THE EQUITABLE LIFE ASSURANCE SOCIETY

Annual FSA Insurance Returns
for the year ended
31 December 2005

Appendices 9.1, 9.3, 9.4, 9.4A & 9.6 from the Interim Prudential Sourcebook for Insurers

Registered Ofce 20 - 22 Bedford Row, London, WC1R 4JS

Covering Sheet to Form 2 **Form 2**

Name of insurer **Equitable Life Assurance Society**

Global business

Financial year ended **31 December 2005**

- **Charles Thomson Chief Executive**

- **Vanni Treves Chairman**

- **Michael Pickard Director**

Date London, 30 March 2006

Form 2

Statement of solvency - long-term insurance business

Name of insurer	**Equitable Life Assurance Society**
Global business	
Financial year ended	**31 December 2005**
Adjusted solo solvency calculation	

	Company registration number	GL/UK/CM	day	month	year	Units
R2	37038	GL	31	12	2005	£000

		As at end of this financial year 1	As at end of the previous year 2
Capital resources			
Capital resources arising within the long-term insurance fund	11	890234	705205
Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund	12		
Capital resources available to cover long-term insurance business capital resources requirement (11+12)	13	890234	705205
Guarantee fund			
Guarantee fund requirement	21	199583	201677
Excess (deficiency) of available capital resources to cover guarantee fund requirement	22	690651	503528
Minimum capital requirement (MCR)			
Long-term insurance capital requirement	31	592658	598771
Resilience capital requirement	32		
Base capital resources requirement	33		
Individual minimum capital requirement	34	592658	598771
Capital requirements of regulated related undertakings	35	2030	2087
Minimum capital requirement (34+35)	36	594688	600858
Excess (deficiency) of available capital resources to cover 50% of MCR	37	426786	249123
Excess (deficiency) of available capital resources to cover 75% of MCR	38	444218	254562
Enhanced capital requirement			
With-profits insurance capital component	39	128463	
Enhanced capital requirement	40	723151	600858
Capital resources requirement (CRR)			
Capital resources requirement (greater of 36 and 40)	41	723151	600858
Excess (deficiency) of available capital resources to cover long-term insurance business CRR (13-41)	42	167083	104347
Contingent liabilities			
Quantifiable contingent liabilities in respect of long-term insurance business as shown in a supplementary note to Form 14	51		

Form 3
(Sheet 1)

Components of capital resources

Name of insurer **Equitable Life Assurance Society**

Global business

Financial year ended **31 December 2005**

	Company registration number	GL/ UK/ CM	day	month	year	Units
R3	37038	GL	31	12	2005	£000

		General insurance business 1	Long-term insurance business 2	Total as at the end of this financial year 3	Total as at the end of the previous year 4
Core tier one capital					
Permanent share capital	11				
Profit and loss account and other reserves	12				
Share premium account	13				
Positive valuation differences	14		722094	722094	
Fund for future appropriations	15				547438
Core tier one capital in related undertakings	16		3934	3934	4125
Core tier one capital (sum of 11 to 16)	19		726028	726028	551563
Tier one waivers					
Unpaid share capital / unpaid initial funds and calls for supplementary contributions	21				
Implicit Items	22				
Tier one waivers in related undertakings	23				
Total tier one waivers as restricted (21+22+23)	24				
Other tier one capital					
Perpetual non-cumulative preference shares as restricted	25				
Perpetual non-cumulative preference shares in related undertakings	26				
Innovative tier one capital as restricted	27				
Innovative tier one capital in related undertakings	28				
Total tier one capital before deductions (19+24+25+26+27+28)	31		726028	726028	551563
Investments in own shares	32				
Intangible assets	33				
Amounts deducted from technical provisions for discounting	34				
Other negative valuation differences	35				
Deductions in related undertakings	36		1898	1898	2011
Deductions from tier one (32 to 36)	37		1898	1898	2011
Total tier one capital after deductions (31-37)	39		724130	724130	549552

Form 3
(Sheet 2)

Components of capital resources

Name of insurer **Equitable Life Assurance Society**

Global business

Financial year ended **31 December 2005**

	Company registration number	GL/ UK/ CM	day	month	year	Units
R3	**37038**	**GL**	**31**	**12**	**2005**	**£000**

Tier two capital

		General insurance business 1	Long-term insurance business 2	Total as at the end of this financial year 3	Total as at the end of the previous year 4
Implicit items, (tier two waivers and amounts excluded from line 22)	**41**				
Perpetual non-cumulative preference shares excluded from line 25	**42**				
Innovative tier one capital excluded from line 27	**43**				
Tier two waivers, innovative tier one capital and perpetual non-cumulative preference shares treated as tier two capital (41 to 43)	**44**				
Perpetual cumulative preference shares	**45**				
Perpetual subordinated debt and securities	**46**		167083	167083	167083
Upper tier two capital in related undertakings	**47**				
Upper tier two capital (44 to 47)	**49**		167083	167083	167083
Fixed term preference shares	**51**				
Other tier two instruments	**52**				
Lower tier two capital in related undertakings	**53**				
Lower tier two capital (51+52+53)	**59**				
Total tier two capital before restrictions (49+59)	**61**		167083	167083	167083
Excess tier two capital	**62**				
Further excess lower tier two capital	**63**				
Total tier two capital after restrictions, before deductions (61-62-63)	**69**		167083	167083	167083

Form 3
(Sheet 3)

Components of capital resources

Name of insurer **Equitable Life Assurance Society**

Global business

Financial year ended **31 December 2005**

	Company registration number	GL/ UK/ CM	day	month	year	Units
R3	**37038**	**GL**	**31**	**12**	**2005**	**£000**

		General insurance business 1	Long-term insurance business 2	Total as at the end of this financial year 3	Total as at the end of the previous year 4
Total capital resources					
Positive adjustments for regulated non-insurance related undertakings	**71**				
Total capital resources before deductions (39+69+71)	**72**		891213	891213	716635
Inadmissible assets other than intangibles and own shares	**73**		979	979	11430
Assets in excess of market risk and counterparty limits	**74**				
Deductions for related ancillary services undertakings	**75**				
Deductions for regulated non-insurance related undertakings	**76**				
Deductions of ineligible surplus capital	**77**				
Total capital resources after deductions (72-73-74-75-76-77)	**79**		890234	890234	705205
Available capital resources for PRU tests					
Available capital resources for guarantee fund requirement	**81**		890234	890234	705205
Available capital resources for 50% MCR requirement	**82**		724130	724130	549552
Available capital resources for 75% MCR requirement	**83**		890234	890234	705205
Financial engineering adjustments					
Implicit items	**91**				
Financial reinsurance - ceded	**92**				
Financial reinsurance - accepted	**93**				
Outstanding contingent loans	**94**				
Any other charges on future profits	**95**				
Sum of financial engineering adjustments (91+92-93+94+95)	**96**				

Form 13
(Sheet 1)

Analysis of admissible assets

Name of insurer **Equitable Life Assurance Society**

Global business

Financial year ended **31 December 2005**

Category of assets **Total long term insurance business assets**

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets
R13	37038	GL	31	12	2005	£000	10

			As at end of this financial year 1	As at end of the previous year 2
Land and buildings		11	710239	806461
Investments in group undertakings and participating interests				
UK insurance dependants	Shares	21	110	122
	Debts and loans	22		
Other insurance dependants	Shares	23		
	Debts and loans	24		
Non-insurance dependants	Shares	25	16738	14062
	Debts and loans	26		5054
Other group undertakings	Shares	27		
	Debts and loans	28		
Participating interests	Shares	29		
	Debts and loans	30		
Other financial investments				
Equity shares		41	215917	415693
Other shares and other variable yield securities		42		
Holdings in collective investment schemes		43	955729	640530
Rights under derivative contracts		44		
Fixed interest securities	Approved	45	7169976	7338808
	Other	46	4903331	4708699
Variable interest securities	Approved	47		7891
	Other	48		
Participation in investment pools		49		
Loans secured by mortgages		50	1586	2119
Loans to public or local authorities and nationalised industries or undertakings		51		
Loans secured by policies of insurance issued by the company		52	1012	1459
Other loans		53		
Bank and approved credit & financial institution deposits	One month or less withdrawal	54	348082	509923
	More than one month withdrawal	55		
Other financial investments		56	380	380
Deposits with ceding undertakings		57		
Assets held to match linked liabilities	Index linked	58	741075	696417
	Property linked	59		

Form 13
(Sheet 2)

Analysis of admissible assets

Name of insurer **Equitable Life Assurance Society**

Global business

Financial year ended **31 December 2005**

Category of assets **Total long term insurance business assets**

	Company registration number	GL/UK/CM	day	month	year	Units	Category of assets
R13	37038	GL	31	12	2005	£000	10

			As at end of this financial year 1	As at end of the previous year 2
Reinsurers' share of technical provisions				
Provision for unearned premiums		60		
Claims outstanding		61		
Provision for unexpired risks		62		
Other		63		
Debtors and salvage				
Direct insurance business	Policyholders	71	29371	31296
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74		
	Ceded	75		1267
Dependants	due in 12 months or less	76	3104	34615
	due in more than 12 months	77		
Other	due in 12 months or less	78	30908	21838
	due in more than 12 months	79		
Other assets				
Tangible assets		80		
Deposits not subject to time restriction on withdrawal with approved institutions		81	9348	15758
Cash in hand		82		
Other assets (particulars to be specified by way of supplementary note)		83		181469
Accrued interest and rent		84	208447	202046
Deferred acquisition costs (general business only)		85		
Other prepayments and accrued income		86	142767	1204
Deductions from the aggregate value of assets		87		
Grand total of admissible assets after deduction of market risk and counterparty limits (11 to 86 less 87)		89	15488120	15637111

Form 13
(Sheet 3)

Analysis of admissible assets

Name of insurer **Equitable Life Assurance Society**

Global business

Financial year ended **31 December 2005**

Category of assets **Total long term insurance business assets**

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets
R13	37038	GL	31	12	2005	£000	10

		As at end of this financial year 1	As at end of the previous year 2
Reconciliation to asset values determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose its external financial reporting			
Total admissible assets after deduction of market risk and counterparty limits (as per line 89 above)	**91**	15488120	15637111
Assets in excess of market and counterparty limits	**92**		
Capital resources requirement deduction of regulated related undertakings	**93**	(2030)	(2087)
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	**94**		
Inadmissable assets of regulated related insurance undertakings	**95**	6	
Book value of related ancilliary services undertakings	**96**		
Other differences in the valuation of assets (other than for assets not valued above)	**97**	2024	13463
Deferred acquisition costs excluded from line 89	**98**		
Reinsurers' share of technical provisions excluded from line 89	**99**	2988632	
Other asset adjustments (may be negative)	**100**	973	
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 100)	**101**	18477725	

Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	**102**	484	440

Form 14

Long term insurance business liabilities and margins

Name of insurer	**Equitable Life Assurance Society**
Global business	
Financial year ended	**31 December 2005**
Total business/Sub fund	**21 ORDINARY LONG TERM**
Units	**£000**

			As at end of this financial year 1	As at end of the previous year 2
Mathematical reserves, after distribution of surplus		11	14425265	14528527
Cash bonuses which had not been paid to policyholders prior to end of the financial year		12		
Balance of surplus/(valuation deficit)		13		
Long term insurance business fund carried forward (11 to 13)		14	14425265	14528527
Claims outstanding	Gross	15	24306	26328
	Reinsurers' share	16		
	Net (15-16)	17	24306	26328
Provisions	Taxation	21	1489	
	Other risks and charges	22	47900	64000
Deposits received from reinsurers		23		
Creditors	Direct insurance business	31	18559	34399
	Reinsurance accepted	32		
	Reinsurance ceded	33	2289	
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions		36	19571	25627
Creditors	Taxation	37	14608	13553
	Other	38	188541	381603
Accruals and deferred income		39	24472	27012
Provision for "reasonably foreseeable adverse variations"		41		
Total other insurance and non-insurance liabilities (17 to 41)		49	341735	572522
Excess of the value of net admissible assets		51	721121	536062
Total liabilities and margins		59	15488120	15637111
Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance		61	10915	196235
Amounts included in line 59 attributable to liabilities in respect of property linked benefits		62		
Total liabilities (11+12+49)		71	14767000	15101049
Increase to liabilities - DAC related		72		
Reinsurers' share of technical provisions		73	2988632	
Other adjustments to liabilities (may be negative)		74	722094	
Capital and reserves and fund for future appropriations		75		
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose its external financial reporting (71 to 75)		76	18477725	

Form 18

With-profits insurance capital component for the fund

Name of insurer	**Equitable Life Assurance Society**
With-profits fund	**21 ORDINARY LONG TERM**
Financial year ended	**31 December 2005**
Units	**£000**

Regulatory excess capital

			As at end of this financial year 1	As at end of the previous year 2
Regulatory value of assets	Long-term admissible assets of the fund	**11**	15488120	15637111
	Implicit items allocated to the fund	**12**		
	Mathematical reserves in respect of non-profit insurance contracts written in the fund	**13**	5364961	5019125
	Long-term admissible assets of the fund covering the long-term insurance capital requirement allocated in respect of non-profit insurance contracts written in the fund	**14**	229419	217148
	Long-term admissible assets of the fund covering the resilience capital requirement allocated in respect of non-profit insurance contracts written in the fund	**15**		
	Total (11+12-(13+14+15))	**19**	9893741	10400838
Regulatory value of liabilities	Mathematical reserves (after distribution of surplus) in respect of the fund's with-profits insurance contracts	**21**	9060304	9509403
	Regulatory current liabilities of the fund	**22**	341735	572522
	Total (21+22)	**29**	9402039	10081925
Long-term insurance capital requirement in respect of the fund's with-profits insurance contracts		**31**	363239	381623
Resilience capital requirement in respect of the fund's with-profits insurance contracts		**32**		
Sum of regulatory value of liabilities, long-term insurance capital requirement and resilience capital requirement (29+31+32)		**39**	9765278	10463548
Regulatory excess capital (19-39)		**49**	128463	(62710)

