

Equitable Life

Introduction to the Scheme



Securing your future together



Contents



The purpose of this booklet is to provide some information about the **Proposal**, the **Scheme** and how it affects you. It tells you more about why the **Equitable** chose this path, as well as why it is important that you take part in the voting process.

This booklet explains our intention that all **Scheme Policyholders** should vote together as part of the same **Class**. The **High Court** will consider whether it agrees with us that **Scheme Policyholders'** rights and the way the **Scheme** would affect them are sufficiently similar that they can all consider and vote on the **Scheme** together. If you disagree with our view then you can object to the **High Court** when it considers whether it agrees with us.

The **Proposal** and the **Scheme** are quite complicated, and there is a lot of information that you need to read and understand, but we have tried to make it as easy as possible in this introductory booklet. More detailed information will be provided in the Decision Pack that we will send you in the summer. You are not being asked to vote now, and the **Explanatory Booklet**, which will form part of the Decision Pack, is where we will set out the information to help you decide how to vote. You can also find out where to get more help if you need it.

You can find the definitions to terms in **bold italics** in the Glossary.

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Background to the Proposal



Running the **Equitable** involves risks, just like any other business. We have to maintain a financial buffer in case those risks materialise. This buffer is 'capital'. Capital is essentially money which we would be able to pay to with-profits policyholders if we didn't have risks. Because we have to hold the capital, it cannot be paid to with-profits policyholders when they take their benefits.

Over the past few years we have reduced risks in the business and we can currently pay a 35% **Capital Distribution** on top of **Policy Values** when with-profits policyholders take their benefits.

However, some risks remain. An example is that if **Scheme Policyholders** take their benefits later than expected the cost of **Investment Guarantees** in the future is increased, and we have to hold capital to cover that risk.

The **Equitable** has been in **Run-Off** since it closed to new business in 2000. That means that the **Equitable** is serving its policyholders under policies which already exist, but not entering into new policies.

In **Run-Off**, the **Equitable** has enough money to continue to pay the benefits it has to pay under its policies. However, the amount of capital available to give to with-profits policyholders when they take their benefits is likely to vary significantly as time goes on.

The **Equitable** aims to deliver value to its with-profits policyholders by allocating all of its available assets to them as fairly and as soon as possible. The **Proposal** is intended to do that. The **Proposal** involves making certain changes to **With-Profits Policies**, and also transferring almost all of the **Equitable's** business to **Utmost**. That would happen through three separate processes:

- 1 The **Scheme**, which would make the changes to **With-Profits Policies**
- 2 The **Change to the Articles**, which would make **Utmost** the **Equitable's** only **Member**
- 3 The **Transfer**, which would transfer almost all of the **Equitable's** business to **Utmost**

This booklet provides information about the first of these processes – the **Scheme**.

You will receive more detailed information: If the **High Court** allows us to call a meeting to vote on the **Scheme** then, in the summer, we will send you more detailed information about the **Scheme** and the other parts of the **Proposal** in the Decision Pack. This will include the **Explanatory Booklet** and, for **Scheme Policyholders**, personal illustrations setting out how the **Scheme** could affect them specifically.

We would also provide support for **Scheme Policyholders** to understand the **Scheme** so that they can decide how to vote, and also to help them decide what investment decisions to make if the **Scheme** is implemented. For more information, see 'Questions and Help with Decisions' on page 10.

Why have we sent you this booklet?

The **Scheme** is a legal process which the **High Court** supervises. It cannot happen unless enough with-profits policyholders vote for it and the **High Court** approves it. If the **Scheme** goes ahead, it will affect your rights. It is important that you understand that and understand what you can do. You can find more detail on the legal process for the **Scheme** on pages 12-20.

We are going to ask the **High Court** to let us call a meeting of the policyholders whose rights would be changed by the **Scheme**. These are, essentially, our with-profits policyholders but there are some exceptions to that – in this booklet we call the policyholders whose rights would be changed by the **Scheme** "**Scheme Policyholders**". If that meeting happens, **Scheme Policyholders** can vote on the **Scheme**.

You can object: if you disagree with our proposals for the **Scheme**, including the way we intend to conduct the vote at the meeting of **Scheme Policyholders**, then you can object. The main issue to focus on now is whether you agree that Scheme Policyholders can vote together as a single class (see page 14). You can make objections either to us or to the **High Court**. You can find more detail on how to do that on page 21.

What is the expected timetable?



EVENT	TIME AND DATE	
This introduction to the <i>Scheme</i> sent to <i>Scheme Policyholders</i>	Week commencing 29 May 2019	
<i>First Court Hearing</i>	22 July 2019	The hearing at which the <i>Equitable</i> will seek the <i>High Court's</i> permission to hold the <i>Policyholders' Meeting</i> . See page 9.
Decision Pack which includes the <i>Explanatory Booklet</i> and <i>Voting Forms</i> sent to <i>Scheme Policyholders</i>	By early August 2019, shortly after the First Court Hearing	If the <i>High Court</i> gives permission for the <i>Policyholders' Meeting</i> , this would provide you with details of the <i>Proposal</i> so that you can decide how to vote and whether you wish to object. See pages 3-4.
<i>Investment Choice Pack</i>	By mid-August 2019	This information would explain the unit-linked funds that would be available for your policy, if the <i>Scheme</i> were to become effective. You should decide on a unit-linked fund, seeking any advice you need. See pages 6-7.
Deadline for receipt of <i>Voting Forms</i> for the <i>Extraordinary General Meeting</i>	10.00 a.m. on 30 October 2019	The date by which postal votes on the <i>Change to the Articles</i> would need to be received.
Deadline for online <i>Voting Forms</i> for the <i>Change to the Articles</i>	10.00 a.m. on 30 October 2019	This would be the last date for online voting on the <i>Change to the Articles</i> .
Deadline for receipt of postal <i>Voting Forms</i> for <i>Policyholders' Meeting</i>	10.00 a.m. on 30 October 2019	The date by which postal votes on the <i>Scheme</i> would need to be received.
Deadline for online voting on the <i>Scheme</i>	10.00 a.m. on 30 October 2019	This would be the last date for online voting on the <i>Scheme</i> .
<i>Policyholders' Meeting</i> on the <i>Scheme</i>	10.00 a.m. on 1 November 2019	The meeting of <i>Scheme Policyholders</i> to vote on the <i>Scheme</i> , if the <i>High Court</i> gives permission. See page 19.
<i>Extraordinary General Meeting</i>	11.00 a.m. on 1 November 2019, held immediately after the <i>Policyholders' Meeting</i> that starts at 10.00 a.m.	If <i>Scheme Policyholders</i> vote in favour of the <i>Scheme</i> in the required majorities, there would be a meeting of the <i>Equitable's Members</i> to vote on the <i>Change to the Articles</i> . See page 19.
<i>Second Court Hearing</i>	Week commencing 18 November 2019	If <i>Scheme Policyholders</i> vote for the <i>Scheme</i> in the required majorities, and the <i>Change to the Articles</i> is approved at the <i>EGM</i> , this would be the <i>High Court</i> hearing at which the <i>Equitable</i> would seek the <i>High Court's</i> approval of the <i>Scheme</i> and the <i>Transfer</i> . See page 20.
Confirmation on the <i>Equitable's</i> and <i>Utmost's</i> websites that the <i>Scheme</i> and <i>Transfer</i> have been approved	Approximately 19 November 2019	If the <i>High Court</i> approves the <i>Scheme</i> and the <i>Transfer</i> , we would publish confirmation of this on our website.
The deadline for receipt of <i>Investment Choice Forms</i> to process your investment choice at the <i>Implementation Date</i>	13 December 2019	If the <i>High Court</i> approves the <i>Scheme</i> and the <i>Transfer</i> , this would be the last date for implementing investment choices at the <i>Implementation Date</i> . You will still be able to make a choice later.
<i>Implementation Date</i>	1 January 2020	If the <i>High Court</i> approves the <i>Scheme</i> the <i>Scheme</i> would be implemented in full on this date, (your policy would be uplifted and would become unit-linked, while Investment Guarantees would be removed). If <i>Members</i> approve the <i>Change to the Articles</i> , it would take effect on this date, making <i>Utmost</i> the sole member of the <i>Equitable</i> . If the <i>High Court</i> approves the <i>Transfer</i> to <i>Utmost</i> , it would become effective on this date.

What is the Scheme and what would it do?



The **Scheme** is a legal process which can change the terms of **Scheme Policies**. It cannot happen unless enough **Scheme Policyholders** vote for it and the **High Court** approves it. **Scheme Policyholders** are the only people whose rights would be changed by the **Scheme**.

