent to which we can enhance your fund value has been made possible by an agreement to transfer the Society and all its policies to Reliance Life.

When the Equitable closed to new business in 2000, it was inevitable that at some point the Society had to come to an end. The benefit of bringing the Equitable to an end sooner rather than later is that we can capture on your behalf the near record high values of the investments backing with-profits policies.

Our proposal is to:

- Increase the current 35% capital distribution to a level expected to be between 60% and 70%
- Close the with-profits fund, which means the guaranteed value of your policy would end and with it any annual increases
- Convert with-profits policies to unit-linked
- Transfer all policies to Reliance Life

With-profits policyholders will be asked to vote on this proposal before it can go ahead. Our proposal will be reviewed by an Independent Expert, who will consider it through the eyes of policyholders. The Independent Expert's report will be available for you to see before you vote.

Our current thinking is that the vote will take place in mid 2019, and our proposal will then be put before a High Court Judge for approval. The enhancement to your policy, and the removal of the guarantee, would take place towards the end of 2019, and the transfer of your newly converted unit-linked policy to Reliance Life would follow immediately afterwards.

There is no action for you to take now and we will next provide you with information in October. If you have any questions in the meantime, do call us on 0330 159 1530.

While it will be sad to bring an end to the oldest mutual assurer in the world, the potential to enhance with-profits policy values to the extent made possible by a transfer to Reliance Life is fundamentally helpful in distributing capital to our policyholders as fairly and as soon as possible. I believe Reliance Life's approach to customer service, investment choice and policyholder security make for a compelling way forward.

Yours sincerely



Ian Brimecome  
Chairman

### Helpful questions and answers overleaf

## Helpful questions and answers

### **Q1. What are the fund and guaranteed values?**

The fund value, which includes capital distribution on the with-profits investment, is the amount you receive if you take your savings. With-profits policies also have a guaranteed value which is the minimum amount payable on retirement, death or at a time specified in the policy. Following a vote in favour, this guarantee and any annual increases will cease. The fund value and the guarantee as at 1 April 2018 can clearly be seen on your last Annual Statement.

### **Q2. What do you mean by capital distribution?**

Capital is the money a company needs to hold to protect itself against things going badly wrong that could otherwise lead to insolvency. The amount of capital we have to hold depends on the level of risks faced by the Society. As risks are reduced, capital is freed up which can be returned to with-profits policyholders, which is capital distribution. The Society is determined to return capital to with-profits policyholders as fairly and as soon as possible, and our proposal aims to achieve this.

### **Q3. What happens if the high asset values fall before the vote?**

We have taken out insurance to substantially protect asset values from any reduction following interest rate rises. This will provide protection in supporting the expected 60% to 70% capital distribution range.

### **Q4. Why can't you give me the exact size of the enhancement now?**

The actual enhancement will depend on a number of factors and, in particular, financial conditions when all the necessary legal steps have been taken later in 2019. There is a possibility that the final enhancement may be less than 60% or more than 70% based on 31 December 2017 values as compared to the current 35%.

### **Q5. What will my savings be invested in after transfer to Reliance Life?**

Following closure of the with-profits fund, you will have a choice of unit-linked funds managed by Reliance Life. Before the vote, we will provide information on the funds available. Unit-linked funds present different risks and rewards, and an Independent Financial Adviser can help you choose the right fund for you. Next year, we will provide you with the information to help you consider the proposal and understand the decisions you have to make.

### **Q6. What happens if not enough policyholders vote in favour of the proposal?**

The proposal would not proceed, you would not receive the additional fund enhancement, and we would return to running off the Equitable over the next 20 years. While we have been able to increase your fund value steadily over the last few years, we cannot guarantee this will always be the case; if the fund value were to fall, no less than the guaranteed value would be payable.

### **Q7. What happens if I leave before the values are enhanced?**

You would lose the opportunity to increase the current 35% capital distribution to a level expected to be between 60% and 70%. You should exercise great care before taking your benefits in advance of the proposed enhancement and an Independent Financial Adviser may help you with this decision. One important option that you might consider where you have an urgent need for cash is to draw down only a portion of your savings. Most policyholders over age 55 are able to make withdrawals of £1,000 or more, leaving the balance of their with-profits fund to benefit from the enhancement if the vote is in favour. Should you wish to draw down from your policy, we will provide you with the details you would need to consider, as well as information about where you can go for advice and guidance.

### **Q8. What will happen to any existing unit-linked funds I hold with Equitable?**

If the vote is in favour, your unit-linked holdings will also be transferred to Reliance Life.

### **Q9. What can you tell me about Reliance Life?**

We provide a summary of Reliance Life on the next page.

## Reliance Life

Reliance Life is part of Life Company Consolidation Group, a specialist European life assurance group. Its principal businesses are Reliance Life and Utmost Wealth Solutions, which are responsible for in aggregate £24bn of primarily unit-linked policyholder assets for more than 250,000 customers.

Utmost Wealth Solutions provides international savings, protection and investment solutions into the UK, Continental Europe and Asia from Ireland and the Isle of Man.

Reliance Life is a specialist UK run-off manager, focussed on the acquisition of traditional books of life business in the UK. It was established in 2017 as a newly authorised UK Life Company and recently completed the acquisition of the business of Reliance Mutual Insurance Society through a process very similar to the one envisaged for Equitable Life.

From its offices in Tunbridge Wells it offers a broad range of fund choices to unit-linked policyholders as well as managing with-profits and non-profit policies for over 200,000 customers. Its stated strategy is to continue to grow through further acquisitions of life business in the UK thereby protecting policyholders from the diseconomies of reducing scale in a stand-alone run-off environment whilst securing the highest standards of service and broadest fund choice.

In recognition of the importance of Equitable Life it is envisaged that on completion the head office of Reliance Life will relocate to Equitable Life's offices in Aylesbury.