Realistic excess capital

Realistic excess capital	**51**		200481

Excess assets allocated to with-profits insurance business

Excess (deficiency) of assets allocated to with-profits insurance business in fund (49-51)	**61**	128463	(263191)
Face amount of capital instruments attributed to the fund and included in capital resources (unstressed)	**62**	167083	167083
Realistic amount of capital instruments attributed to the fund and included in capital resources (stressed)	**63**	179527	178518
With-profits insurance capital component for fund (if 62 exceeds 63, greater of 61+62-63 and zero, else greater of 61 and zero)	**64**	128463	

Form 19
(Sheet 1)

Realistic balance sheet

Name of insurer	**Equitable Life Assurance Society**
With-profits fund	**21 ORDINARY LONG TERM**
Financial year ended	**31 December 2005**
Units	**£000**

Realistic value of assets available to the fund

			As at end of this financial year 1	As at end of the previous year 2
Regulatory value of assets		11	9893741	10400838
Implicit items allocated to the fund		12		
Value of shares in subsidiaries held in fund (regulatory)		13		
Excess admissible assets		21		
Present value of future profits (or losses) on non-profit insurance contracts written in the fund		22	239340	321678
Value of derivatives and quasi-derivatives not already reflected in lines 11 to 22		23		
Value of shares in subsidiaries held in fund (realistic)		24		
Prepayments made from the fund		25		
Realistic value of assets of fund (11+21+22+23+24+25-(12+13))		26	10133081	10722516
Support arrangement assets		27		
Assets available to the fund (26+27)		29	10133081	10722516
Realistic value of liabilities of fund				
With-profits benefit reserve		31	8181385	8681972
Future policy related liabilities	Part miscellaneous surplus attributed to with-profits benefits reserve	32		
	Part miscellaneous deficit attributed to with-profits benefits reserve	33		
	Planned enhancements to with-profits benefits reserve	34	667835	
	Planned deductions for the costs of guarantees, options and smoothing from with-profits benefits reserve	35	299705	305508
	Planned deductions for other costs deemed chargeable to with-profits benefits reserve	36	46226	90784
	Future costs of contractual guarantees (other than financial options)	41	846941	705804
	Future costs of non-contractual commitments	42		
	Future costs of financial options	43	10000	10000
	Future costs of smoothing (possibly negative)	44		
	Financing costs	45	10617	15387
	Any other liabilities related to regulatory duty to treat customers fairly	46		
	Other long-term insurance liabilities	47	420500	602500
	Total (32+34+41+42+43+44+45+46+47-(33+35+36))	49	1609961	937399
Realistic current liabilities of the fund		51	341735	572522
Realistic value of liabilities of fund (31+49+51)		59	10133081	10191893

Form 19
(Sheet 2)

Realistic balance sheet

Name of insurer **Equitable Life Assurance Society**

With-profits fund **21 ORDINARY LONG TERM**

Financial year ended **31 December 2005**

Units **£000**

		As at end of this financial year 1	As at end of the previous year 2

Realistic excess capital and additional capital available

		As at end of this financial year 1	As at end of the previous year 2
Value of relevant assets before applying the most adverse scenario other than the present value of future profits arising from business outside with-profits funds	62	10133081	10522035
Amount of present value of future profits (or losses) on long-term insurance contracts written outside the fund included in the value of relevant assets before applying most adverse scenario	63		
Value of relevant assets before applying the most adverse scenario (62+63)	64	10133081	10522035
Risk capital margin for fund (62-59)	65		330142
Realistic excess capital for fund (26-(59+65))	66		200481
Realistic excess available capital for fund (29-(59+65))	67		200481
Working capital for fund (29-59)	68		530623
Working capital ratio for fund (68/29)	69		4.95%

Other assets potentially available if required to cover the fund's risk capital margin

Additional amount potentially available for inclusion in line 62	81		
Additional amount potentially available for inclusion in line 63	82		

Form 40

Long-term insurance business : Revenue account

Name of insurer	**Equitable Life Assurance Society**
Total business / subfund	**21 ORDINARY LONG TERM**
Financial year ended	**31 December 2005**
Units	**£000**

		Financial year 1	Previous year 2
Income			
Earned premiums	**11**	111990	145523
Investment income receivable before deduction of tax	**12**	809548	869876
Increase (decrease) in the value of non-linked assets brought into the account	**13**	407266	365923
Increase (decrease) in the value of linked assets	**14**	57184	42987
Other income	**15**	3413	2051
Total income	**19**	1389401	1426360
Expenditure			
Claims incurred	**21**	1362844	1832062
Expenses payable	**22**	116741	145809
Interest payable before the deduction of tax	**23**	11090	28430
Taxation	**24**	1988	11273
Other expenditure	**25**		
Transfer to (from) non technical account	**26**		
Total expenditure	**29**	1492663	2017574
Business transfers - in	**31**		
Business transfers - out	**32**		
Increase (decrease) in fund in financial year (19-29+31-32)	**39**	(103262)	(591214)
Fund brought forward	**49**	14528527	15119741
Fund carried forward (39+49)	**59**	14425265	14528527

Form 41

Long-term insurance business : Analysis of premiums

Name of insurer	**Equitable Life Assurance Society**
Total business / subfund	**21 ORDINARY LONG TERM**
Financial year ended	**31 December 2005**
Units	**£000**

		UK Life 1	UK Pension 2	Overseas 3	Total Financial year 4	Total Previous year 5
Gross						
Regular premiums	11	52326	65808	4411	122545	149163
Single premiums	12	319	86671	739	87729	125079
Reinsurance - external						
Regular premiums	13	27627	47469	2490	77586	97844
Single premiums	14	(12)	20561	149	20698	30875
Reinsurance - intra-group						
Regular premiums	15					
Single premiums	16					
Net of reinsurance						
Regular premiums	17	24699	18339	1921	44959	51319
Single premiums	18	331	66110	590	67031	94204
Total						
Gross	19	52645	152479	5150	210274	274242
Reinsurance	20	27615	68030	2639	98284	128719
Net	21	25030	84449	2511	111990	145523

Form 42

Long-term insurance business : Analysis of claims

Name of insurer	**Equitable Life Assurance Society**
Total business / subfund	**21 ORDINARY LONG TERM**
Financial year ended	**31 December 2005**
Units	**£000**

		UK Life 1	UK Pension 2	Overseas 3	Total Financial year 4	Total Previous year 5
Gross						
Death or disability lump sums	11	21333	25406	1562	48301	45837
Disability periodic payments	12					
Surrender or partial surrender	13	64043	397626	18790	480459	833341
Annuity payments	14	24287	558917	11205	594409	643346
Lump sums on maturity	15	38969	457150	11824	507943	682069
Total	16	148632	1439099	43381	1631112	2204593
Reinsurance - external						
Death or disability lump sums	21	10975	7245	998	19218	18625
Disability periodic payments	22					
Surrender or partial surrender	23	22013	183363	5581	210957	306253
Annuity payments	24	176	2842	(5)	3013	3336
Lump sums on maturity	25	2942	32040	98	35080	44317
Total	26	36106	225490	6672	268268	372531
Reinsurance - intra-group						
Death or disability lump sums	31					
Disability periodic payments	32					
Surrender or partial surrender	33					
Annuity payments	34					
Lump sums on maturity	35					
Total	36					
Net of reinsurance						
Death or disability lump sums	41	10358	18161	564	29083	27212
Disability periodic payments	42					
Surrender or partial surrender	43	42030	214263	13209	269502	527088
Annuity payments	44	24111	556075	11210	591396	640010
Lump sums on maturity	45	36027	425110	11726	472863	637752
Total	46	112526	1213609	36709	1362844	1832062

Form 43

Long-term insurance business : Analysis of expenses

Name of insurer	**Equitable Life Assurance Society**
Total business / subfund	**21 ORDINARY LONG TERM**
Financial year ended	**31 December 2005**
Units	**£000**

		UK Life 1	UK Pension 2	Overseas 3	Total Financial year 4	Total Previous year 5
Gross						
Commission - acquisition	11					
Commission - other	12					
Management - acquisition	13		484		484	532
Management - maintenance	14	2829	51203	1221	55253	69882
Management - other	15	2563	57357	1084	61004	75395
Total	16	5392	109044	2305	116741	145809
Reinsurance - external						
Commission - acquisition	21					
Commission - other	22					
Management - acquisition	23					
Management - maintenance	24					
Management - other	25					
Total	26					
Reinsurance - intra-group						
Commission - acquisition	31					
Commission - other	32					
Management - acquisition	33					
Management - maintenance	34					
Management - other	35					
Total	36					
Net of reinsurance						
Commission - acquisition	41					
Commission - other	42					
Management - acquisition	43		484		484	532
Management - maintenance	44	2829	51203	1221	55253	69882
Management - other	45	2563	57357	1084	61004	75395
Total	46	5392	109044	2305	116741	145809

Form 46

Long-term insurance business : Summary of new business

Name of insurer	**Equitable Life Assurance Society**
Total business	
Financial year ended	**31 December 2005**
Units	**£000**

		UK Life 1	UK Pension 2	Overseas 3	Total Financial year 4	Total Previous year 5
Number of new policyholders/ scheme members for direct insurance business						
Regular premium business	**11**	12			12	
Single premium business	**12**	20	2736	25	2781	
Total	**13**	32	2736	25	2793	
Amount of new regular premiums						
Direct insurance business	**21**	16	12260	379	12654	
External reinsurance	**22**					
Intra-group reinsurance	**23**					
Total	**24**	16	12260	379	12654	
Amount of new single premiums						
Direct insurance business	**25**	331	86536	798	87664	
External reinsurance	**26**					
Intra-group reinsurance	**27**					
Total	**28**	331	86536	798	87664	

Form 47

Long-term insurance business : Analysis of new business

Name of insurer	**Equitable Life Assurance Society**
Total business	
Financial year ended	**31 December 2005**
Units	**£000**
UK Life / Direct Insurance Business	

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
100	Conventional whole life with-profits OB	3	10		
325	Level term assurance	7	3		
395	Annuity non-profit (PLA)			20	319
500	Life UWP single premium				3
510	Life UWP endowment regular premium - savings		1		8
700	Life property linked single premium				0
715	Life property linked endowment regular premium - savings	2	2		

Form 47

Long-term insurance business : Analysis of new business

Name of insurer	**Equitable Life Assurance Society**
Total business	
Financial year ended	**31 December 2005**
Units	**£000**
UK Pension / Direct Insurance Business	

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
200	Annuity with-profits (CPA)			2	9
380	Miscellaneous protection rider		22		
390	Deferred annuity non-profit			15	375
400	Annuity non-profit (CPA)			1726	21766
545	Individual deposit administration with-profits		973	145	32322
555	Group deposit administration with-profits		718	278	12358
725	Individual pensions property linked		8521	74	15061
735	Group money purchase pensions property linked		2026	349	2126
750	Income drawdown property linked			2	221
905	Index linked annuity			145	2298

Form 47

Long-term insurance business : Analysis of new business

Name of insurer	**Equitable Life Assurance Society**
Total business	
Financial year ended	**31 December 2005**
Units	**£000**
Overseas / Direct Insurance Business	

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
395	Annuity non-profit (PLA)			14	481
400	Annuity non-profit (CPA)			9	143
500	Life UWP single premium		0		6
510	Life UWP endowment regular premium - savings		1		0
545	Individual deposit administration with-profits		16		17
555	Group deposit administration with-profits		4		
715	Life property linked endowment regular premium - savings		5	1	104
725	Individual pensions property linked		235	1	47
735	Group money purchase pensions property linked		119		

Form 48

Long-term insurance business : Non- linked assets

Name of insurer	**Equitable Life Assurance Society**
Category of assets	**10 Total long term insurance business assets**
Financial year ended	**31 December 2005**
Units	**£000**

		Unadjusted assets 1	Economic exposure 2	Expected income from assets in column 2 3	Yield before adjustment 4	Return on assets in financial year 5
Assets backing non-profit liabilities and non-profit capital requirements						
Land and buildings	**11**					
Approved fixed interest securities	**12**	2181068	2181068	107733	4.15	
Other fixed interest securities	**13**	2548690	2548690	121943	4.78	
Variable interest securites	**14**					
UK listed equity shares	**15**					
Non-UK listed equity shares	**16**					
Unlisted equity shares	**17**					
Other assets	**18**	93905	93905			
Total	**19**	4823662	4823662	229677	4.40	
Assets backing with-profits liabilities and with-profits capital requirements						
Land and buildings	**21**	710239	1512820	65576	4.33	16.75
Approved fixed interest securities	**22**	5086325	5086325	301607	4.18	6.63
Other fixed interest securities	**23**	2450398	2451324	147685	4.76	9.64
Variable interest securites	**24**					
UK listed equity shares	**25**	55933	130019	357	0.27	15.58
Non-UK listed equity shares	**26**	14639	64315	2860	4.45	41.58
Unlisted equity shares	**27**	162194	166481	162	0.10	87.19
Other assets	**28**	1443657	512101	276	0.05	3.97
Total	**29**	9923384	9923384	518524	4.02	10.47
Overall return on with-profits assets						
Post investment costs but pre-tax	**31**					9.68
Return allocated to non taxable 'asset shares'	**32**					4.50
Return allocated to taxable 'asset shares'	**33**					3.60