The key features of the **Scheme** would be:

- a. The **"Uplift"**. This is an increase to **Policy Values**. We expect **Policy Values** to increase by around 60-70% at the time that the **Scheme** is implemented (which we expect would be the end of 2019). It would happen instead of the **Capital Distribution**, which at the moment is 35% of **Policy Values**, which currently is added when **Scheme Policyholders** take their benefits.
- b. Removing any **Investment Guarantees** (including any guaranteed annual increases) and any **With-Profits Switching Rights**.
- c. Changing **With-Profits Policies** into **Unit-Linked Policies**. Under **Unit-Linked Policies**, the amounts payable to policyholders depend on the price of "units" in a unit-linked fund. The price of those units depends on the performance of investments made by the fund and it can go down as well as up. We will send you an **Investment Choice Pack** during the summer which will provide you with more information on unit-linked funds, the funds that would be available to you, and how to choose them.

You cannot opt out of the **Scheme**. If the required majorities vote in favour of the **Scheme** and the **High Court** approves it, all **Scheme Policyholders** will be bound by it.

What would **Scheme Policyholders** give up if the **Scheme** is approved?

- ▶ Any **Investment Guarantees**, including any guaranteed annual increases.
- ▶ Any **Capital Distribution** when they take their benefits. Although we expect that **Capital Distribution** may increase at some point in the future, the current 35% **Capital Distribution** and **Policy Value** (including any annual increase) are not guaranteed and could be reduced or removed in future.
- ▶ Any future share in the **Equitable's** profits and losses.
- ▶ Membership of the **Equitable**.
- ▶ The ability to make any further with-profits investments with the **Equitable**.
- ▶ "Smoothed" investment returns (i.e., returns are included in **Policy Values** gradually so that short term market movements do not distort **Policy Values**).

What would **Scheme Policyholders** gain if the **Scheme** is approved?

- ▶ All **Scheme Policyholders** would receive an immediate **Uplift** of at least 60-70% of **Policy Value** at the time the **Scheme** is implemented, instead of an uncertain **Capital Distribution** later.
- ▶ A continuing **Unit-Linked Policy** managed by **Utmost**, a financially stable company with an ongoing business.
- ▶ **Scheme Policyholders** would have a choice of unit-linked investment options which cater for a range of risk appetites. The value of unit-linked funds is not guaranteed and can go down as well as up

Uplift and Investment Guarantees

The ***Uplift*** will include two parts:

- ▶ A ***Primary Uplift*** – This is designed to provide ***Scheme Policyholders*** with their share of the assets that the ***Equitable*** is allocating under the ***Scheme***.
- ▶ A ***Secondary Uplift – Scheme Policies*** which, at the ***Implementation Date***, have ***Investment Guarantees*** that are still potentially valuable after allowing for the ***Primary Uplift***, will receive the ***Secondary Uplift***. The ***Secondary Uplift*** will mainly add an amount equal to the value of such ***Investment Guarantees*** after taking the ***Primary Uplift*** into account.

Investment Guarantees come in a variety of forms. They are essentially obligations under a policy to pay an amount which is based on the premiums paid over time. Some guarantees explicitly include a “guaranteed investment return” or “GIR” guaranteeing growth at 2.5% or 3.5% per year (in which case this will be clear from annual statements), while others guarantee that the policy’s value will not fall below the sum of invested premiums. Some are not explicitly described as guarantees but that is effectively what they are, and they guarantee payment of amounts specified in the policies in return for payment of agreed premiums.

If you have an ***Investment Guarantee***, your annual statement will have a sentence starting with “On maturity your fund value is guaranteed not to be less than...”.

The ***Uplift*** would apply to policies in force at the ***Implementation Date***. It would also apply to policies that are not in force at the ***Implementation Date*** because, between the date of the ***Sanction Order*** (which is likely to be the day of the ***Second Court Hearing***) and that date, the policyholder dies, or the policies matured without the policyholders having any choice. Policies in that position are referred to as ***Legacy Scheme Policies***.

Who would be affected by the ***Scheme***?

The ***Scheme*** would only change the rights of ***Equitable’s*** policyholders who hold ***With-Profits Policies*** and:

- ▶ remain policyholders at the time that the ***Scheme*** is implemented (***Scheme Policyholders***); or
- ▶ were policyholders at the time of the date of ***Sanction Order*** but who subsequently die or their policy reaches its contractual maturity date before the ***Scheme*** is implemented (Legacy Scheme Policyholders). This also applies to the individual members of a group pension scheme.

The ***Scheme*** will not change the rights of policyholders who:

- ▶ only hold ***With-Profits Policies*** governed by German law; or
- ▶ only hold ***Unit-Linked Policies*** or ***Non-Profit Policies***, unless they also have ***With-Profits Switching Rights***.

Please note though that all ***Scheme Policyholders*** apart from those who have Irish Policies will be included in the proposed ***Transfer*** to ***Utmost. Scheme Policyholders*** who have policies which are governed by Irish law will remain policyholders of the ***Equitable***, and the ***Equitable*** will become a subsidiary of ***Utmost***. The ***Transfer*** will be explained fully in the ***Explanatory Booklet***, and all Policyholders will be entitled to object to the ***Transfer*** should they wish to. Details of how they could do that will be included in the ***Explanatory Booklet***.

Next steps in the High Court process



First, we are going to ask the **High Court** to let us call a meeting of **Scheme Policyholders** to vote on the **Scheme**. The **High Court** will see a report prepared by the "**Policyholder Independent Expert**" who we have appointed to consider whether the **Scheme** is in **Scheme Policyholders'** best interests. You can find:

- ▶ more details about the court process on pages 12 to 20;
- ▶ information about how we intend to conduct the vote on pages 13 and 19; and
- ▶ details of how to raise any objections if you want to on page 21.

Second, if the **High Court** lets us call that meeting, we will send **Scheme Policyholders** full details of the **Scheme** and the other parts of the **Proposal**. This would include a summary of the **Policyholder Independent Expert's** report, and also personal illustrations setting out how the **Scheme** could affect them specifically. **Scheme Policyholders** can then vote at the meeting, by post or online. You can find:

- ▶ more details about the further information that will be available, and guidance that will be available to help you decide how to vote, on page 19; and
- ▶ more details about the meeting and the vote on page 19.

If the **High Court** does not let us call that meeting, then your policy would continue as it is now, with no changes.

Third, if enough **Scheme Policyholders** vote for the **Scheme** then we will go back to the **High Court** and ask it to approve the **Scheme**. You can find details of how many **Scheme Policyholders** would need to vote for the **Scheme** on page 19.

If the **High Court** approves the **Scheme** then it will go ahead and we expect that it would take effect at the end of 2019.

We will provide full details of the **Scheme** in the **Explanatory Booklet**, which will form part of the Decision Pack we will send to Policyholders in the summer if the **High Court** allows us to go ahead. The Decision Pack will also include, for **Scheme Policyholders**, personal illustrations setting out how the **Scheme** could affect them specifically. We will provide support for **Scheme Policyholders** to understand the **Scheme** so that they can decide how to vote, and also to help them decide what investment decisions to make if the **Scheme** is implemented. For further information, see "Questions and Help with Decisions" on page 10.

Voting

Scheme Policyholders, including **Scheme Policyholders** with exercised or unexercised **With-Profits Switching Rights**, will be invited to vote on the **Scheme**. The **Voting Value** of each **Scheme Policyholder** will determine the weight of their vote and the majorities required for the **Scheme** to proceed are set out on page 19.

Future investment choices

There will be information on the website which will include general information about unit-linked funds. Different unit-linked funds offer different levels of risk and potential reward.

If you were not to make an investment choice, your investment would be allocated to an automatic investment option which the **Equitable** has selected to apply where **Scheme Policyholders** do not choose one. The details of that automatic option will be explained in the **Explanatory Booklet** and the **Investment Choice Pack** that we will send you in the summer if the **High Court** permits us to proceed.

Questions and help with decisions

As mentioned on page 4, more information will be available on our website and full details of the **Scheme** will be provided in the summer in the **Explanatory Booklet**, as part of the Decision Pack. That pack will also include, for **Scheme Policyholders**, personal illustrations setting out how the **Scheme** could affect them specifically. Support will be provided to **Scheme Policyholders** at that time to help them make their decisions.

We will provide a helpline on which **Scheme Policyholders** can ask questions about the **Scheme** and what it would mean in practice, to assist them in deciding how they might vote and what investment decisions to make if the **Scheme** is implemented.

The support we provide **Scheme Policyholders** to help them decide what investment decisions to make if the **Scheme** is implemented will be included in the **Investment Choice Pack**, which we will send **Scheme Policyholders** in the summer if the **High Court** permits us to proceed. That will include information about the unit-linked funds in which they could choose to invest.