Form 49

Long-term insurance business : Fixed and variable interest assets

Name of insurer	**Equitable Life Assurance Society**
Category of assets	**10 Total long term insurance business assets**
Financial year ended	**31 December 2005**
Units	**£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	**11**	6477725	6.32	4.17	4.17
Other approved fixed interest securities	**21**	789668	6.57	4.18	4.13
Other fixed interest securities					
AAA/Aaa	**31**	1887553	11.02	4.70	4.53
AA/Aa	**32**	1218027	10.87	4.80	4.47
A/A	**33**	1689171	9.57	4.99	4.56
BBB/Baa	**34**	154296	6.27	5.53	4.45
BB/Ba	**35**	12451	6.91	12.77	7.98
B/B	**36**	10189	0.46	5.99	(4.38)
CCC/Caa	**37**				
Other (including unrated)	**38**	28327	23.16	(14.57)	(14.57)
Total other fixed interest securities	**39**	5000014	10.38	4.76	4.40
Approved variable interest securities	**41**				
Other variable interest securites	**51**				
Total (11+21+39+41+51)	**61**	12267407	7.99	4.41	4.26

Form 50

Long-term insurance business : Summary of mathematical reserves

Name of insurer	**Equitable Life Assurance Society**
Total business / subfund	**21 ORDINARY LONG TERM**
Financial year ended	**31 December 2005**
Units	**£000**

		UK Life 1	UK Pension 2	Overseas 3	Total Financial year 4	Total Previous year 5
Gross						
Form 51 - with-profits	**11**	200369	1725845	37887	1964100	
Form 51 - non-profit	**12**	77220	4760928	121944	4960091	
Form 52	**13**	338844	6692977	102401	7134223	
Form 53 - linked	**14**	210534	2291030	61419	2562983	
Form 53 - non-linked	**15**	2052	28960	642	31654	
Form 54 - linked	**16**	17960	728852		746812	
Form 54 - non-linked	**17**	257	13768		14025	
Total	**18**	847235	16242360	324294	17413888	
Reinsurance - external						
Form 51 - with-profits	**21**	169		39	208	
Form 51 - non-profit	**22**	23784	317227	8289	349300	
Form 52	**23**	82	37763	1	37846	
Form 53 - linked	**24**	210534	2291030	61419	2562983	
Form 53 - non-linked	**25**	2052	28960	642	31654	
Form 54 - linked	**26**	128	5608		5737	
Form 54 - non-linked	**27**		931		931	
Total	**28**	236748	2681520	70391	2988658	
Reinsurance - intra-group						
Form 51 - with-profits	**31**					
Form 51 - non-profit	**32**					
Form 52	**33**					
Form 53 - linked	**34**					
Form 53 - non-linked	**35**					
Form 54 - linked	**36**					
Form 54 - non-linked	**37**					
Total	**38**					
Net of reinsurance						
Form 51 - with-profits	**41**	200200	1725845	37848	1963892	
Form 51 - non-profit	**42**	53436	4443701	113655	4610792	
Form 52	**43**	338763	6655214	102400	7096377	
Form 53 - linked	**44**					
Form 53 - non-linked	**45**					
Form 54 - linked	**46**	17832	723244		741075	
Form 54 - non-linked	**47**	257	12837		13093	
Total	**48**	610487	13560840	253903	14425230	

Form 51
(Sheet 1)

Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profits contracts)

Name of insurer **Equitable Life Assurance Society**

Total business / subfund **21 ORDINARY LONG TERM**

Financial year ended **31 December 2005**

Units **£000**

UK Life / Gross

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
100	Conventional whole life with-profits OB	2715	60778	1734				22374
120	Conventional endowment with-profits OB savings	8439	78518	5683				58361
125	Conventional endowment with-profits OB target cash	6893	180000	3827				71984
165	Conventional deferred annuity with-profits	626	2753	13				7524
195	Annuity with-profits (PLA)	2885	6450					36580
205	Miscellaneous conventional with-profits		221					712
210	Additional reserves with-profits OB							2834
300	Regular premium non-profit WL/EA OB	594	6853	121				3825
315	Individual deposit administration non-profit	272	1479	8				2618
325	Level term assurance	50599	3875428	10202				10366
330	Decreasing term assurance	20508	1104738	3396				366
390	Deferred annuity non-profit	116	250	1				196
395	Annuity non-profit (PLA)	3247	11781					57617
435	Miscellaneous non-profit	7209	1002043	1490				2231
440	Additional reserves non-profit OB							

Form 51
(Sheet 1)

Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profits contracts)

Name of insurer	**Equitable Life Assurance Society**
Total business / subfund	**21 ORDINARY LONG TERM**
Financial year ended	**31 December 2005**
Units	**£000**
UK Life / Reinsurance ceded external	

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
100	Conventional whole life with-profits OB		93	0				66
205	Miscellaneous conventional with-profits		1898	103				103
300	Regular premium non-profit WL/EA OB		6853	121				3825
315	Individual deposit administration non-profit		1479	8				2618
325	Level term assurance		3875428	10202				10366
330	Decreasing term assurance		1104738	3396				366
390	Deferred annuity non-profit		250	1				196
395	Annuity non-profit (PLA)		718					4181
435	Miscellaneous non-profit		1002043	1490				2231

Form 51

Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profits contracts)

Name of insurer	**Equitable Life Assurance Society**
Total business / subfund	**21 ORDINARY LONG TERM**
Financial year ended	**31 December 2005**
Units	**£000**
UK Pension / Gross	

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
155	Conventional pensions endowment with-profits	714	3120	56				2467
165	Conventional deferred annuity with-profits	519	2516	22				6842
200	Annuity with-profits (CPA)	58951	177197					1671536
210	Additional reserves with-profits OB							45000
315	Individual deposit administration non-profit	428	2246	16				3342
325	Level term assurance	10984	651774	1819				7215
330	Decreasing term assurance	850	25445	101				40
380	Miscellaneous protection rider		2151972	6965				10907
390	Deferred annuity non-profit	5024	13289	1				256630
400	Annuity non-profit (CPA)	126585	300224					4479298
435	Miscellaneous non-profit	3880	269357	676				3497
440	Additional reserves non-profit OB							

Form 51

Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profits contracts)

Name of insurer	**Equitable Life Assurance Society**
Total business / subfund	**21 ORDINARY LONG TERM**
Financial year ended	**31 December 2005**
Units	**£000**
UK Pension / Reinsurance ceded external	

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
315	Individual deposit administration non-profit		2246	16				3342
325	Level term assurance		651774	1819				7215
330	Decreasing term assurance		25445	101				40
380	Miscellaneous protection rider		2151972	6965				10907
390	Deferred annuity non-profit		13289	1				256630
400	Annuity non-profit (CPA)		2329					35597
435	Miscellaneous non-profit		269357	676				3497

Form 51

Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profits contracts)

Name of insurer	**Equitable Life Assurance Society**
Total business / subfund	**21 ORDINARY LONG TERM**
Financial year ended	**31 December 2005**
Units	**£000**
Overseas / Gross	

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
195	Annuity with-profits (PLA)	636	3228					21626
200	Annuity with-profits (CPA)	287	1846					16197
205	Miscellaneous conventional with-profits	34	2010	16				64
210	Additional reserves with-profits OB							
325	Level term assurance	2044	202561	630				566
330	Decreasing term assurance	1675	96780	296				14
380	Miscellaneous protection rider		11359	86				224
390	Deferred annuity non-profit	240	1948					7525
395	Annuity non-profit (PLA)	192	1056					11810
400	Annuity non-profit (CPA)	1235	6013					101804
440	Additional reserves non-profit OB							

Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profits contracts)

Name of insurer **Equitable Life Assurance Society**

Total business / subfund **21 ORDINARY LONG TERM**

Financial year ended **31 December 2005**

Units **£000**

Overseas / Reinsurance ceded external

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
205	Miscellaneous conventional with-profits		1020	7				39
325	Level term assurance		202561	630				566
330	Decreasing term assurance		96780	296				14
380	Miscellaneous protection rider		10952	68				168
390	Deferred annuity non-profit		1948					7525
400	Annuity non-profit (CPA)		5					15

Form 52

Long-term insurance business : Valuation summary of accumulating with-profits contracts

Name of insurer **Equitable Life Assurance Society**

Total business / subfund **21 ORDINARY LONG TERM**

Financial year ended **31 December 2005**

Units **£000**

UK Life / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
500	Life UWP single premium	7527	94677		90955	89610	2150	91760
510	Life UWP endowment regular premium - savings	27176	527496	9267	229772	211760	9755	221515
555	Group deposit administration with-profits	3	12		12	12	1	12
575	Miscellaneous UWP	2670	1958	902	1958	970	102	1072
610	Additional reserves UWP						24485	24485

Form 52

Long-term insurance business : Valuation summary of accumulating with-profits contracts

Name of insurer **Equitable Life Assurance Society**

Total business / subfund **21 ORDINARY LONG TERM**

Financial year ended **31 December 2005**

Units **£000**

UK Life / Reinsurance ceded external

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
510	Life UWP endowment regular premium - savings		29963				6	6
575	Miscellaneous UWP		205459				75	75

Form 52

Long-term insurance business : Valuation summary of accumulating with-profits contracts

Name of insurer **Equitable Life Assurance Society**

Total business / subfund **21 ORDINARY LONG TERM**

Financial year ended **31 December 2005**

Units **£000**

UK Pension / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
535	Group money purchase pensions UWP		37030		37030	37030	733	37763
545	Individual deposit administration with-profits	193639	3919419		3928281	3758781	310291	4069072
555	Group deposit administration with-profits	234651	1773566		1773566	1732122	186091	1918214
570	Income drawdown UWP	5191	255891		255891	255891		255891
571	Trustee investment plan UWP	7	1827		1827	1543	15	1557
610	Additional reserves UWP						410481	410481

Form 52

Long-term insurance business : Valuation summary of accumulating with-profits contracts

Name of insurer	**Equitable Life Assurance Society**
Total business / subfund	**21 ORDINARY LONG TERM**
Financial year ended	**31 December 2005**
Units	**£000**
UK Pension / Reinsurance ceded external	

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
535	Group money purchase pensions UWP		37030		37030	37030	733	37763

Long-term insurance business : Valuation summary of accumulating with-profits contracts

Name of insurer	**Equitable Life Assurance Society**
Total business / subfund	**21 ORDINARY LONG TERM**
Financial year ended	**31 December 2005**
Units	**£000**
Overseas / Gross	

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
500	Life UWP single premium	616	10197		10197	10068	141	10209
510	Life UWP endowment regular premium - savings	1662	47433	1028	24492	24149	221	24370
545	Individual deposit administration with-profits - Deferred annuity	957	13173	1084	13173	13173	0	13173
545	Individual deposit administration with-profits	2105	34961		34961	31357	5710	37066
555	Group deposit administration with-profits	1351	12658		12658	10721	6101	16822
570	Income drawdown UWP	13	759		759	759		759
575	Miscellaneous UWP	2	24	0	1	0	1	2
610	Additional reserves UWP							

Form 52

Long-term insurance business : Valuation summary of accumulating with-profits contracts

Name of insurer	**Equitable Life Assurance Society**
Total business / subfund	**21 ORDINARY LONG TERM**
Financial year ended	**31 December 2005**
Units	**£000**
Overseas / Reinsurance ceded external	

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
510	Life UWP endowment regular premium - savings		7269				1	1
575	Miscellaneous UWP		24				0	0

Form 53

Long-term insurance business : Valuation summary of property linked contracts

Name of insurer **Equitable Life Assurance Society**

Total business / subfund **21 ORDINARY LONG TERM**

Financial year ended **31 December 2005**

Units **£000**

UK Life / Gross

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
700	Life property linked single premium	1703	52025		52332	52332	250	52583
710	Life property linked whole life regular premium	1014	17204	174	17715	17715	171	17886
715	Life property linked endowment regular premium - savings	7008	215111	8947	138506	138506	1526	140032
735	Group money purchase pensions property linked	2	6		6	6		6
795	Miscellaneous property linked	553	42898	170	1974	1974	105	2078

Form 53

Long-term insurance business : Valuation summary of property linked contracts

Name of insurer **Equitable Life Assurance Society**

Total business / subfund **21 ORDINARY LONG TERM**

Financial year ended **31 December 2005**

Units **£000**

UK Life / Reinsurance ceded external

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
700	Life property linked single premium		52025		52332	52332	250	52583
710	Life property linked whole life regular premium		17204	174	17715	17715	171	17886
715	Life property linked endowment regular premium - savings		215111	8947	138506	138506	1526	140032
735	Group money purchase pensions property linked		6		6	6		6
795	Miscellaneous property linked		42898	170	1974	1974	105	2078