What else is proposed alongside the **Scheme**?

We can propose the **Scheme** because we have reached an arrangement with another life insurance company, **Utmost**. It is proposed that almost all of our business is transferred to **Utmost**. Under the arrangement with **Utmost**, **Utmost** will become the sole **Member** of the **Equitable** if the **Proposal** goes ahead. That would happen under the **Change to the Articles**.

All policyholders, apart from those whose policies are governed by German law or by Irish law, would transfer to **Utmost**. The **Transfer** would happen through a separate legal process called an 'insurance business transfer'. This transfer also requires approval from the **High Court**, but it doesn't involve a policyholder vote. The **Explanatory Booklet** we will send you in the summer will provide details about this proposed **Transfer**.

What if the **Scheme** doesn't happen?

The **Proposal** would not proceed and you would not receive the **Uplift**. You would retain any **Investment Guarantee** you have, your **With-Profits Policy** would not be converted to a **Unit-Linked Policy**, and the **Equitable's** business would not be transferred to **Utmost**. We would continue to run the **Equitable** as we currently do.

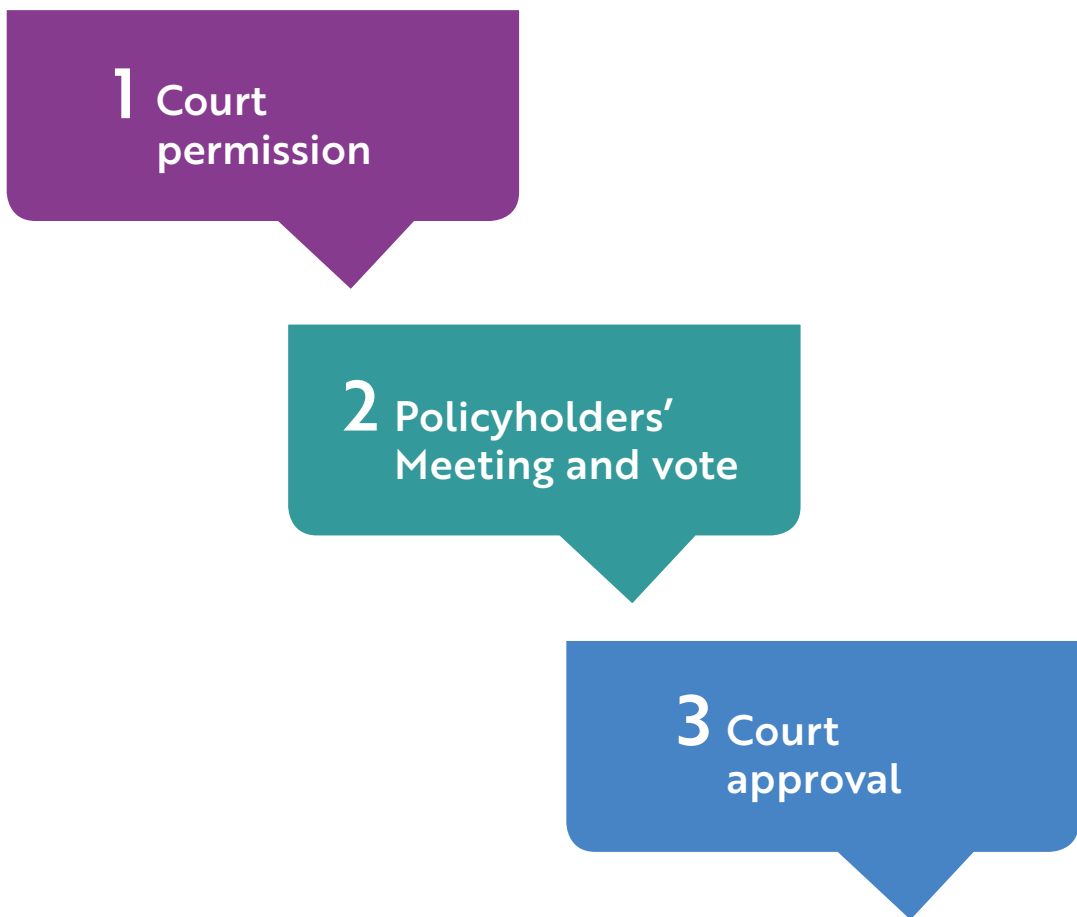
Whilst we have been able to increase your **Policy Value** steadily over the last few years, and currently pay 35% of that **Policy Value** as a **Capital Distribution** when you take your benefits, we cannot promise this will always be the case. Although we expect that **Capital Distribution** may increase at some point in the future, the current 35% **Capital Distribution** and **Policy Value** (including any annual increase) are not guaranteed and could be reduced or removed in future. In all circumstances, your benefits payable would be no less than any guaranteed minimum amount, provided that you are entitled to rely on any contractual guarantees in your policy when you take your benefits.

On page 5, you can find a timeline setting out when the various stages of the **Scheme**, the **Change to the Articles**, and the **Transfer** are planned to happen.

The Scheme process



For the *Scheme* to happen we need:



The Scheme process

1 Court permission



We will first ask the **High Court** for permission to call a meeting of policyholders whose rights would be changed by the **Scheme**, the **Policyholders' Meeting**. In considering the **Scheme**, the **High Court** will take into account the views of the **PRA**, the **FCA** and the **Policyholder Independent Expert**, whose appointment has been approved by the **FCA**, and any objections made by **Scheme Policyholders**.

This **First Court Hearing** is currently scheduled for 22 July 2019 at:

Royal Courts of Justice
7 Rolls Building
Fetter Lane
LONDON
EC4A 1NL

The time, date and venue of this **High Court** hearing could change and will be confirmed on our website.

We will also ask the **High Court** to approve our proposal for how we will make sure our policyholders are notified of details of the **Proposal** and the meeting.

The key benefit of the **Scheme** for **Scheme Policyholders** is that they could receive their share of the available assets in the **With-Profits Fund** if the **Scheme** is implemented, which is currently not possible, by increasing their **Policy Values** through the **Uplift**.

Scheme Policyholders who were not invested in the **With-Profits Fund** on 31 December 2017 will not receive an **Uplift**. Limiting the **Uplift** to amounts invested in the **With-Profits Fund** before that date makes it impossible that anyone has increased their investment in the **With-Profits Fund** just to benefit from the **Scheme**. This is consistent with how the **With-Profits Fund** works at the moment. The current **Capital Distribution** is based on **Policy Values** as at 31 December 2014 (i.e. before the current 35% **Capital Distribution** was announced).

The situation of **Scheme Policyholders** with **With-Profits Switching Rights** is explained in the table on page 16 and in the Appendix.

One key aspect the **High Court** will consider is whether it agrees with our view that policyholders are able to vote on the **Scheme** as a single **Class** of voters in one meeting. We explain this on the next page.

A single *Class* of voters

This refers to a group of policyholders whose rights and the way the **Scheme** will affect them are sufficiently similar that they can all consider the **Scheme** and vote on it together.

We believe that the rights of our with-profits policyholders are sufficiently similar to allow them to do that.

This is because, while the details of with-profits policyholders' policies vary, the key benefits that the **Scheme** offers all **Scheme Policyholders** and what they need to give up (as set out on page 7) are the same or very similar, and they can consider these things together.

We have identified fifteen situations where **Scheme Policyholders** might think that the **Scheme** would affect them in a different way from how it would affect others. Those situations, and the reasons that we do not think they prevent **Scheme Policyholders** from considering the **Scheme** together and voting in the same meeting, are summarised briefly in the table on pages 15 to 18.

In each case, the reasons are additional to the general point that we believe **Scheme Policyholders** can consider the **Scheme** together because we believe that, if the **Scheme** is implemented, it will apply to all **Scheme Policyholders** in essentially the same way. Our reasons are also explained in greater detail in the Appendix.

Situation	Why all <i>Scheme Policyholders</i> can vote together
<p><i>Scheme Policyholders</i> whose policy doesn't say that it has an Investment Guarantee</p>	<p>Most Scheme Policies have an Investment Guarantee (the exception is "whole of life" policies – see below). In some cases it is not explicit, but implied. A Scheme Policyholder's annual statement will include a sentence starting with "On maturity your fund value is guaranteed not to be less than..." if they have an Investment Guarantee.</p> <p>All Investment Guarantees, whether explicit or implied, will be treated in the same way by the Scheme (i.e. it will remove those guarantees and will provide an Uplift to the Policy Value).</p>
<p><i>Scheme Policyholders</i> who have insurance benefits which are payable on a specific life event such as death, survival, or diagnosis of a particular medical condition</p>	<p>The Scheme would not make a substantive difference to these benefits.</p>
<p><i>Scheme Policyholders</i> who have a "whole of life" policy</p>	<p>Whole of life policies do not have Investment Guarantees, but their policyholders would still receive their share of the assets that the Equitable is distributing under the Scheme.</p>
<p><i>Scheme Policyholders</i> who have Investment Guarantees with different "guaranteed annual increases"</p>	<p>All Scheme Policies will be treated in the same way irrespective of the rate of guaranteed annual increase which is included in the Investment Guarantee. The Investment Guarantee, including any guaranteed annual increase, will be removed and an Uplift will be provided to the Policy Value. The Primary Uplift will reflect the Scheme Policyholder's share of the With-Profits Fund and a Secondary Uplift will ensure they receive the residual value (as at the Calculation Date), if any, of any Investment Guarantee they have once the Primary Uplift has been allocated to their Policy Value.</p>
<p><i>Scheme Policyholders</i> who have a guaranteed annuity rate (GAR)</p>	<p>The Scheme will not remove GARs. It will treat Scheme Policies with GARs in the same way as other Scheme Policies, and GARs will apply when Scheme Policies are ultimately used to purchase annuities. Investment Guarantees will be removed, and the Policy Value will receive an Uplift.</p>

Situation	Why all <i>Scheme Policyholders</i> can vote together
<p><i>Scheme Policyholders</i> who have a guaranteed minimum pension (<i>GMP</i>)</p>	<p>The Scheme will not remove GMPs, and it will treat Scheme Policies with GMPs in the same way as other Scheme Policies. Investment Guarantees will be removed, and the Policy Value will receive an Uplift. GMPs will not be removed.</p>
<p><i>Scheme Policyholders</i> whose Uplift includes a Secondary Uplift to reflect the full value of their Investment Guarantee</p>	<p>All Scheme Policyholders will receive their share of the Equitable's assets through the Primary Uplift. The Secondary Uplift will make sure that Scheme Policyholders receive the residual value (as at the Calculation Date), if any, of the Investment Guarantee once the Primary Uplift has been allocated to their Policy Value.</p> <p>The total cost of the Secondary Uplift is a relatively small part of the amount of assets being shared amongst policyholders and is expected to be around 6% of the total Uplift.</p>
<p><i>Scheme Policyholders</i> who are entitled to pay additional premiums into the With-Profits Fund (i.e., they have Additional Premium Rights)</p>	<p>Under the Scheme, people who have these rights will no longer be able to pay new premiums into the With-Profits Fund but can contribute to unit-linked funds.</p> <p>For people who have these rights, any Investment Guarantee that the Scheme removes is likely to have a slightly higher value than it would have had if they did not have Additional Premium Rights. The Scheme will address that because the value of the Investment Guarantee for the Uplift will reflect that slightly higher value.</p>
<p><i>Scheme Policyholders</i> who have With-Profits Switching Rights who were invested in the With-Profits Fund on 31 December 2017 and remain invested in the With-Profits Fund when the Scheme is implemented</p>	<p>These Scheme Policyholders had with-profits investments on 31 December 2017, and they will receive their share of the available assets in the With-Profits Fund through the Uplift.</p>

Situation	Why all <i>Scheme Policyholders</i> can vote together
<p><i>Scheme Policyholders with With-Profits Switching Rights who were not invested in the With-Profits Fund either on 31 December 2017 or when the Scheme is implemented</i></p>	<p>These Scheme Policyholders either had no with-profits investment on 31 December 2017 or will have no such investments when the Scheme is implemented.</p> <p>The Scheme will treat these Scheme Policyholders in the same way as other policyholders. It will increase any with-profits entitlements (although for these that would be nil), and reflect any increased value of any Investment Guarantee (here, probably nil in almost all cases).</p> <p>If a Scheme Policyholder exercises their With-Profits Switching Rights between 1 January 2018 and when the Scheme takes effect, like all other Scheme Policyholders, their with-profits investment will be converted to units in a unit-linked fund.</p>
<p><i>Legacy Scheme Policyholders</i></p>	<p>We cannot know now who all of the Legacy Scheme Policyholders will be, because we don't know for certain when the Second Court Hearing will be.</p> <p>The cost of making the Uplift available to Legacy Scheme Policyholders will not be significant, so the 'cost' to other Scheme Policyholders is very small.</p>
<p><i>Scheme Policyholders who are the trustee of one or more group pension schemes</i></p>	<p>Some group scheme trustees might be giving up an Investment Guarantee but still have specified minimum liabilities to members of their pension schemes. Depending on the amount of their Uplift, that might make the Scheme more or less attractive to them.</p> <p>However, the Scheme will affect their rights the same way as other Scheme Policyholders' rights, and they will receive the same benefits to pass on to pension scheme members.</p>
<p><i>Scheme Policyholders who have a Flexible Savings Plan</i></p>	<p>The Scheme does not remove the ability of Scheme Policyholders with a Flexible Savings Plan to purchase benefits at an advantageous rate after the 10th anniversary of starting the policy. After the Scheme is implemented, the benefits purchased will be units in a unit-linked fund rather than investments in the Equitable's With-Profits Fund.</p> <p>Like everyone else, these Scheme Policyholders will receive the Uplift, their policies will be converted to Unit-Linked Policies and any Investment Guarantees will be removed.</p>

Situation	Why all <i>Scheme Policyholders</i> can vote together
<p><i>Scheme Policyholders</i> whose policy is denominated in a currency other than sterling</p>	<p>Scheme Policyholders whose policy is denominated in US dollars or euro will also receive an Uplift. In order to ensure that the currency of the Scheme Policyholders' investments matches the currency in which their policy is denominated, they will have access to a different and narrower range of funds than Scheme Policyholders whose policy is in sterling.</p> <p>The relevant Scheme Policyholders will receive the Uplift and can still consider the overall proposition along with other Scheme Policyholders.</p>
<p><i>Scheme Policyholders</i> whose policies are governed by Irish law</p>	<p>After the Scheme becomes effective, one or more Scheme Policyholders domiciled in the Republic of Ireland could make an application to the Irish Court asking it to decline to recognise the Scheme's effect on them.</p> <p>That could ultimately lead to a ruling that that Scheme Policyholder is not bound by the Scheme, so that their rights remain the same as if the Scheme had not been implemented.</p> <p>This does not mean that Scheme Policyholders domiciled in Ireland cannot vote in the same Class as all other Scheme Policyholders. To the extent that the Scheme binds Scheme Policyholders domiciled in Ireland, it will affect their rights in exactly the same manner as all other Scheme Policyholders.</p>

We do not think that any of these situations mean that all **Scheme Policyholders** cannot consider the **Scheme** together and vote in the same meeting.

If you disagree, you can object – see page 21 for further information.

The Scheme process

2 Policyholders' Meeting and vote



If the **High Court** permits it, the **Policyholders' Meeting** will go ahead. **Scheme Policyholders** will be able to attend the **Policyholders' Meeting** and vote on the **Scheme** in person. Alternatively, you can vote by asking someone else, such as the Chairman of the meeting, to act as your "proxy". You can do this by post or online.

In the **Explanatory Booklet**, we will inform you of the time, date and venue of the **Policyholders' Meeting**. We will include full details of the proposed **Scheme**, and a personal illustration setting out how the **Scheme** could affect you specifically, so you have everything you need to decide how you wish to vote.

This process is subject to the law that governs how a **Scheme** of Arrangement operates. If the **High Court** agrees that **Scheme Policyholders** can vote together in one meeting, the **Scheme** will not go ahead unless:

- ▶ more than 50% of **Scheme Policyholders** who vote, vote in favour; and
- ▶ they represent at least 75% of the total **Voting Value** of **Scheme Policyholders** who vote.

Each individual **Scheme Policyholder** will have one vote, irrespective of the number of **Scheme Policies** they have. A **Scheme Policyholder** who is a trustee of a group pension scheme will have one vote, irrespective of the number of **Scheme Policies** for which they are a trustee, unless they choose to split their vote in order to represent different preferences of the members of the group pension scheme. If they do that, they will have two votes. In this way, different views or interests among beneficiaries can be reflected through **Voting Value**, and the number of votes for and against the **Scheme** will not be distorted.

We strongly encourage you to exercise your right to vote

The Change to the Articles

Immediately following the **Policyholders' Meeting**, we are going to hold an **Extraordinary General Meeting (EGM)** of our **Members** to vote on a **Change to the Articles** (which set out how we operate) so that **Utmost** becomes the **Equitable's** sole **Member**. The **Change to the Articles** would only become effective if the **Scheme** is implemented.