Form 53

Long-term insurance business : Valuation summary of property linked contracts

Name of insurer **Equitable Life Assurance Society**

Total business / subfund **21 ORDINARY LONG TERM**

Financial year ended **31 December 2005**

Units **£000**

UK Pension / Gross

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
725	Individual pensions property linked	107261	1651826		1651658	1651658	17905	1669563
735	Group money purchase pensions property linked	125962	540377		540377	540377	10721	551098
750	Income drawdown property linked	1189	59675		59675	59675	49	59724
755	Trustee investment plan	5	319		319	319		319
795	Miscellaneous property linked	1027	3120		39001	39001	285	39286

Form 53

Long-term insurance business : Valuation summary of property linked contracts

Name of insurer **Equitable Life Assurance Society**

Total business / subfund **21 ORDINARY LONG TERM**

Financial year ended **31 December 2005**

Units **£000**

UK Pension / Reinsurance ceded external

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
725	Individual pensions property linked		1651826		1651658	1651658	17905	1669563
735	Group money purchase pensions property linked		540377		540377	540377	10721	551098
750	Income drawdown property linked		59675		59675	59675	49	59724
755	Trustee investment plan		319		319	319		319
795	Miscellaneous property linked		3120		39001	39001	285	39286

Form 53

Long-term insurance business : Valuation summary of property linked contracts

Name of insurer **Equitable Life Assurance Society**

Total business / subfund **21 ORDINARY LONG TERM**

Financial year ended **31 December 2005**

Units **£000**

Overseas / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
700	Life property linked single premium	49	750		731	731	14	745
715	Life property linked endowment regular premium - savings	1169	27346	157	22300	22300	73	22374
725	Individual pensions property linked	1633	22468		22468	22468	487	22955
735	Group money purchase pensions property linked	526	11706		11706	11706	24	11729
750	Income drawdown property linked	4	361		361	361	0	361
795	Miscellaneous property linked	280	3854	254	3854	3854	44	3898

Form 53

Long-term insurance business : Valuation summary of property linked contracts

Name of insurer **Equitable Life Assurance Society**

Total business / subfund **21 ORDINARY LONG TERM**

Financial year ended **31 December 2005**

Units **£000**

Overseas / Reinsurance ceded external

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
700	Life property linked single premium		750		731	731	14	745
715	Life property linked endowment regular premium - savings		27346	157	22300	22300	73	22374
725	Individual pensions property linked		22468		22468	22468	487	22955
735	Group money purchase pensions property linked		11706		11706	11706	24	11729
750	Income drawdown property linked		361		361	361	0	361
795	Miscellaneous property linked		3854	254	3854	3854	44	3898

Form 54

Long-term insurance business : Valuation summary of index linked contracts

Name of insurer **Equitable Life Assurance Society**

Total business / subfund **21 ORDINARY LONG TERM**

Financial year ended **31 December 2005**

Units **£000**

UK Life / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
900	Life index linked single premium		77		77	77		77
905	Index linked annuity	280	1223		17832	17832	257	18088
910	Miscellaneous index linked		51	0	51	51		51

Form 54

Long-term insurance business : Valuation summary of index linked contracts

Name of insurer	**Equitable Life Assurance Society**
Total business / subfund	**21 ORDINARY LONG TERM**
Financial year ended	**31 December 2005**
Units	**£000**
UK Life / Reinsurance ceded external	

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
900	Life index linked single premium		77		77	77		77
910	Miscellaneous index linked		51	0	51	51		51

Form 54

Long-term insurance business : Valuation summary of index linked contracts

Name of insurer	**Equitable Life Assurance Society**
Total business / subfund	**21 ORDINARY LONG TERM**
Financial year ended	**31 December 2005**
Units	**£000**
UK Pension / Gross	

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
905	Index linked annuity	14907	40727		724910	724910	12849	737759
910	Miscellaneous index linked	16	3942		3942	3942	919	4861
915	Additional reserves index linked							

Form 54

Long-term insurance business : Valuation summary of index linked contracts

Name of insurer	**Equitable Life Assurance Society**
Total business / subfund	**21 ORDINARY LONG TERM**
Financial year ended	**31 December 2005**
Units	**£000**
UK Pension / Reinsurance ceded external	

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
905	Index linked annuity		72		1667	1667	12	1678
910	Miscellaneous index linked		3942		3942	3942	919	4861

Form 56

Long-term insurance business : Index linked business

Name of insurer	**Equitable Life Assurance Society**
Total business	
Financial year ended	**31 December 2005**
Units	**£000**

Type of assets and liabilities	Name of index link 1	Value of assets or liabilities 2	Gross derivative value 3
Index linked securities	Retail Price Index	741075	
Total assets		741075	
Total liabilities			
Net total assets		741075	

Form 57
(Sheet 1)

Long-term insurance business: analysis of valuation interest rate

Name of insurer **Equitable Life Assurance Society**

Total business **21 ORDINARY LONG TERM**

Financial year ended **31 December 2005**

Units **£000**

Product group 1	Net mathematical reserves 2	Net valuation interest rate 3	Gross valuation interest rate 4	Risk adjusted yield on matching assets 5
UK L&G Form 51 With Profits Policies - deferred annuities and annuities in payment	44156	3.70	3.70	4.38
UK L&G Form 51 With Profits Policies - other	156044	3.00	3.70	4.38
UK L&G Form 51 Non-Profit annuities in payment post 1991	30000	3.70	4.20	4.31
UK L&G Form 51 Non-Profit annuities in payment pre 1992	23436	4.20	4.20	4.31
UK L&G Form 52 With Profits Policies (net)	335663	3.00	3.70	4.38
UK L&G Form 52 With Profits Policies (gross)	3100	3.70	3.70	4.38
UK L&G Form 54 Annuity in payment - Index Linked post 1991	15573	1.25	1.50	1.58
UK L&G Form 54 Annuity in payment - Index Linked pre 1992	2515	1.50	1.50	1.58
UK Pens Form 51 With Profits Policies	1725845	3.70	3.70	4.38
UK Pens Form 51 Non Profit annuity in payment	4443701	4.20	4.20	4.31
UK Pens Form 52 With Profits Policies	6399323	3.70	3.70	4.38
UK Pens Form 52 With Profits - managed pensions etc	255891			3.78
UK Pens Form 54 Annuity in payment - Index Linked	736080	1.50	1.50	1.58
OS L&G Form 51 With Profits Policies - annuities in payment	20900	3.70	3.70	4.38
OS L&G Form 51 With Profits Policies - other	755	3.00	3.70	4.38
OS L&G Form 51 Non Profit annuities in payment	11865	4.20	4.20	4.31
OS L&G Form 52 With Profits Policies (net)	13967	3.00	3.70	4.38
OS L&G Form 52 With Profits Policies (gross)	14704	3.70	3.70	4.38
OS L&G Form 52 With Profits - Miscellaneous	20009			4.38
Total				

Form 57
(Sheet 2)

Long-term insurance business: analysis of valuation interest rate

Name of insurer **Equitable Life Assurance Society**

Total business **21 ORDINARY LONG TERM**

Financial year ended **31 December 2005**

Units **£000**

Product group 1	Net mathematical reserves 2	Net valuation interest rate 3	Gross valuation interest rate 4	Risk adjusted yield on matching assets 5
OS Pens Form 51 With Profit Policies	16197	3.70	3.70	4.38
OS Pens Form 51 Non Profit annuities in payment	101789	4.20	4.20	4.31
OS Pens Form 52 With Profit Policies (gross)	53654	3.70	3.70	4.38
OS Pens Form 52 With Profit Policies (net)	98	3.00	3.70	4.38
Total	14425265			

Form 58

Long-term insurance business : Distribution of surplus

Name of insurer	**Equitable Life Assurance Society**
Total business / subfund	**21 ORDINARY LONG TERM**
Financial year ended	**31 December 2005**
Units	**£000**

		Financial year 1	Previous year 2
Valuation result			
Fund carried forward	**11**	14425265	14528527
Bonus payments in anticipation of a surplus	**12**	37922	57248
Transfer to non-technical account	**13**		
Transfer to other funds / parts of funds	**14**		
Subtotal (11 to 14)	**15**	14463187	14585775
Mathematical reserves	**21**	14425230	14528459
Surplus including contingency and other reserves held towards the solvency margin (deficiency) (15-21)	**29**	37957	57316
Composition of surplus			
Balance brought forward	**31**		
Transfer from non-technical account	**32**		
Transfer from other funds / parts of fund	**33**		
Surplus arising since the last valuation	**34**	37957	57317
Total	**39**	37957	57317
Distribution of surplus			
Bonus paid in anticipation of a surplus	**41**	37922	57248
Cash bonuses	**42**		
Reversionary bonuses	**43**	35	68
Other bonuses	**44**		
Premium reductions	**45**		
Total allocated to policyholders (41 to 45)	**46**	37957	57316
Net transfer out of fund / part of fund	**47**		
Total distributed surplus (46+47)	**48**	37957	57316
Surplus carried forward	**49**		
Total (48+49)	**59**	37957	57316
Percentage of distributed surplus allocated to policyholders			
Current year	**61**	100.00	100.00
Current year - 1	**62**	100.00	100.00
Current year - 2	**63**	100.00	100.00
Current year - 3	**64**	100.00	100.00

Form 59A

Long-term insurance business : With-profits payouts on maturity (normal retirement)

Name of insurer **Equitable Life Assurance Society**

Original insurer

Date of maturity value / open market option **1 March 2006**

Category of with-profits policy	Original term (years)	Maturity value / open market option	Terminal bonus	MVA	CWP / UWP	MVA permitted?	Death benefit
1	2	3	4	5	6	7	8
Endowment assurance	10	6103	44	n/a	CWP	N	6103
Endowment assurance	15	11242	299	n/a	CWP	N	11242
Endowment assurance	20	20335	1812	n/a	CWP	N	20335
Endowment assurance	25	40594	11388	n/a	CWP	N	40594
Regular premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Regular premium pension	10	27729	0	n/a	UWP	N	27729
Regular premium pension	15	49435	0	n/a	UWP	N	49435
Regular premium pension	20	95506	609	n/a	UWP	N	95506
Single premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	10	14995	0	n/a	UWP	N	14995
Single premium pension	15	22090	0	n/a	UWP	N	22090
Single premium pension	20	52484	9462	n/a	UWP	N	52484

Form 59B

Long-term insurance business : With-profits payouts on surrender

Name of insurer **Equitable Life Assurance Society**

Original insurer

Date of surrender value **1 March 2006**

Category of with-profits policy 1	Duration at surrender (years) 2	Surrender value 3	Terminal bonus 4	MVA 5	CWP / UWP 6	MVA permitted? 7	Death benefit 8
Endowment assurance	5	n/a	n/a	n/a	n/a	n/a	n/a
Endowment assurance	10	4800	0	n/a	CWP	Y	16569
Endowment assurance	15	9620	0	n/a	CWP	Y	19974
Endowment assurance	20	17673	0	n/a	CWP	Y	26245
With-profits bond	2	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	3	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	5	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	10	12138	0	n/a	UWP	Y	13352
Single premium pension	2	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	3	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	10	12055	0	1048	UWP	Y	14995

Form 60

Long-term insurance capital requirement

Name of insurer **Equitable Life Assurance Society**

Global business

Financial year ended **31 December 2005**

Units **£000**

		LTICR factor	Gross reserves / capital at risk	Net reserves / capital at risk	Reinsurance factor	LTICR Financial year	LTICR Previous year
		1	2	3	4	5	6
Insurance death risk capital component							
Classes I, II and IX	11	0.1%					
Classes I, II and IX	12	0.15%			0.50		
Classes I, II and IX	13	0.3%	10155142	514570		15233	17215
Classes III, VII and VIII	14	0.3%	81527		0.50	122	147
Total	15		10236668	514570		15355	17362
Insurance health risk capital component							
Class IV and supplementary classes 1 and 2	21					58	52
Insurance expense risk capital component							
Classes I, II and IX	31	1%	14058374	13671096	0.97	136711	138221
Classes III, VII and VIII (investment risk)	32	1%	789398	754169	0.96	7542	7065
Classes III, VII and VIII (expenses fixed 5 yrs +)	33	1%	27197		0.85	231	213
Classes III, VII and VIII (other)	34	25%					
Class IV	35	1%	89		0.85	1	1
Class V	36	1%					
Class VI	37	1%					
Total	38					144485	145499
Insurance market risk capital component							
Classes I, II and IX	41	3%	14058374	13671096	0.97	410133	414662
Classes III, VII and VIII (investment risk)	42	3%	789398	754169	0.96	22625	21194
Classes III, VII and VIII (expenses fixed 5 yrs +)	43	0%	27197				
Classes III, VII and VIII (other)	44	0%	2538866				
Class IV	45	3%	89		0.85	2	2
Class V	46	0%					
Class VI	47	3%					
Total	48		17413923	14425265		432760	435858
Long term insurance capital requirement	51					592658	598771

RETURNS UNDER INSURANCE COMPANIES LEGISLATION

THE EQUITABLE LIFE ASSURANCE SOCIETY

FINANCIAL YEAR END 31 DECEMBER 2005

SUPPLEMENTARY NOTES TO THE RETURN

0301 Net Admissible Assets and Capital Resources

Valuation differences between assets in Form 3 and assets in Forms 13 and 14 are illustrated below:

Description	Reference	£000
Net Admissible Assets	Form 13 Line 89	15,488,120
Mathematical Reserves	Form 14 Line 11	(14,425,265)
Other Insurance Liabilities	Form 14 Line 49	(341,734)
Subordinated Debt	Explained below [1]	167,083
Group Resources	Explained below [2]	2,030
Total Capital Resources	**Form 3 Line 79**	**890,234**

[1] The Secretary of State for Trade and Industry, in exercise of her powers under section 68 of the Insurance Companies Act 1982, and on the application of the Society, made an Order on 19 August 1997 enabling the Society to disregard, for the purposes of rule 7.2.16R of the Integrated Prudential Sourcebook for Insurers (PRU), amounts owing to Equitable Life Finance PLC under a loan agreement dated 4 August 1997 up to an amount not exceeding 50% of the Company's required margin of solvency. The implication of this order is that the subordinated amount due to Equitable Life Finance PLC, £167m, can be treated by the Society as Tier Two capital in line 46 of Form 3, under transitional provisions set out in the Supervision Manual PRU. As the liability is recorded within line 38 of Form 14 this balance is required as a reconciling item above.

[2] Firms with “participating insurance undertakings” are required to calculate capital resources, disclosed on Form 3, in line with an adjusted solo-solvency calculation as defined by the Prudential Sourcebook for Insurers (PRU). The net impact of complying with this rule is that the Society’s capital resources include the capital requirement of the University Life Assurance Society. This increase in resources is not matched by a similar increase in assets on Form 13 and hence is included as a reconciling item above.

0310 Positive Valuation Difference

The positive valuation difference detailed in line 14 represents the difference between the value of with-profits liabilities as valued in accordance with PRU 7.3 and the value of with-profits liabilities that the Society has used in its external financial reporting to comply with FRS 27 and Institute of Actuaries guidance note 45 (section 3.3.3.2 relevant to closed funds).

1308 Aggregate Values

The aggregate value of unlisted investments falling within lines 41, 42 , 46 or 48 which have been valued in accordance with PRU rule 1.3 is £1,030.2m (2004: £928.9m).

The aggregate value of listed investments falling within lines 41, 42, 46 or 48 which have been valued in accordance with PRU rule 1.3 and which are not readily realisable is £0.3m (2004: £5.0m).

The aggregate value of investments in collective investment schemes in line 43 that are not schemes falling within the UCITs Directive are £144.6m. (2004: £125.9m).

The aggregate value of reversionary interests held by the Society is £32,528 (2004: £32,528).

1309 Aggregate Value of Hybrid Securities

The aggregate value of those investments falling within lines 46 or 48 which are hybrid securities, is £561.2m (2004: £461.7m).

1310 Amounts Receivable and Payable

Amounts due to and from any one person have been offset where appropriate in accordance with generally accepted accounting principles.

1311 Investment Guidelines, Maximum Counterparty Exposure

The maximum amount that the investment manager is permitted to expose the funds of the Society to any one Counterparty is controlled by the following limits (as a percentage of the non-gilt element of the portfolio);

European Investment Bank	15.00%
Other supernational and Government guaranteed “AAA” rated	10.00%
“AAA” rated	5.00%
“AA” rated	2.50%
“A” rated	1.00%
“BBB” rated	0.50%
Other bonds	0.25%

1312 Large Counterparty Exposures

There were no exposures to counterparties at the end of the financial year exceeding 5% of the Society’s Long Term Business Amount.

1318 Other Asset Adjustments

The value in line 100 comprises £958k of policy debtors over 90 days, -£16k valuation adjustment in respect of a subsidiary company and £31k of valuation adjustment in respect of assets that are not ready realisable.

1401 Provision for Adverse Changes

Investment guidelines for the use of conventional derivatives operated throughout the year, and did not permit the writing of uncovered call options. Consequently no provision for adverse changes is considered necessary.

1402 Charges, Contingent Liabilities, Guarantees, Indemnities and Contractual Commitments

On 6 August 1997, Equitable Life Finance plc ("ELF"), a wholly-owned subsidiary of the Society, issued £350m 8.0% undated subordinated guaranteed bonds ("the Bonds"), which are guaranteed by the Society. The proceeds, after deduction of costs associated with the issue, were loaned to the Society on similar terms as to interest, repayment and subordination as to those applicable to the Bonds. All (but not some only) of the Bonds are repayable at the option of ELF on 6 August 2007 and each fifth anniversary thereafter, so long as the Bonds are outstanding.

The payment of principal and interest in respect of the Bonds has been irrevocably and unconditionally guaranteed by the Society. The obligations of the Society under the guarantee constitute direct and unsecured obligations of the Society. In the event of a winding up of the Society, the claims of the bondholders under the guarantee will be subordinated in right of payment to the claims of all creditors of the Society.

In accordance with the Trust Deed, where the payment of any amount in relation to the Bonds is due and the Society cannot meet the Required Minimum Margin (RMM) of assets over liabilities required under the Trust Deed, by reference to the Insurance Companies Act 1982, on the due date (or would not be able to meet RMM immediately after such payment), then the payment (or an appropriate part thereof) will be deferred unless the FSA's consent is obtained. The measure of RMM is in accordance with previous FSA regulatory rules and continues to be applicable to the Group's ability to make payments under the Trust Deed.

Following an invitation by the Society to holders of the Bonds, an amount of £175.5m was paid on 4 January 2005 as settlement of accepted, tendered Bonds, representing a principal value of £179.1m at a price of £980 per £1,000 of Bonds tendered.

As noted in the Society's financial review in its annual financial statements and in the following sections of this note, there exist certain uncertainties that, in the event they materialised, could adversely impact on the appropriateness of the going concern basis of preparation of this return. Certain of those risks, in extremely adverse scenarios, could prejudice the continuing solvency of the Society. The Board has assessed the probability of these uncertainties arising and, on the basis of current information and having taken legal and actuarial advice, has concluded that it remains appropriate to prepare this return on a going concern basis.

These uncertainties and potential additional claims are as follows:

- The report of the Equitable Life inquiry, led by Lord Penrose, was published in March 2004. Lord Penrose commented upon several aspects of the Society's affairs in a way that may impact on the likelihood of further claims being made against the Society for breach of statutory duty, or in tort or contract. The FSA has undertaken a review of the report by Lord Penrose and has concluded that generic claims against the Society regarding its basis for allocating bonuses during the 1990s are unlikely to succeed. The Board has also been advised that any claims regarding alleged "over-allocation" of bonus, relative to the relationship between aggregate policy values and aggregate assets, would face very significant difficulties and that a claim effectively seeking to recover losses relating to investment conditions would be highly unlikely to succeed. The Financial Ombudsman Service (FOS) announced on 22 March 2005 that it will not investigate such complaints.

- Although some complaints have been received by the Society that have included matters commented upon by Lord Penrose, including the claim by certain with-profits annuitants referred to below, there has only been a small number of complaints received arising directly out of the report by Lord Penrose.

- Following publication of the report by Lord Penrose, the Parliamentary Ombudsman announced in July 2004 her decision to open a new investigation. It is an inquiry that is independent of the government and can recommend to Parliament compensation payable by the government, but cannot require the Society to take any particular action. However, the terms of reference of the inquiry's report may result in consideration of some of the issues commented upon by Lord Penrose and may result in findings that could result in policyholders trying to assert claims against the Society. The Society has had lengthy and confidential discussions with representatives of The Parliamentary Ombudsman, who plans to publish her report before the end of 2006.

- In January 2006, in response to petitions by a policyholder and a policyholder action group, the European Parliament established an EU Parliamentary Committee of Inquiry into Equitable Life to carry out a formal investigation into "alleged contraventions of Community law and alleged maladministration in the application of Community law related to the demise" of the Society. Although the investigation relates to the actions of the UK government, the process may result in findings that could result in claims being asserted against the Society.

- The Institute of Chartered Accountants of England and Wales has initiated disciplinary proceedings against Ernst & Young in respect of its conduct in certain of its audits of the Society. The Institute of Actuaries has also initiated disciplinary proceedings against certain of the Society's actuaries, who were also directors of the Society, for their actions during varying periods of time up to February 2000. Both disciplinary proceedings were deferred until completion of the Society's litigation against its former directors and former auditors. Although these proceedings and investigations cannot result in a requirement for the Society to take any particular action, they may make findings that could influence the way in which claims are presented against the Society.

- In relation to with-profits annuities, there has been a number of complaints made to the FOS and to date there has been a very limited number upheld on the basis of their respective facts. The FOS approach to these complaints has not been on the basis of generic mis-selling. However, an action has been brought by 413 with-profits annuity policy claimants, who allege, inter alia, generic mis-selling and over-allocation of bonus. Having taken legal advice, the Society believes that any generic claims are not well-founded and is defending the action.

- It is the Society's intention that any future bonuses will be in a non-guaranteed form. Allowance is made for continuing contractual commitments, such as the guaranteed investment return (GIR) of 3.5% per annum that is applicable to many policies. In valuing the liabilities in respect of those policies, it is assumed that the relevant duration is to the first contractual retirement date adjusted to take account of recent experience. There remains a risk to the Society that investment conditions change or that policyholders defer their retirement. If the Society's investment return falls below a rate which covers the guarantees, and this assumption ceased to be appropriate as a result, substantially higher mathematical reserves may be required. In conditions where market returns fall below 3.5% per annum, policies may remain in force for a longer period of time. In addition, further reserves would be required if greater premium income were to be received in such circumstances

- The Society is required to submit to the FSA a confidential report assessing its capital requirements under the Individual Capital Adequacy (ICA) framework. The FSA process is that, after review, it may issue a confidential Individual Capital Guidance (ICG), which may result in a requirement that a particular level of capital be held by the Society and this amount may be in excess of the ICA reported by the Society. If it receives such an ICG, the Board may have to consider taking specific actions to lower the Society's capital needs by reducing or transforming the risks it faces, thereby altering its asset and/or liability profiles with a consequent effect on its income and expenses. Discussions as to the appropriate level of capital to be held by the Society have commenced with FSA, but are unlikely to be completed for some months.

- The Society holds mathematical reserves for various guarantees and options arising under certain policies, including options to surrender early, GARs for certain classes of policies and Guaranteed Minimum Pension entitlements for other policies. Although reserves are held for all material guarantees or options, there exists the possibility that those reserves may require to be adjusted as a result of an analysis of benefits arising in the case of less commonly occurring policies or where special practices apply or where investigation of past events results in a requirement for corrective action to be taken.

- Having taken legal advice in respect of allegations of fraud made by former non-GAR policyholders in respect of the non-disclosure of GAR risks after 1998, the Board believes that there is no sustainable case of fraud and, in the event that any proceedings were issued, they would be defended vigorously. There exists the possibility that further claims could be made against the Society, alleging fraud or mis-selling not addressed hitherto or otherwise seeking compensation.

- New rules in respect of pensions come into force in April 2006. The tax treatment of payments which result from policyholder reviews relating to pensions products remains unclear in the regulations introduced to date and, accordingly, there remains the possibility of incremental liabilities for the Society.

- In March 2001, the Society entered into a reassurance arrangement with a subsidiary undertaking of HBOS in respect of all of the Society's insurance policies except with-profits policies and immediate annuities. Assets were transferred by the Society following a provisional calculation of the initial premium payable under the agreement. After discussions, the parties failed to agree the final amount of assets transferable in respect of this initial premium. The Society has provided in its financial statements an amount considered appropriate to satisfy its estimated liability for any balance of assets to be transferred. As the Society was unable to reach agreement with HBOS as to the relevant amount of the initial premium, it was agreed in March 2004 that the matter be referred to an umpire for resolution, as contemplated by the reassurance arrangement in the event of a dispute arising. The umpire has not yet completed his deliberations.

The Society has made appropriate provision for future expenses, alleged mis-selling and other risks based on currently available information. Over time, as more information becomes available, the range of possible outcomes in relation to these issues can be expected to continue to narrow and the degree of confidence around the levels of the individual provisions can be expected to increase. However, the potential impact of the range of uncertainties relating to provisions may be significant.

Amounts are held in specific provisions and are described in paragraph 8 of the Abstract of valuation report on pages 75 to 77.

The uncertain nature of the provisions, the incidence of other uncertainties and risks, the possible volatility of asset values and potential strains arising from surrenders and maturities could, in adverse outcomes, result in the possibility that Capital Resources Requirement may not be satisfied at all times in the future. Attention is also drawn to the implications of these uncertainties on the ability of the Society to meet payments of interest and principal in relation to the subordinated debt as explained above in this note.

1405 Reconciliation of Total Liabilities to Financial Statements

The value in line 74 represents the difference between the value of liabilities as valued in accordance with PRU 7.3 and the value of liabilities detailed in external financial reporting to comply with FRS27 and Institute of Actuaries guidance note 45 (section 3.3.3.2 relevant to closed funds).

4002 Other Income

Other Income is comprised of the following:

	2005	**2004**
	£000	**£000**
Stock lending commission	1,710	1,768
Sales commission	-	-
Sale of assets including Gainsborough painting	724	-
Other income	979	283
	3,413	2,051

4005 Income and Expenditure Translation

Foreign currency values for income and expenditure have been translated at rates of exchange ruling at the time of the respective transactions.

4008 Management Services

During 2005 substantially all management services for The Equitable Life Assurance Society have been provided by HBOS Plc.

HBOS Plc also provide management services for the following subsidiaries:

University Life Assurance Society
Equitable Life - Finanzberatung Und Versicherungsvermittlung Gmbh
Equitable Life Finance plc

4010 Investment Income from Linked Assets

Included within line 12 is £17.9m of income earned on linked assets.

4803

Securities are assumed to be redeemed at their latest redemption date, and in the case of property and equity assets not redeemed at all.