The Scheme process

3 Court approval



If **Scheme Policyholders** vote in favour of the **Scheme**, by the majorities that are required by law, and **Members** vote in favour of the **Change to the Articles**, we will then ask the **High Court** to approve the **Scheme** at the **Second Court Hearing**.

We will provide the **High Court** with detailed information about what happened at the **Policyholders' Meeting** and explain the results of the vote. The **High Court** will decide whether to allow the **Scheme** to become effective (this is known as the **High Court** "sanctioning" the **Scheme**). The **High Court's** decision will be based on a number of things, including whether:

- ▶ the **Scheme** is fair;
- ▶ the policyholders who voted at the **Policyholders' Meeting** fairly represented the whole **Class** of policyholders whose rights would be changed by the **Scheme**, and whether they acted in good faith;
- ▶ all of the legal requirements have been met, including whether we have complied with all of the steps that the **High Court** required when giving us permission to call the **Policyholders' Meeting**; and
- ▶ there is any other technical reason why it should not let the **Scheme** go ahead.

The **Scheme** will not go ahead unless **Scheme Policyholders** vote in favour of it, the resolution for the **Change to the Articles** is passed and we receive **High Court** approval.

If all of that happens, we expect the **Scheme** to be implemented on 1 January 2020.

“ The **High Court** will decide whether to allow the **Scheme** to become effective (this is known as the **High Court** "sanctioning" the **Scheme**). ”

How to object

If you disagree with our assessment that **Scheme Policyholders** can vote in a single **Class**, or if you want to raise any other issue in relation to the **Policyholders' Meeting** (such as how votes will be calculated) or the terms of the **Scheme**, you can write to us or call us using the contact details to the right.

You, or a person acting on your behalf, can also attend the first hearing and explain any concerns you have on this subject to the **High Court**. Even so, please contact us using the details to the right so that we can try to answer any questions you may have.

If you do not raise your concerns about voting classes at this stage, you could still raise objections at the **Second Court Hearing**, expected to be in November 2019. The **High Court** would expect you to give good reasons why you did not object at an earlier stage.

You may have questions about the **Scheme** generally, rather than concerns about policyholders voting in one **Class**. If the **High Court** permits us to call the **Policyholders' Meeting**, then we will send you full details of the proposals in the **Explanatory Booklet** in August 2019. The Decision Pack, including the **Explanatory Booklet** and personal illustrations for **Scheme Policyholders**, and the **Investment Choice Pack** should answer any questions you may have.

You will be able to find information about what you can expect if the **Scheme** is implemented on our website www.equitable.co.uk. See page 10 for more information about support that is and will be available to **Scheme Policyholders** to help them understand the **Scheme** and the decisions they need to make.

Kindly send any responses to this booklet directly to our solicitors, **making sure it is marked clearly for the attention of Craig Montgomery and Kevin Whibley**:

Attention: Craig Montgomery and
Kevin Whibley

Freshfields Bruckhaus Deringer LLP
65 Fleet Street
LONDON
EC4Y 1HS

email to equitable@freshfields.com

You may also contact us by telephone:

Individual Policyholders

From the UK : 0330 159 1530

Outside the UK: +44 1296 386 242

Group Trustees

From the UK: 0330 159 1531

Outside the UK: +44 1296 385 225

Glossary of terms



Term	Meaning
Additional Premium Rights	These are rights that some Scheme Policyholders have which entitle them to pay additional premiums into the With-Profits Fund .
Articles	The articles of association of the Equitable .
Brussels Recast Regulation	Regulation (EU) No 1215/2012 of the European Parliament and of the Council of 12 December 2012 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters.
Calculation Date	The date as at which certain values will be calculated to determine Uplift amounts, which is expected to be 30 September 2019.
Capital Distribution	Capital Distribution is an amount that is currently added to the Policy Value when a policy matures or a policyholder takes their benefits. For the vast majority of With-Profits Policies , we take the underlying value as at 31 December 2014 and allocate an extra Capital Distribution of £350 to every £1,000 (i.e. 35%) of that underlying value.
Change to the Articles	A special resolution proposing an amendment of the Equitable's articles of association making Utmost the sole Member of the Equitable with effect from the Implementation Date , should the Scheme Policyholders vote in favour and the High Court approve the Scheme .
Class	A group of policyholders whose rights and the way the Scheme will affect them are sufficiently similar that all of them are able to consider and vote on the Scheme together.
Equitable (the)	The Equitable Life Assurance Society, a company incorporated in England and Wales with company number 00037038.

Term	Meaning
Explanatory Booklet	A document we will send out to Scheme Policyholders after the First Court Hearing and before the Policyholders' Meeting , setting out full details of the Scheme .
Extraordinary General Meeting (EGM)	The extraordinary general meeting of the Equitable to be held in order for Members to vote on the Change to the Articles .
FCA	The Financial Conduct Authority
First Court Hearing	The High Court hearing to give directions in relation to the Scheme and the Transfer which is currently scheduled to take place on 22 July 2019.
GAR	Guaranteed annuity rate provided by certain policies held by a small number of Scheme Policyholders .
GMP	Guaranteed minimum pension provided by certain policies held by a small number of Scheme Policyholders .
High Court	The High Court of Justice in England and Wales
Implementation Date	<p>If the Scheme Policyholders vote in favour of the Scheme, and the High Court approves the Scheme and the Transfer, the date on which</p> <p>(a) the key aspects of the Scheme (Policy Values are uplifted, With-Profits Policies become Unit-Linked Policies, and Investment Guarantees are removed) would be implemented;</p> <p>(b) the change to the Equitable's Articles will become effective; and</p> <p>(c) the Transfer will be implemented.</p> <p>This is expected to be 1 January 2020.</p>

Appendix 1: Glossary of terms

Term	Meaning
Investment Guarantee	<p>The Equitable's obligation under a Scheme Policy to pay benefits determined by amounts which have been paid in premiums and when they were paid.</p> <p>Investment Guarantees do not include benefits which are payable only on the occurrence of specified life events (such as death or survival, or being diagnosed with a particular medical condition, or undergoing specified hospital surgery).</p> <p>Investment Guarantees do not include GARs or GMPs.</p>
Insurance Event Benefits	<p>Policy benefits which are payable only on the occurrence of a specific life event of the person whose life is assured, such as death, survival, or the diagnosis of a particular medical condition.</p>
Investment Choice Form	<p>The form which Scheme Policyholders can use to choose unit-linked funds if the Scheme goes ahead.</p>
Investment Choice Pack	<p>Pack provided to Scheme Policyholders containing certain forms and documents, including the Investment Choice Form, which will help you to decide which unit-linked fund to invest in, and to tell us what decision you have made.</p>
Legacy Scheme Policy	<p>A policy that reaches its contractual maturity date between the date of Sanction Order and the Implementation Date, or a policy of a Scheme Policyholder who dies in this period.</p>
Member	<p>A member of the Equitable.</p>
Non-Profit policy	<p>Policies that are not With-Profits Policies or Unit-Linked Policies.</p>
Policyholder Independent Expert	<p>Trevor Jones of KPMG. Mr Jones has been appointed with the FCA's approval, to consider whether the Scheme is in Scheme Policyholders' interests and to prepare a report for the High Court.</p>

Term	Meaning
Policyholders' Meeting	The meeting of Scheme Policyholders that the Equitable will call, if the High Court gives permission at the First Court Hearing , at which Scheme Policyholders can vote on the Scheme .
Policy Value	The main components of this sum are: (a) the premiums paid in relation to that Scheme Policy , (b) any deductions in accordance with relevant policy terms for expenses and charges; and (c) an adjustment, determined by the Equitable , which reflects smoothed investment returns during the period that the relevant Scheme Policy has been held.
PRA	The Prudential Regulation Authority
Primary Uplift	An amount which Scheme Policyholders receive and which represents their share of the assets that the Equitable is distributing under the Scheme . Scheme Policyholders will also receive a Secondary Uplift to reflect the residual value (if any) of any Investment Guarantees they have.
Proposal	The Equitable's Proposal to allocate its assets to its with-profits policyholders through the Scheme , the Change to the Articles , and the Transfer .
Run-Off	A process by which an insurance company no longer enters into new policies, but continues to meet its obligations under existing policies.
Sanction Order	The order of the High Court approving the Scheme , which the Equitable intends to ask the High Court to make at the Second Court Hearing .
Scheme	The proposed Scheme of Arrangement between the Equitable and Scheme Policyholders under Part 26 of the Companies Act 2006. As described in this booklet, the proposed Scheme is subject to approval by Scheme Policyholders and the High Court .