The only exception is the treatment of irredeemable fixed interest securities, which are assumed to be redeemed on their first option date. This is consistent with the prices and yields in the investment market and is a more prudent assumption.

4806

All the assets in column 2 have been used to calculate the investment returns in column 5

4901

The principal credit ratings used are the Bloomberg Composite Ratings. The methodology underlying this composite is described by Bloomberg as follows:

1. The Bloomberg Composite Rating (COMP) is a blend of a security's Moody's and Standard & Poor's ratings.
2. If no Moodys rating exists on a security, but the security is rated by Standard & Poor's and Dominion (a Canadian rating service concentrating on Canadian Capital markets), then the COMP will be a blend of the security's Standard & Poor's and Dominion ratings.
3. If a security is only rated by Moody's, Standard & Poor's or Dominion, then the COMP will be generated using the one rating.
4. If Moody's and S&P have a split rating, the COMP is equivalent to the lower rating.
5. If Moody's and S&P ratings are split over two levels, the COMP is equivalent to the middle rating.

In the absence of such a rating one is supplied by Insight Investment Managers Limited, the Society's third party investment manager and not connected with the Society, based on ratings provided by rating agencies Fitch and A M Best.

Any fixed interest elements of collective investment schemes in column 1 allocated to column 2 of Form 48 are classified as unrated.

4902

Line 38 mainly consists of fixed interest convertible stocks. The current market value is much higher than the nominal redemption proceeds and hence produces a negative redemption yield.

5102 Policy count

The benefits under code 380 are attributable to life cover and death in service benefits attached to individual and group policies in codes 545, 555, 725 and 735. The policy count has been set to zero to avoid double counting.

5103 Miscellaneous reserves

The reserves of £10,907(000) under code 380 are attributable to life cover and death in service benefits attached to individual and group policies in codes 545, 555, 725 and 735. This has been done for consistency with the approach taken in previous years.

5201 Group scheme member count

There are 84 final salary schemes included in code 555 where benefits are not required at member level. Column 3 has been set to zero for these policies.

5202 Group scheme member count

There are four schemes in the figures for code 555 where the number of members has been approximated to 100. These schemes are administered by a third party.

Where a policy has both with-profits and unit linked benefits the policy count has been entered on Form 53.

5301 Group scheme member count

There are 47 Final salary schemes included in code 735 where benefits are not required at member level. Column 3 has been set to zero for these policies.

5302 Group scheme member count

Where a policy has both with-profits and unit linked benefits the policy count has been entered on Form 53.

5303 Miscellaneous reserves

The reserves of £41,364(000) under code 795 are attributable to property linked immediate annuities (£40.701m), property linked health products (£0.583m) and Building Society linked endowment assurance (£0.080m).

5701 Section 148 Waiver - Determination of Rates of Interest on Fixed Interest Securities

The Financial Services Authority, on the application of the firm, made a direction under section 148 of the Act in December 2005. The effect of the direction is to modify PRU 4.2.35R to require the firm to calculate the yield on certain categories of fixed interest security on an aggregate basis.

6001 Class IV business and supplementary accident and sickness insurance

Forms 11 and 12 are not completed, as the gross annual office premiums for the relevant classes are less than 1% of the total gross annual office premiums. The figure in line 21 of Form 60 exceeds the amount that would be obtained had Forms 11 and 12 been completed and is calculated as follows:

These classes are 100% reinsured and closed to new business.

Premiums are payable monthly and so the premiums earned and receivable are essentially the same. The premiums to the supplementary accident and sickness insurance were £39,036 and the premiums to Class IV business were £1,064,616. The 'premiums amount' is therefore 0.18 x (£39,036 + £1,064,616 / 3) x 0.5 = £35,452

Claims in the last 12 months were nil for the supplementary accident and sickness insurance and £1,329,365 for the Class IV business. The 'claims amount' is therefore 0.26 x (0 + 1,329,365 / 3) x 0.5 = £57,606, and this is the figure used.

THE EQUITABLE LIFE ASSURANCE SOCIETY

ABSTRACT OF VALUATION REPORT - IPRU(INS) APPENDIX 9.4 (REGULATORY VALUATION REPORT)

Introduction

1. (1) The date of the valuation was 31 December 2005.

   (2) The date of the previous valuation was 31 December 2004.

   (3) Not applicable.

Product range

2. There were no significant changes to the Society's product range: the Society is closed to new business.

Discretionary charges and benefits

3. (1) A market value reduction (or equivalent) is not dependant on policy duration and was applied throughout 2005 for non-contractual withdrawals from all with-profits contracts. The level of the reduction was not dependent on policy duration.

   (2) There were no changes to the basis for setting premiums on reviewable protection policies during the year.

   (3) The interest rate added to non-profit deposit administration policies varied depending on the date the policy commenced. This rate is fixed until benefits are taken.

   (4) There were no changes to service charges on linked policies.

   (5) There were no changes to benefit charges on linked policies.

   (6) There were no changes to the method and basis for management charges on unit linked or accumulating with-profits policies.

   (7) – (10) All linked liabilities are wholly reassured with Halifax Life and Clerical Medical Managed Funds Limited. Linked fund prices mirror those set by the reassurer.

Valuation Basis

4. The bases (and methodology) are set out in the following paragraphs.

   (1) General

   The main method used was that of a gross premium valuation with specific reserves for the future expenses of running the business.

   Accumulating with-profits policies

   For accumulating with-profits policies in the Basic Life Assurance and General Annuity and Pension Business Funds which were grouped by calendar year of vesting date, it has been assumed that the vesting date falls in the middle of the group year.

   The liability was calculated by discounting the guaranteed benefits (including any declared and attaching bonus) with an allowance for guaranteed investment return (GIR) where appropriate.

Policies effected before 1 July 1996 have a GIR of 3.5% p.a. (with the exception of some Retirement Annuity policies effected prior to 1 October 1975 that have a GIR of 2.5% p.a.) and policies effected on or after1 July 1996 have a GIR of 0.0% p.a. For prudence, where policies have flexible retirement dates, reserves are calculated assuming retirement benefits are taken early (see persistency assumptions detailed in section 4 (8) below).

The dates at which retirement benefits are assumed to be taken are based on recent Society experience and are also set out in section 4 (8).

Certain pension policies also contain a guaranteed minimum level of pension. The liability for these policies was set to the higher of the discounted cash fund and declared bonus cash fund or the discounted value of the guaranteed minimum pension at retirement. The reserves are calculated using the same basis and methodology used to value annuities in payment but discounted to the valuation date using interest and mortality for pre retirement pension policies.

For with-profits managed pension policies, school fee trust plans and with-profits personal pension trustee income drawdown policies, the current full value of the guaranteed fund and attaching declared bonus fund was reserved.

In calculating expense reserves the per policy expense allowances were determined so that the total costs of running the business would be covered by the allowance from those policies before their assumed benefit payment dates. No expenses are therefore assumed to arise from policies past their assumed benefit payment date, which includes all managed pension contracts. In addition, the amount by which expenses are assumed to increase in future allows for diseconomies of scale as the business declines. The assumed benefit payment dates used for expense purposes have been brought into line with the dates assumed when valuing the benefits.

Annuities

Life immediate annuities were valued individually assuming payments are continuous. Joint-life and last survivor annuities were valued individually by equivalent factors based on the ages of the respective lives and the incidence of payments. Outstanding guaranteed periods and escalation in payment are also allowed for in the valuation where applicable.

Temporary immediate annuities were valued as annuities certain.

For with-profits immediate annuities the liability was calculated by valuing the guaranteed payments and attaching bonus payments.

Conventional Business

For the main classes of annual premium business the liability was calculated by deducting from the value of the guaranteed benefits, including vested bonus additions, the value of office premiums receivable after deducting from these a provision for future expenses.

Whole life assurances were valued individually and the factors for valuing sums assured and bonuses were increased by one half-year's interest to allow for immediate payment of claims.

Endowment assurances were grouped according to the calendar year of maturity and attained age. An allowance was made for immediate payment of claims.

Level temporary assurances and decreasing temporary assurances (other than those tabulated below) were valued individually. An allowance was made for the immediate payment of claims.

Assurances upon sub-standard lives were valued as though they were upon normal lives assured at the tabular rates of premium and the valuation liability was increased by the amount of one year's extra premium.

Surrender Value Reserve

For accumulating with-profits business, an additional reserve for the amount of a cash payment secured by the exercise of an option to surrender the policy has been calculated in accordance with PRU 7.3.71R. This is calculated by comparing the "normal" policy reserve obtained using the gross premium valuation method applied to the guaranteed benefits for accumulating with-profits policies as described earlier in section 4 (1) plus the allowance for future expenses as described in paragraph 4 (6), with the lower of:

- the current surrender value that could reasonably be expected to be paid having regard to the representations made to policyholders, and
- that value disregarding discretionary adjustments (i.e. disregarding both the financial adjustment and final bonus beyond the current guaranteed value).

Where the "normal" reserve is higher, no additional reserve is held. Where it is lower, the difference is held within this additional reserve.

The bases to be used in the event of surrender or transfer are not guaranteed, and the primary objective when setting the basis is to protect the interests of the continuing with-profits policyholders. In the event of a significant level of policy discontinuances, the Society reserves the right to reduce surrender payments. If it were required in order to protect solvency, surrender payouts could be made equal to the discounted value of the guaranteed benefits.

An additional reserve is also calculated for conventional with-profits business, in a similar way to that described above.

The Society is currently offering non-guaranteed concessionary surrender values to some final salary schemes based on their Minimum Funding Requirement. The reserve for relevant policies includes an allowance for these concessionary amounts calculated on a case-by-case basis.

Unit Linked

The unit liability under all linked contracts was valued by taking the number of units deemed to attach to policies multiplied by the valuation price per unit. The valuation prices match those set by Halifax Life for liabilities reinsured through Halifax Life. The valuation prices match those set by Clerical Medical Managed Funds Limited (CMMF) for liabilities reinsured through CMMF. The business is fully reinsured.

The unit liability under all contracts linked directly to the Halifax UK Growth OEIC was valued by taking the number of units deemed to attach to policies multiplied by the mid price of Halifax UK Growth OEIC shares on the valuation date.

The non-unit liability was calculated using a per policy projected cash flow methodology. The only non-linked liabilities are in respect of expenses and are described in section 4 (6) below.

Other Business

For with-profits Flexible Protection Plans and German Deferred Annuity policies, which were grouped by calendar year of maturity date or annuity vesting date as appropriate, it has been assumed that the maturity or vesting date falls in the middle of the group year. The liability was calculated by discounting the guaranteed fund and attaching bonuses where appropriate and adding the amount of the current month's mortality charge deduction.

With-profits Bonds, with-profits Personal Investment Plans, with-profits Personal Pension Trustee Investment policies and with-profits International Investment Plans were grouped by calendar year of the next option date on which full withdrawal can be made on guaranteed terms. For this purpose the guaranteed fund and bonuses attaching to different single premiums paid to the policy were included in the appropriate group years. It has been assumed that the next option date falls in the middle of the group year. The liability was calculated by discounting the guaranteed fund and attaching bonuses.

Recurrent single premium death in service group pension arrangements were valued using one year’s premium.

(2) Interest rates used are set out in the following table.

Product group	Rate at 31 December 2005	Rate at 31 December 2004
UK non-profit annuities (Pensions)	4.20%	4.60%
UK non-profit annuities pre-1992 (Life)	4.20%	4.60%
UK non-profit annuities post-1991 (Life)	3.70%	4.10%
UK with-profits annuities (Pensions)	3.70%	4.40%
UK with-profits annuities (Life)	3.70%	4.40%
German with-profits annuities (Life)	3.70%	4.40%
Overseas with-profits annuities (Pensions)	3.70%	4.40%
Overseas non-profit annuities (Pensions)	4.20%	4.60%
UK index-linked annuities pre-1992 (Life)	1.50%	1.70%
UK index-linked annuities post-1991 (Life)	1.25%	1.45%
UK index-linked annuities (Pensions)	1.50%	1.70%
All pension contracts	3.70%	4.40%
UK with-profits endowments and whole life	3.00%	3.50%
UK term assurance	2.90%	3.20%
UK with-profits policies (Flexible Protection Plan, Regular Savings Plan, With-Profits Bond, Personal Investment Plan, Major Medical Cash Plan, Critical Illness Plan)	3.00%	3.50%
Overseas with-profits policies (Life)	3.00%	3.50%
UK non-profit annuities in deferment (Pensions)	3.70%	4.40%
UK Style German with-profits annuities in deferment	3.70%	4.40%

(3) Yields on assets are reduced to allow for risk as follows:-

Equity shares are assumed to have no yield.

Property (and property unit trust) yields are capped at 5.5%.

The rates of interest on fixed interest securities have been determined using an aggregate yield basis, i.e. by calculating the rate of interest as the rate which equates the discounted value of the aggregate cash flows. The fixed interest portfolio (excluding convertible fixed interest securities) has been separated into two segments of securities which have like attributes (being the categories on Forms 48 and 49), i.e.:

- approved fixed interest securities, and
- other fixed interest securities.

Yields on approved fixed interest assets with credit ratings of "exceptionally or extremely strong" or "very strong" are not reduced for risk.

All other fixed interest assets have their yield reduced by reference to historic default rates. These are based on 15 years of Standard and Poor's data and represent the mean default rate plus two standard deviations plus a 40% margin for prudence. The percentage reduction in yield is calculated according to the following table:

Credit Rating	Yield Reduction at 31 December 2005	Yield Reduction at 31 December 2004 (Corrected)
AAA	0.17%	0.17%
AA+	0.17%	0.17%
AA	0.21%	0.21%
AA-	0.42%	0.42%
A+	0.38%	0.38%
A	0.41%	0.41%
A-	0.46%	0.46%
BBB+	0.70%	0.70%
BBB	0.91%	0.91%
BBB-	1.57%	1.57%
BB+	2.67%	2.67%
BB	3.54%	3.54%
BB-	5.67%	5.67%
B+	7.46%	7.46%
B	12.14%	12.14%
B-	14.63%	14.63%
CCC	22.72%	22.72%
CC	22.72%	22.72%

Non-rated stocks are treated as having rating CC.

For stocks with variable redemption dates and where the income yield was greater than the gross redemption yield, the stocks were assumed to redeem at the earliest redemption date.

(4) The mortality rates are summarised in the following tables:

(i) Immediate Annuities

Product group	Table at 31 December 2005 in possession	Curtate expectation of life		Table at 31 December 2004 in possession	Curtate expectation of life	
		65	75		65	75
UK non-profit annuities (Pensions)	82.5%PMA92mc U=2008 82.5%PFA92mc U=2008	Male 22.9 Female 25.9	Male 14.2 Female 16.9	PMA92mc U=2013 PFA92mc U=2011	Male 21.8 Female 24.7	Male 13.1 Female 15.7
UK non-profit annuities (Life)	77.5%IMA92 U=2005 82.5%IFA92 U=2005	Male 21.7 Female 24.2	Male 13.4 Female 14.9	85% IMA92 U=2004 IFA92 U=2004	Male 20.9 Female 22.7	Male 12.6 Female 13.6
UK with-profits annuities (Pensions)	70%PMA92mc U=2008 65%PFA92mc U=2008	Male 24.3 Female 28.0	Male 15.3 Female 18.8	80%PMA92mc U=2013 75%PFA92mc U=2011	Male 23.5 Female 27.0	Male 14.6 Female 17.9
UK with-profits annuities (Life)	80%IMA92 U=2005 85%IFA92 U=2005	Male 21.5 Female 24.0	Male 13.1 Female 14.7	85% IMA92 U=2004 IFA92 U=2004	Male 20.9 Female 22.7	Male 12.6 Female 13.6
Overseas with-profits annuities (Pensions)	70%PMA92mc U=2008 65%PFA92mc U=2008	Male 24.3 Female 28.0	Male 15.3 Female 18.8	80%PMA92mc U=2013 75%PFA92mc U=2011	Male 23.6 Female 27.0	Male 14.6 Female 17.9
Overseas non-profit annuities (Pensions)	82.5%PMA92mc U=2008 82.5%PFA92mc U=2008	Male 22.9 Female 25.9	Male 14.2 Female 16.9	PMA92mc U=2013 PFA92mc U=2011	Male 21.8 Female 24.7	Male 13.1 Female 15.7
UK unit-linked annuities (Pensions)	85%PMA92mc U=2008 85%PFA92mc U=2008	Male 22.7 Female 25.7	Male 14.0 Female 16.7	PMA92mc U=2013 PFA92mc U=2011	Male 21.8 Female 24.7	Male 13.2 Female 15.7
UK index-linked annuities (Life)	77.5%IMA92 U=2005 82.5%IFA92 U=2005	Male 21.7 Female 24.2	Male 13.4 Female 14.9	85% IMA92 U=2004 IFA92 U=2004	Male 20.9 Female 22.7	Male 12.6 Female 13.6
UK index-linked annuities (Pensions)	82.5%PMA92mc U=2008 82.5%PFA92mc U=2008	Male 22.9 Female 25.9	Male 14.2 Female 16.9	PMA92mc U=2013 PFA92mc U=2011	Male 21.8 Female 24.7	Male 13.1 Female 15.7

ii) Deferred annuities

In deferment

Product group	**Table at 31 December 2005 in deferment**	**Table at 31 December 2004 in deferment**
UK non-profit deferred annuities (Pensions)	65%AM92ult 90%AF92 ult	65%AM92ult 90%AF92 ult
German with-profits deferred annuities (Life)	65%AM92ult 90%AF92ult	65%AM92ult 90%AF92ult

In payment

Product group	**Table at 31 December 2005**	**Curtate expectation of life at age 65 for current age**		**Table at 31 December 2004**	**Curtate expectation of life at age 65 for current age**	
		45	**55**		**45**	**55**
UK non-profit deferred annuities (Pensions)	82.5%PMA92mc U=2008 82.5%PFA92mc U=2008	Male 24.0 Female 26.9	Male 23.5 Female 26.5	PMA92mc U=2013 PFA92mc U=2011	Male 22.8 Female 25.5	Male 22.3 Female 25.2
German with-profits deferred annuities (Life)	77.5%IMA92 U=2005 82.5%IFA92 U=2005	Male 23.0 Female 25.2	Male 22.5 Female 24.8	85% IMA92 U=2004 IFA92 U=2004	Male 22.2 Female 23.8	Male 21.6 Female 23.3

iii) Linked business

For Managed Pensions no mortality was assumed. Otherwise, AM80 ultimate mortality was assumed with a 2-year deduction from age for male lives and a 6-year deduction from age for female lives.

iv) Other products

Product group	**Table at 31 December 2005**	**Table at 31 December 2004**
All pension contracts	65%AM92ult 90%AF92 ult	65%AM92ult 90%AF92 ult
UK endowments and whole life	65%AM92ult 90%AF92 ult	65%AM92ult 90%AF92 ult
UK term assurance	44% TM80 ult +0.00011 110% AF80 ult –5 years, –0.00009	44% TM80 ult +0.00011 110% AF80 ult –5 years, –0.00009
UK with-profits policies (Life)	65%AM92ult 90%AF92 ult	65%AM92ult 90%AF92 ult
Overseas with-profits policies (Life)	65%AM92ult 90%AF92 ult	65%AM92ult 90%AF92 ult

(5) There are no significant morbidity risks.

(6) The expense basis is summarised in the following tables. There are no Zillmer adjustments.

Accumulating with-profits business

For accumulating with-profits business, the following current levels of administrative expenses (excluding fund management) were assumed. It was further assumed that these expenses would increase at a rate of 5.5% per annum (2004 – 5.5% per annum), which includes an allowance for diseconomies of scale as the portfolio declines in size.

	Year ending 31 December 2005	**Year ending 31 December 2004**
Assurances	£ 214 per benefit	£ 44 per benefit
Bonds and PIPS	£ 63 per benefit	£ 53 per benefit
Group pensions	£ 18 per benefit	£ 13 per benefit
International	£ 127 per benefit	£ 84 per benefit
Individual pensions	£ 171 per benefit	£ 124 per benefit
Managed pensions	£0 per benefit	£ 221 per benefit
Personal pensions	£ 37 per benefit	£ 28 per benefit
Retirement annuities	£131 per benefit	£ 78 per benefit
School fee trust plans	£ 248 per benefit	£ 95 per benefit
Transfer Plans/Wind ups	£ 25 per benefit	£ 28 per benefit
Group final salary	£10,979 per scheme	£ 6,588 per scheme

Separate allowance was made for fund management expenses using a loading of 1.14 per mille (2004 – 1.19 per mille) of the basic benefit including declared bonuses. These expenses were assumed to escalate in line with the valuation interest rates, i.e. a net rate of discount of 0%.

For life assurance and general annuity business the appropriate per policy expenses and fund management assumptions shown above were netted down for tax at a rate of 20%.

No other explicit reserve was made for expenses on policies where premiums have ceased, no future premiums are payable or the method of valuation does not take credit for future premiums as an asset.

Conventional business

For UK with-profits Whole Life and Endowment policies, 3% (2004 – 3%) of office premium was reserved for expenses. For UK with-profits Endowment Assurance with guaranteed minimum death benefit, 7% (2004 – 7%) of office premium was reserved for expenses. An annual loading of £3 (2004 – £3) was reserved per individual policy.

Annuities

For annuities in payment, the following current levels of administrative expenses (excluding fund management) were assumed. It was further assumed that these expenses would increase at a rate of 5.5% per annum (2004 – 5.5%), which includes an allowance for diseconomies of scale as the portfolio declines in size.

	Year ending 31 December 2005	**Year ending 31 December 2004**
Non-profit annuities		
Sterling denominated	£24	£20
US dollar denominated	$41	$38
Irish and German business	€35	€28
With-profits annuities		
Sterling denominated	£42	£33
US dollar denominated	$72	$63
Irish and German business	€61	€47

Pension business: Annual loadings for annuities in payment at the same level as for the corresponding general annuity contracts were reserved.

For annuities in payment, separate allowance was made for fund management expenses using a loading of 0.6 per mille (2004 – 0.5875 per mille) of the projected reserve for non-profit annuities. For with-profits annuities the loading was 1.14 per mille (2004 – 1.19 per mille). These expenses were discounted at the corresponding valuation rate of interest.

Linked business

The future expenses for unit-linked and "FTSE 100" linked policies are met by Clerical Medical Managed Funds Limited. In Forms 53 and 54 we have treated those reserves set up in respect of future expenses as reassured liabilities.

For regular premium business where a direct debit was in force at the valuation date, the level of the annual contributions has been used in the calculation of the non-unit reserve. For regular premium business where a direct debit was not in force, 70% (2004 – 70%) of the level of annual contributions has been used in the calculation of the non-unit reserve. For prudence, it has been assumed that 25% of regular premiums cease immediately (2004 – 25%).

The following current levels of administrative expenses per policy were assumed. It was further assumed that these would increase at the rate of 3% per annum (2004 – 3%).

	Year ending 31 December 2005	**Year ending 31 December 2004**
Assurances	£31 per policy	£30 per policy
Retirement annuities	£41 per policy	£40 per policy
Personal pensions	£41 per policy	£40 per policy
Free Standing AVCs	£41 per policy	£40 per policy
Managed annuities/pensions	£41 per policy	£40 per policy
Group Money Purchase/AVCs	£15 per member	£15 per member
Group Final Salary	£12 per member	£12 per member
Individual pensions	£102 per policy	£100 per policy

It was assumed that unit prices would grow at 4.5% p.a. (3.6% net of tax) (2004 – 5.0%, 4.0% resp.) before annual fund management charges and that "FTSE 100" linked benefits would grow at 4.5% p.a. (3.6% net of tax) (2004 – 5.0%, 4.0% resp.). The projected future cash flows were discounted to the valuation date using an interest rate of 4.0% (2004 – 4.5%).

For linked annuity policies an annual loading of £24 per policy (2004 - £40 per policy) was reserved for expenses.

For non-UK policies, expense assumptions were comparable to those for the equivalent UK policies.

(7) The method of valuation described above makes an allowance for any future guaranteed investment return described in section 4 (1) – Accumulating With-profits Policies. The assumption for future discretionary bonus for with-profits contracts is zero for all classes

(8) The persistency assumptions are as follow:

There are no non-contractual withdrawals assumed.

For pension policies where there is a range of contractual retirement dates. Recent Society experience has been used to derive the following assumptions:

Personal pensions (non protected rights): at age 50
Personal pensions (protected rights): at age 60
Individual occupational pension plans: 3 years before normal retirement date
Group money purchase schemes: 3 years before normal retirement date
Group AVC schemes: 4 years before normal retirement date
Group Final Salary schemes: 4.5 years duration

Income drawdown policies and any policies at or past its contractual termination date are assumed to terminate immediately.

For group money purchase schemes, where individual member data is not required, the term to retirement is assumed to be the average term to retirement for all other group money purchase schemes.

For life policies where there is a range of potential contractual termination dates, the following assumptions are used:

Personal Investment Plans: next contractual withdrawal date
Bonds: next contractual withdrawal date

School Fee Trust Plans are assumed to terminate immediately.

(9) The Society holds no derivative contracts.

Options and guarantees

5. (1) Guaranteed annuity rate options

The basic reserve for policies with such options falls below the de minimis limit.

(2) Options which guarantee surrender values at specified dates are automatically valued as a result of the persistency assumption set out in paragraph 4(8)

(3) Guaranteed Insurability options

(a) Under some UK bonds the death benefit is 105% or 110% of the fund value. Due to the low level of new premiums, the low level of sum assured at risk and the prudent persistency assumption no extra reserve is held.

All Flexible Protection Plans issued on normal terms carry the option to effect further policies without evidence of health. Broadly, the option allows the life cover to be increased at intervals, by effecting further policies, in line with increases in the Retail Prices Index. Due to the low level of increases permitted and the reviewable and prudent nature of the mortality charges, no extra reserve is held.

Prior to 15 August 1986 an option to effect further policies without evidence of health could be included on the Society's standard whole life and endowment assurances in the life fund. Due to the non-guaranteed and prudent premium basis for new policies, no extra reserve is held.

Mortgage protection policies and endowment assurances with guaranteed minimum death benefit, where used as collateral security in respect of a house purchase loan carry the option to effect further policies or increase the death benefit on existing policies when an additional loan is effected or the terms of a loan are changed. Due to the size of this policy class, the conditional nature of the option and the prudent, non-guaranteed new policy premium bases, no extra reserve is held.

(b) Individually and in aggregate the sums assured of the policy classes listed above do not exceed £1b.

(4) Guaranteed minimum pensions and guaranteed interest rates are valued as described in paragraph 4(1).