Appendix 1: Glossary of terms

Term	Meaning
Scheme Policy	<p>Any of:</p> <p>(a) a With-Profits Policy which is not governed by German law and which is in force on the Implementation Date;</p> <p>(b) in relation to any person who is a member of the FSAVC Scheme on the Implementation Date, that person’s legal rights against and obligations to the Equitable as a result of their membership of the FSAVC Scheme; and</p> <p>(c) any policy of the Equitable which is not governed by German law and which is in force on the Implementation Date and confers With-Profits Switching Rights.</p>
Scheme Policyholder	<p>A person to whom the Equitable is required to make payments under a Scheme Policy.</p>
Second Court Hearing	<p>The High Court hearing of the Equitable’s application for an order that the Scheme be sanctioned, expected to take place in November 2019 at the Rolls Building, Royal Courts of Justice, 7 Rolls Building, Fetter Lane, London EC4A 1NL, UK.</p>
Secondary Uplift	<p>An amount, equal to or greater than zero, which reflects the residual value of Scheme Policyholders’ Investment Guarantees once the Primary Uplift has been allocated to their Policy Value. The value of the Investment Guarantee is calculated using standard actuarial techniques as at the Calculation Date. This value is then increased if required to ensure that policies meet certain fairness conditions at the Calculation Date and that policies providing retirement benefits do not receive less than they would if they were a year older.</p>

Term	Meaning
Transfer	<p>The transfer of the Transferring Business from the Equitable to Utmost. This will take place by way of a Part VII Transfer.</p> <p>A “Part VII transfer” is the name sometimes given to a transfer of insurance business under Part VII of the Financial Services and Markets Act 2000. It is a statutory scheme whereby the liabilities of one insurer and corresponding assets are transferred to another insurer. The process that must be followed is stringent to ensure that Policyholders are protected. To be effective, the Transfer is required to be sanctioned by the High Court.</p> <p>In considering a Part VII transfer, the High Court will take into account the views of the PRA, the FCA and the Transfer Independent Expert, whose appointment must be approved by the PRA in consultation with the FCA, and any objections made by affected parties such as Policyholders and reinsurers.</p>
Transferring Business	<p>The entirety of the business of the Equitable to be transferred to Utmost under the Transfer.</p>
Unit-Linked Policy	<p>A policy, which is not a With-Profits Policy, under which amounts that are payable to policyholders are determined by the price of units in a unit-linked fund.</p>
Uplift	<p>The increase to the Policy Value of each Scheme Policy to be implemented under the Scheme made up of the Primary Uplift and the Secondary Uplift.</p>
Utmost	<p>Utmost Life and Pensions Limited, a company incorporated in England and Wales with company number 10559664 (formerly known as Reliance Life Ltd). Their website is: www.utmost.co.uk.</p>
Voting Forms	<p>The voting form which Scheme Policyholders who are entitled to vote on the Scheme can use to appoint a proxy for the Policyholders’ Meeting and Members can use to appoint a proxy for the EGM.</p>
Voting Value	<p>The value of a Scheme Policyholder’s claim against the Equitable as at 1 April 2019, as indicated on the pre-printed voting form that Scheme Policyholders will receive in the summer.</p>

Appendix 1: Glossary of terms

Term	Meaning
With-Profits Fund	The Equitable's With-Profits Fund .
With-Profits Policy	<p>A policy which entitles its holder to participate in the Equitable's profits.</p> <p>Such policies include any Unit-Linked Policy to the extent that With-Profits Switching Rights were exercised under it on or before 31 December 2017 and its holder had an entitlement to participate in the Equitable's profits on that date.</p>
With-Profits Switching Rights	The right to invest in the With-Profits Fund by making a premium payment or a switch of investments into the With-Profits Fund .

Appendix 2: Potential distinctions between with-profits policyholders

1. *Investment Guarantees* that are not explicit in the policies

- 1.1 *Investment Guarantees* arise under *With-Profits Policies* in a variety of ways. They are obligations to pay an amount which is determined by reference to the amounts paid in premiums over time. Some are expressly described as “GIRs” or “guaranteed investment returns”. Others do not have explicit *Investment Guarantees* but they have the same effect as if they did.
- 1.2 We do not think the difference between an explicit *Investment Guarantee* and an implicit one prevents all with-profits policyholders with *Investment Guarantees* from voting in the same *Class*.
 - (a) Removal of *Investment Guarantees* is only one part of the overall proposal. The cost of the *Secondary Uplift*, which will ensure that *Scheme Policyholders* receive the residual value (as at the *Calculation Date*), if any, of their *Investment Guarantee* once the *Primary Uplift* has been allocated to their *Policy Value*, is expected to be around 6% of the *With-Profits Fund* that gets allocated to with-profits policyholders under the *Scheme*.
 - (b) Whether it is explicit or implicit, policyholders have a similar right which the *Scheme* will treat in the same way (i.e. it will remove it).
 - (c) All with-profits policyholders can consider the main benefits of the *Scheme* together with one another (See page 7).

2. Policies that have *Insurance Event Benefits*

- 2.1 *Insurance Event Benefits* will not be removed by the *Scheme* and, in the future, their value will be determined such that it will not be materially different from their value at the *Implementation Date*.
- 2.2 We do not think the fact that some have *Insurance Event Benefits* and some do not prevents all with-profits policyholders from voting in the same *Class*.
 - (a) The *Scheme* will not make a significant difference to the *Insurance Event Benefit* that any *Scheme Policyholders* receive.
 - (b) Setting out how *Insurance Event Benefits* will be determined in the future is only one part of the proposition which the *Scheme* represents to *Scheme Policyholders*. All with-profits policyholders can consider the main benefits of the *Scheme* together with one another (See page 7).

Appendix 2: Potential distinctions between with-profits policyholders

3. Whole of life policies: *With-Profits Policies without an Investment Guarantee*

- 3.1 “Whole of Life” policies do not have **Investment Guarantees**. People who have whole of life policies (there are approximately 1,000 of them) will still receive an **Uplift** under the **Scheme**, even though they are not going to stop having the **Investment Guarantees** that others are going to stop having.
- 3.2 Whole of life policies include guarantees to pay the sum assured (plus any bonuses which have been added to the policy) on the death of the person whose life is assured, provided that all premiums have been paid. The **Scheme** will not remove that guarantee, although the amount which is guaranteed will be increased when the **Scheme** takes effect.
- 3.3 We do not think this prevents people who have whole of life policies from voting in the same **Class** as people who have different with-profits policies.
 - (a) Removal of **Investment Guarantees** is only one part of the overall proposition.
 - (b) All with-profits policyholders can consider the main benefits of the **Scheme** together with one another (See page 7).

4. *Investment Guarantees with different rates of interest*

- 4.1 The **Investment Guarantee** in most with-profits policies is explicit, but for some it is implicit. Some explicit **Investment Guarantees** mean that the guaranteed benefits do not decrease, whilst others increase at a guaranteed rate. For example, some contracts have a “guaranteed investment return” (or “GIR”) of 3.5% (or sometimes 2.5%) per year.
- 4.2 Having this type of **Investment Guarantee** means that a with-profits policyholder will ultimately receive a specified minimum amount if the **Scheme Policyholder** holds the policy until maturity. It also means that if a guarantee needs to be relied on, the money to pay it will come from money otherwise available to pay other with-profits policyholders.
- 4.3 A with-profits policyholder having a 2.5% or 3.5% GIR also means that the amount they are guaranteed to receive will increase every year. That increasing guaranteed amount would also be paid from money otherwise available to pay other with-profits policyholders. With-profits policyholders with a 2.5% or 3.5% GIR may have a greater proportional claim on the **With-Profits Fund** than with-profits policyholders with an explicit 0% **Investment Guarantee**.

4.4 We do not think this prevents people who have 2.5% or 3.5% GIRs from voting in the same **Class** as people who have different **Investment Guarantees**.

- (a) Removing **Investment Guarantees** is only one part of the overall proposition. Also, the **Secondary Uplift** will ensure that **Scheme Policyholders** receive the residual value (as at the **Calculation Date**), if any, of their **Investment Guarantee** (which may be a 2.5% or 3.5% GIR) once the **Primary Uplift** has been allocated to their **Policy Value**.
- (b) With-profits policyholders who have a 2.5% or 3.5% GIRs have essentially similar legal rights as those with 0% GIRs i.e. they are guaranteed to receive a return on their investment at a particular rate.
- (c) All with-profits policyholders can consider the main benefits of the **Scheme** together with one another (See page 7).

5. With-Profits Policies that have guaranteed annuity rates ("GARs")

- 5.1 A small number of with-profits policies provide a benefit which is guaranteed by reference to the amount which has been paid in premiums (the **Investment Guarantee**), and also a benefit which guarantees the rate of an annuity which will be available when the policy matures (the **GAR**). The **Scheme** will remove the **Investment Guarantee** but it will not remove the **GAR**.
- 5.2 We do not think this prevents people whose policies have **GARs** from voting in the same **Class** as people whose policies do not have **GARs** but do have **Investment Guarantees**.
 - (a) Removing **Investment Guarantees** is only one part of the overall proposition.
 - (b) **GARs** will not be removed by the **Scheme** and the **Scheme** will treat all **Investment Guarantees** in the same way: it will remove them and the **Policy Value** will receive an **Uplift**.
 - (c) All with-profits policyholders can consider the main benefits of the **Scheme** together with one another (See page 7).

Appendix 2: Potential distinctions between with-profits policyholders

6. With-Profits Policies that have guaranteed minimum pensions (“GMPs”)

- 6.1 Approximately 700 with-profits policies include **GMPs**, and there are also some policies which include contractual promises intended to have the same effect as **GMPs** (these are known as the “NatWest **GMPs**”). The **Scheme** will not remove **GMPs** or the NatWest **GMPs**.
- 6.2 We do not think this prevents people whose policies have **GMPs** or NatWest **GMPs** from voting in the same **Class** as people whose policies do not have them.
 - (a) Removal of **Investment Guarantees** is only one part of the overall proposal.
 - (b) **GMPs** will not be removed and the **Scheme** will treat all **Investment Guarantees** in the same way: it will remove them and the **Policy Value** will receive an **Uplift**.
 - (c) All with-profits policyholders can consider the main benefits of the **Scheme** together with one another (See page 7).

7. Scheme Policyholders whose Uplift includes a Secondary Uplift greater than zero

- 7.1 The **Uplift** that with-profits policyholders would receive under the **Scheme** has two parts. First, the **Primary Uplift** ensures that **Scheme Policyholders** receive their share of the assets that the **Equitable** is allocating under the **Scheme**. Second, a **Secondary Uplift** (which may be zero), will mainly reflect the residual value (as at the **Calculation Date**), if any, of the **Investment Guarantee** once the **Primary Uplift** has been allocated to their **Policy Value**.
- 7.2 Some with-profits policyholders’ **Investment Guarantees** are expected to have a residual value when their policies mature greater than the increased **Policy Value** that they will have once they get their share of the **With-Profits Fund** through the **Primary Uplift**. The **Secondary Uplift** is an amount which is primarily intended to reflect that difference.
- 7.3 We expect the total cost of the **Secondary Uplift** to be approximately £100 million, which is around 6% of the total fund to be allocated under the **Uplift**.
- 7.4 We do not think with-profits policyholders whose **Secondary Uplift** is likely to be greater than zero need to vote in a separate **Class** from those whose **Secondary Uplift** is not.

- (a) For many of the with-profits policyholders who receive a **Secondary Uplift** greater than zero, it will make a material difference compared to what they would get if the **Scheme** did not include the **Secondary Uplift**. However, it will not make a material difference to those who receive a **Secondary Uplift** of zero (because it will take up a small proportion of the total amount being allocated from the **With-Profits Fund**).
- (b) Removal of **Investment Guarantees** is only one part of the overall proposition.
- (c) All with-profits policyholders can consider the main benefits of the **Scheme** together with one another (See page 7).

8. With-profits policyholders who have “Additional Premium Rights”

- 8.1 A relatively small number of with-profits policyholders have **Additional Premium Rights**, i.e. rights to pay additional premiums.
- 8.2 The **Scheme** will not remove **Additional Premium Rights: Scheme Policyholders** with **Additional Premium Rights** will still be able to pay premiums on what will become **Unit-Linked Policies**.
- 8.3 The **Scheme** will have impacts on people who have **Additional Premium Rights** that it does not have on other **Scheme Policyholders**. They will no longer be able to make payments into the **With-Profits Fund**, which they previously could do and others previously could not. Also, if they continued to make premium payments and still had a **With-Profits Policy**, their **Investment Guarantee** would continue to increase in value (including any guaranteed annual increase) in a way that other **Scheme Policyholders’ Investment Guarantees** would not. These differences come from the difference between having **Additional Premium Rights** and not having them.

Appendix 2: Potential distinctions between with-profits policyholders

- 8.4 The **Uplift** will reflect **Investment Guarantees**' expected value in the future. That applies to all **Scheme Policies**, but for **Scheme Policies** with **Additional Premium Rights** it will probably mean the **Investment Guarantees** have a slightly higher value than if they didn't have **Additional Premium Rights**. That will take account of the likelihood (based on past behaviour) of particular **Scheme Policyholders** continuing to exercise **Additional Premium Rights**.
- 8.5 This will have very little impact on the **Uplift** as a whole and on individual **Scheme Policyholders**. That is because the total **Uplift** payments which arise from accounting for the loss of all **Additional Premium Rights** is expected to be considerably less than £50,000, while the total **Uplift** is expected to be about £1.7 billion. The greatest difference it is expected to make in any individual case is to add about 6% to the total **Uplift** received.
- 8.6 We do not think policyholders with **Additional Premium Rights** need to vote in a separate **Class** from those who do not have **Additional Premium Rights**.
- (a) Removing **Additional Premium Rights** is a small part of the overall proposition.
 - (b) The **Scheme** would have a different impact on those who have **Additional Premium Rights** (i.e., probably, removal of a guarantee with a slightly higher value), and that different impact would be because they have different rights. However, the **Scheme** will address that difference by reflecting it in the valuation of the **Investment Guarantee** for the purposes of the **Uplift**, and that valuation applies in the same way to all **Scheme Policies**.

9. With-profits policyholders who have **With-Profit Switching Rights**

- 9.1 A relatively small number of **Scheme Policyholders** have Switching Rights, i.e. rights to switch investments from a unit-linked fund into the **With-Profits Fund**. These rights are exercised very rarely. The **Scheme** will remove **With-Profits Switching Rights**, although it will not remove any rights to switch investments from one unit-linked fund to another.
- 9.2 The **Scheme** might conceivably have an impact on people who have **With-Profits Switching Rights** that it does not have on other **Scheme Policyholders**. If they had exercised their **With-Profits Switching Rights** in the future, the value of their **Investment Guarantee** might have increased in value (including any 2.5% or 3.5% guaranteed annual increase) in a way that other **Scheme Policyholders' Investment Guarantees** would not. These potential differences come from the difference between having **With-Profits Switching Rights** and not having them.
- 9.3 The **Uplift** will reflect **Investment Guarantees'** expected value in the future. That applies to all **Scheme Policies**, but for **Scheme Policies** with **With-Profits Switching Rights** that is unlikely in most cases to have any impact on the **Uplift**. That is because almost nobody exercises **With-Profits Switching Rights** and the **Uplift** will take individuals' history of exercising **With-Profits Switching Rights** into account for the purposes of considering **Investment Guarantees'** future value.
- 9.4 We do not think **Scheme Policyholders** who have **With-Profits Switching Rights** need to vote in a separate **Class** from others.
- (a) The **Scheme** will treat them in the same way as other policyholders. It will increase any with-profits **Policy Value** under the relevant **Scheme Policies**, and it will value and where necessary compensate for the value of **Investment Guarantees**.
- (b) Almost all **Scheme Policyholders** who have **With-Profits Switching Rights** have with-profits **Policy Values** which will be increased by the **Uplift**. In that context, removing **With-Profits Switching Rights** is a small part of the proposition to **Scheme Policyholders**.
- (c) The **Scheme** potentially has a different impact on those who have **With-Profits Switching Rights** (i.e., conceivably, removal of an **Investment Guarantee** with a slightly higher value). However, that different impact is expected to arise in almost no cases and in any cases where it does arise the impact will be addressed by the **Uplift** and is expected to be very small.

Appendix 2: Potential distinctions between with-profits policyholders

10. Policyholders who have **With-Profits Switching Rights** but who had no with-profits investments on 31 December 2017 or who have none when the **Scheme** is implemented

- 10.1 A small number of **Scheme Policyholders** who have **With-Profits Switching Rights** either now have no with-profits investments or had none at 31 December 2017. As explained on page 13, investments in the **With-Profits Fund** which were made after 31 December 2017 will not receive an **Uplift**.
- 10.2 All **Scheme Policies** will be assessed in the same way for the purposes of calculating the **Uplift**, and that assessment will include an assessment of the future value of any **Investment Guarantee**. The **Uplift** will take individuals' history of exercising **With-Profits Switching Rights** into account for the purposes of considering **Investment Guarantees'** future value.
- 10.3 These **Scheme Policyholders** are very unlikely to receive any **Uplift**. That is mainly because they have no with-profits investment now, or had none as at 31 December 2017. That means there is no with-profits **Policy Value** which the **Uplift** will increase and there is not currently an **Investment Guarantee** to value and compensate for removal of. Also, as explained at 9.3, it is very unlikely, based on past behaviour in individual cases, that these **Scheme Policies** will be expected ever to have an **Investment Guarantee** to value. Therefore the contractual right to an **Investment Guarantee** if they exercise their **With-Profits Switching Rights** is unlikely to have any value.

10.4 We do not think these **Scheme Policyholders** need to vote in a separate **Class** from others. The **Scheme** will treat them in the same way as other policyholders. It will increase any with-profits entitlements under the relevant **Scheme Policies**. For these **Scheme Policyholders** that would be nil. It will also value and where necessary provide the value of **Investment Guarantees**. For these **Scheme Policyholders** that is very likely to be nil.

11. With-profits policyholders who are "Legacy Scheme Policyholders" under the **Scheme**

- 11.1 Legacy Scheme Policyholders are with-profits policyholders whose policies terminate because the policyholder dies, or the policies mature under their terms without the policyholders having any choice, between the date that the **High Court** orders that the **Scheme** must take effect (i.e. the **Sanction Order**) and the **Implementation Date**.
- 11.2 We expect that about 200 with-profits policyholders will be Legacy Scheme Policyholders. In these circumstances an **Uplift** would be payable but this will not happen through an **Uplift** to their **Policy Value** but, instead, through a one-off payment. The cost of paying the **Uplift** to Legacy Scheme Policyholders is expected to be approximately £1 million (based on an **Uplift** in the range 60% to 70%). That compares with an estimated total **Uplift** of £1.7 billion.

- 11.3 We think it is fair to make the **Uplift** available to people who remain with-profits policyholders up until the **Scheme** becomes effective and who do not then choose to stop being with-profits policyholders. We do not think the fact that a small number of with-profits policyholders will be Legacy Scheme Policyholders prevents all with-profits policyholders from voting together as one **Class**.
- (a) It is impossible to be certain at the time of writing this booklet of the date of the **Second Court Hearing** or who all of the Legacy Scheme Policyholders will be (although we can be reasonably sure in relation to a significant number of those who will become Legacy Scheme Policyholders because their policies mature under their terms, rather than because of death).
- (b) The cost of making the **Uplift** available to Legacy Scheme Policyholders will not be significant compared to the total amount of **Uplift**, and so the “cost” to other with-profits policyholders is very small.
- (c) All with-profits policyholders can consider the main benefits of the **Scheme** together with one another (see page 7) and can equally consider whether they think making the **Uplift** available to Legacy Scheme Policyholders is fair.

12. **With-Profits Policies that are held by trustees of group pension schemes**

- 12.1 Some **With-Profits Policies** are group pension policies held by the relevant pension schemes’ trustees. Each trustee will have a single vote on the **Scheme** in relation to all of their **Scheme Policies**, even if they are held on behalf of more than one pension scheme, unless they choose to split their vote in order to reflect the preferences of the members of the group pension scheme (in which case they will have two).
- 12.2 Group pension scheme trustees’ votes will be valued, and any **Uplifts** applied to their policies will be calculated, on the same models that will apply to all other with-profits policies.
- 12.3 Some with-profits policyholders who are group scheme trustees might lose an **Investment Guarantee** but still owe a specified minimum liability to the members of their pension schemes.
- 12.4 We do not think group pension scheme trustees need to vote in a separate **Class** from other with-profits policyholders. Some of them might consider the **Scheme** less attractive than other with-profits policyholders do. However, their rights against the **Equitable** will be affected by the **Scheme** in the same way as other with-profits policyholders’ rights, and they will receive the same benefits to pass on to individual pension scheme members.

Appendix 2: Potential distinctions between with-profits policyholders

13. Flexible Savings Plans

- 13.1 Flexible Savings Plans are a savings product that allows withdrawals of part or all of a guaranteed fund and also provides life cover. On the 10th anniversary of starting the policy, or on any anniversary after that, the policyholder can withdraw all or part of the guaranteed fund. The total amount available for withdrawal is calculated according to a contractual formula with two important effects. First, the withdrawal benefit at any date includes all premiums which have been paid up to that date. Second, any premiums paid after the first 10 years are treated as if they have been in the fund since the policy was first taken out (and so attract additional bonuses). We expect that this applies only to 200 policyholders.
- 13.2 In effect that means that Flexible Savings Plans entitle their policyholders, once they have had a policy for 10 years or more, to purchase guaranteed with-profits benefits at an advantageous rate. The enhanced allocation will be maintained post **Scheme** although after the **Scheme** is implemented the benefits purchased will be units in a unit-linked fund.
- 13.3 We do not consider that the distinction described above prevents **Scheme Policyholders** who have Flexible Savings Plans from voting in the same **Class** as other **Scheme Policyholders**. That is principally because the **Scheme** will treat these policyholders in exactly the same way as others – i.e. an **Uplift** will be applied to their **Policy Values**, their policies will be converted to unit-linked policies, and any **Investment Guarantees** will be removed.

14. Policies denominated in non-sterling currencies

- 14.1 A small number of **Scheme Policies** were written by the **Equitable's** Guernsey branch and denominated in US dollars or by the **Equitable** in the Republic of Ireland and denominated in euro. If the **Scheme** is implemented, these policies will confer access to a narrower range of unit-linked funds than is available to sterling-denominated **Scheme Policies**. Also (and in contrast to sterling policies), international dollar or euro policies which are pension policies and whose policyholder does not submit an investment choice form will not be placed into a succession of age-related funds but rather will be placed into the "USD Global Equity Fund" or "Irish Managed Fund".
- 14.2 The **Scheme** will treat policyholders with these policies differently from other **Scheme Policyholders**, and will do so because of a difference in their legal rights (i.e. an entitlement to be paid in a currency other than sterling). Nevertheless, we do not think that these distinctions prevent **Scheme Policyholders** with international dollar or euro policies from voting in the same **Class** as other **Scheme Policyholders**. This is because the relevant policyholders will receive the **Uplift** (i.e. the most significant benefit offered under the **Scheme**). Like all of **Equitable's** non-sterling unit-linked policyholders they will have access to a narrower range of funds than sterling policyholders. They can still consider the overall proposition along with other **Scheme Policyholders** because, like all **Scheme Policyholders**, they can choose to transfer their accumulated benefits, including their **Uplift**, to another provider after the **Scheme** has been implemented.

15. Policies governed by Irish law

- 15.1 Some **Scheme Policyholders** are domiciled in Ireland. After the **Scheme** has become effective in accordance with its terms, one or more of these **Scheme Policyholders** might conceivably apply to the Irish Court under Article 45 of the **Brussels Recast Regulation**, asking it to decline to recognise the **Scheme** as against them.
- 15.2 The ultimate outcome might be a ruling that that **Scheme Policyholder** is not bound by the **Scheme**. The legal process could take a number of years and may be referred to the European Court of Justice. If such an application were ultimately successful, that **Scheme Policyholder** would retain all of the rights which they currently have against the **Equitable**, including any **Investment Guarantees**.
- 15.3 The **Scheme** seeks to put **Scheme Policyholders** in a better position than they would be in if the **Scheme** is not implemented, and the outcome of any such application would be uncertain. In the circumstances the **Equitable** has no reason to expect that any Irish **Scheme Policyholders** will make an application to the Irish Court, although it is a possibility. Any **Scheme Policyholder** who is considering applying to the Irish Court should seek their own legal advice.
- 15.4 Because such applications are a possibility, it is possible that, ultimately, the **Scheme** will treat **Scheme Policyholders** with Irish law policies differently from other **Scheme Policyholders** and will do so because of a difference in their legal rights (i.e. their legal rights are controlled by the Irish Court, not the **High Court**). However, we do not think that this prevents those with policies governed by Irish law from voting in the same **Class** as the other **Scheme Policyholders**.
- (a) As explained, we expect that most, if not all, **Scheme Policyholders** with policies governed by Irish law will ultimately be bound by the **Scheme**.
- (b) This possibility of any application under Article 45 of the **Brussels Recast Regulation** is subject to a number of practical and legal uncertainties, which would not be clarified until after the **Scheme** is implemented, and certainly not before the **Policyholders' Meeting**. As such, the possibility of some **Scheme Policyholders** taking that course in the future is a small part of the overall proposition that all **Scheme Policyholders** can consider together.
- (c) Even if it ultimately transpires that **Scheme Policyholders** domiciled in Ireland can avoid being bound by the **Scheme** in this way, this does not fundamentally change the deal that is offered to them as opposed to all other **Scheme Policyholders**. It is simply an potential additional right that they may choose to exercise.

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