Expense reserves

6. (1) The aggregate expense loadings for the 12 months following the valuation date are £90.2m. This is made up of £55.3m maintenance expenses which includes £14.1m of investment expenses and £34.9m exceptional expenses.

(2) There are no implicit allowances. All expense assumptions and reserves are calculated explicitly.

(3) Not relevant.

(4) The Society is closed to new business.

(5) The reserving basis already incorporates factors reflecting the closed nature of the fund; in particular, the diseconomies of scale as the size of the fund reduces but fixed overheads do not.

Mismatching reserves

7. (1) The mathematical reserves (other than liabilities for property-linked benefits), analysed by reference to the currencies in which the liabilities are expressed to be payable, together with the value of the assets, analysed by reference to currency, which match such liabilities are tabulated below:

Currency	**Mathematical Reserves (£000,000)**	**Assets (£000,000)**
Sterling	14,222	15,248
Euro	199	230
US Dollar	4	10

(2) Not applicable.

(3) No mismatching reserve is required.

(4) The most onerous scenario under PRU 4.2.16R was a combination of:

(i.) a fall in the value of equities of 10%;
(ii.) for fixed interest securities and short term deposits an increase in the risk free gilt yield of 20% of the long term yield (e.g. from 5% to 6%);
(iii.) a fall in property values of 20% with a fall in the resulting running yield of 10%;
(iv.) an increase in the real yields on indexed gilts equal to that in (ii).

For those fixed interest securities that are not risk free, it has been assumed that the yield differential to risk free securities of similar term does not change in the above scenario.

(5) The only significant territory as defined by PRU 4.2.8R is the UK. For non-UK assets the same scenario was applied as for UK assets.

(6) In respect of the above scenario:

(a) there was no resilience capital requirement;
(b) the decrease in the aggregate amount of the long term liabilities was £998m (2004 - £1,100m);
(c) the decrease in the aggregate amount by which the assets allocated to match the liabilities in (b) decreased from the value of those assets shown in Form 13 was £942m (2004 - £1,000m).

(7) No additional reserves are required arising from the tests on assets in PRU 7.2.34R(2).

The cash flows emerging from non-profit, index-linked and with-profits in force business have been considered. Fixed interest assets can be allocated to non-profit business such that the cash flows emerging from those assets match closely those from the non-profit in force benefits. Index linked assets and cash can be allocated to index linked business such that the cash flows emerging from those assets match broadly those from the index-linked in force benefits. The remaining assets are allocated to with-profits business. Taking into account the nature and the term of this business, it is envisaged that there will be no future liquidity problems in a wide rage of investment scenarios. A significant proportion of the fund is held in British Government securities to allow for uncertainties of cash flows given the flexibility of the policies.

Other special reserves

8. (1) UK Accumulating With-Profits Pensions - Additional Reserves UWP

This reserve of £410.5m represents the allowance made for potential miscellaneous pension costs and pension claims in relation to mis-selling claims against the Society, other legal claims, exceptional expenses and investment expense on unallocated funds , the potential cost of maintaining the current with-profits non-contractual termination terms and provisions relating to the reassurance of the linked and the non-profit policies reassured to HBOS plc in 2001. Descriptions of each of the principal elements of this reserve are detailed below.

Where appropriate, the assumptions used to determine this reserve are consistent with those assumptions defined in earlier section of this appendix. Those assumptions are combined with past experience to determine anticipated payments for the various components of the reserve. The likelihood of a payment being made has been based on past experience and expert advice (where appropriate).

- Rectification of pension policies with guaranteed annuity rate options

  The reserve includes an allowance for the compensation or adjustments to future benefits that may be payable to policyholders who had with-profits pension policies with guaranteed annuity rate (GAR) options that matured prior to the effective date of the Society's GAR Compromise Scheme in February 2002.

  For each pension policy deemed eligible for additional annuity benefits, the allowance in the reserve is calculated as the total value of:

  - past gross payments of additional annuity accumulated with interest to the valuation date; plus
  - the additional annuity reserve as if the future additional annuity payments were provided by an Equitable pension annuity policy (calculated using the Society's standard valuation assumptions for non-profit annuities).

  The reserve includes an allowance for future offers, existing offers that have not been accepted or settled, existing complaints, and potential future complaints.

- Managed Pensions

  An allowance is included in the reserve for the potential cost of compensation, and other costs that may be payable under the review of sales of Managed Pension (income drawdown) policies.

  The potential cost of compensation is calculated for each Managed Pension policy that is deemed to be an ‘unsuitable sale’ by deducting the total value of past and future benefits provided by the Managed Pension policy from the same total value calculated for the alternative form of benefits that is deemed to have been more appropriate.

  The allowance also includes a prudent provision for offers still to be made, for existing offers that have not been accepted or settled, and for existing and potential future complaints about offers that have or have not been made under the Society’s review of Managed Pension policy sales.

- Non-Guaranteed Annuity Rate (GAR) Leavers

  The reserve includes an allowance for the potential cost of compensating policyholders who successfully claim that they would not have purchased an ELAS policy that did not contain a GAR option had they fully understood the implications of the way the Society determined the level of benefits for both GAR and non-GAR policies.

  The allowance is based on a calculation approach agreed with FOS that compares the payout that the policyholder actually received with the Society with the payout that would have been received by placing the same funds into a comparable product with a hypothetical provider achieving returns on the with-profits fund equivalent to the average performance of other with-profits funds over the same period.

- Exceptional Expenses

  A provision is held for anticipated additional expenses over future years, including contractual commitments to HBOS in respect of pension scheme future service costs, the costs associated with implementing new regulations and anticipated additional costs associated with servicing policies in the medium term.

- Fund Management Expenses

  An allowance for anticipated fund management expenses that are not covered in individual policy reserves elsewhere is included in this reserve.

- Other

  The reserve also includes an allowance for the anticipated costs associated with completing the Society’s Personal Pension SIB review, an allowance for potential surrenders (as described in 4 (1) above), amounts relating to the reassurance of the linked and the non-profit policies reassured to HBOS plc in 2001 and other items.

(2) UK Non-Linked Pension (Other than Accumulating With-Profits) - Additional Reserves With-Profits OB

This reserve of £45.0m is the allowance made for legal claims against the Society (including potential claims relating to the sale of with-profits annuities).

The reserve includes an amount for unsettled legal claims already served against the Society (adjusted for the probability of a claim being upheld based on past experience) and an allowance for potential future claims based on recent experience. In the case of with-profits annuities, the amount is dependent on the difference between existing benefits and potential alternative benefits that could have been taken.

(3) UK Life Accumulating With-Profits – Additional Reserves UWP

This reserve of £24.5m is the allowance made for potential mis-selling claims against the Society relating to a variety of with-profits life policies.

Using past experience and assumptions consistent with those detailed in earlier sections of this appendix, the allowance for mis-selling claims is based on the anticipated costs of settling known and future claims and the likelihood of those claims resulting in a payment of redress.

(4) UK Non-Linked Life (Other than Accumulating With-Profits)– Additional Reserves With-Profits OB

This reserve of £2.8m is the allowance made for potential surrenders as detailed in section 4 (1) above.

Reinsurance details

9. (1) All reinsurance ceded on a facultative basis is with reinsurers who are authorised to carry on insurance business in the United Kingdom.

(2) (i) (d) The reinsurer is Halifax Life Limited.

(e) The reinsurer automatically provides cover in respect of 100% of the liabilities under all linked and non-profit policies, with the exception of immediate annuities in payment other than those arising from deferred annuity policies after 1 March 2001.

(f) The premium payable since the last investigation was £95,257,650.

(g) There is no deposit-back arrangement.

(h) The treaty is open to new business.

(i) There is no undischarged obligation of the insurer

(j) £2,988.6m of mathematical reserves were ceded under the treaty.

(k) There is nil retention by the insurer for new policies being ceded.

(l) The reinsurer is authorised to carry out insurance business in the United Kingdom.

(m) The Society and the reinsurer are not connected.

(n) See note 1402.

(o) Not applicable.

(p) There were no financing arrangements in force at 31 December 2005.

(ii) (d) The reinsurer is Clerical Medical Investment Group Limited (CMIG)

(e) The reinsurer automatically provides 100% of the liabilities in respect of units purchased in CMIG With-Profits fund which are available as an investment option for members of certain group pension schemes.

(f) The premium payable since the last investigation was £2,156,960.

(g) There is no deposit back arrangement.

(h) The treaty is open to new business.

(i) There is no undischarged obligation of the insurer.

(j) £38m of mathematical reserves were ceded under the treaty.

(k) There is nil retention by the insurer for new policies being ceded.

(l) The reinsurer is authorised to carry out business in the United Kingdom.

(m) The Society and the reinsurer are not connected.

(n) The treaty is not subject to any material contingencies.

(o) Not applicable.

(p) There were no financing arrangements in force at 31 December 2005.

(iii) (d) The reinsurer is Clerical Medical Managed Funds Limited (CMMF)

(e) The reinsurer automatically provides 100% of the liabilities in respect of units purchased in CMMF funds which are available as an investment option for members of certain group pension schemes.

(f) The premium payable since the last investigation was £1,629,977.

(g) There is no deposit back arrangement.

(h) The treaty is open to new business.

(i) There is no undischarged obligation of the insurer.

(j) £29m of mathematical reserves were ceded under the treaty.

(k) There is nil retention by the insurer for new policies being ceded.

(l) The reinsurer is authorised to carry out business in the United Kingdom.

(m) The Society and the reinsurer are not connected.

(n) The treaty is not subject to any material contingencies.

(o) Not applicable.

(p) There were no financing arrangements in force at 31 December 2005.

Reversionary bonus

10. Reversionary bonus has not been declared on classes of business where the mathematical reserves exceed the lesser of £10m and 1% of the total.

THE EQUITABLE LIFE ASSURANCE SOCIETY

ABSTRACT OF VALUATION REPORT FOR REALISTIC VALUATION - IPRU(INS) APPENDIX 9.4A (REALISTIC VALUATION REPORT)

Introduction

1. (1) The date of the valuation was 31st December 2005.

   (2) The previous valuation was at 31st December 2004.

   (3) Not applicable at this valuation date.

The Society has only one with-profits fund. Each of the following sections refers to that fund.

Assets

2. (1) The economic assumptions used to determine the value of future profits arising from the non-profit insurance contracts were

Level and fixed escalation annuities

	Current Valuation	**Previous Valuation**
Earned rate of interest on non-profit assets (gross)	4.125%	4.835%
Discount rate applied to future cash flows	5.125%	7.0%
Per policy expense rate pa	£24.00 p.a.	£20.00 p.a.
Expense inflation rate pa	5.5%	5.5%

The expense inflation rate shown is based on RPI inflation of 2.75% p.a. (previous valuation 3% p.a.) plus an allowance for diseconomies of scale of 2.75% p.a. (previous valuation 2.5% p.a.).

Index-linked annuities

	Current Valuation	**Previous Valuation**
Earned real rate of interest on index-linked assets (gross)	1.4485%	1.9%
Real discount rate applied to future cash flows	2.4485%	4.0%
Per policy expense rate pa	£24.00 p.a.	£20.00 p.a.
Real expense inflation rate pa	2.75%	2.0%

Mortality bases

	Current Valuation	Previous Valuation
Pensions annuities:		
- male lives	87.5% PMA92mc (U=2008)	105% PMA92mc (U=2013)
- female lives	87.5% PFA92mc (U=2008)	105% PFA92mc (U=2011)
BLAGAB annuities:		
- male lives	77.5% IMA92 (U=2005)	85% IMA92 (U=2004)
- female lives	82.5% IFA92 (U=2005)	100% IFA92 (U=2004)

The Society's remaining non-profit business is wholly reassured.

(2) Not applicable

(3) Not applicable

(4) Not applicable

(5) Not applicable

With-Profits Benefits Reserve Liabilities

3. (1) The following table shows the valuation method used to calculate the realistic value of the liabilities for the various product types together with the amounts of the with-profits benefit reserve and the future policy related liabilities.

Product type	Valuation Method	With-Profit Benefit Reserve £m	Future Policy Related Liabilities £m
With-profits annuities (3.5% GIR)	R	890	86
With-profits annuities (0% GIR)	R	998	-39
Conventional with-profits	P	173	-2
Life RSP contract	R	271	2
Flexible Protection Plans	R	78	-4
Pensions RSP (3.5% GIR)	R	4873	487
Pensions RSP (0% GIR)	R	881	-29
Total for these products		8163	502
Aggregate de minimis contracts		19	0
Grand total		8181	502

R=Retrospective Method, P=Prospective Method

The Future Policy Related liabilities shown are based on the future cost of contractual guarantees (line 41 of Form 19), less the future value of charges of 0.5%p.a. to be taken from investment returns (line 35 of Form 19) and the future value of profits on surrender (line 36 of Form 19).

Actual expenses are charged to policy values and their equivalents each year. The realistic balance sheet allows for a realistic estimate of future expenses including an allowance for diseconomies of scale. This is modelled implicitly as a percentage of funds under management.

(2) Not applicable

(3) With-profit insurance contracts with total with-profits benefit reserves of £19m and future policy related liabilities of £0.3m were not modelled explicitly. To allow for these contracts the explicitly modelled liabilities were scaled up using the ratio of total regulatory reserves including these contracts to the total regulatory reserves excluding these contracts.

With-profits benefit reserves – Retrospective method

4. (1) (a) For all the Recurrent Single Premium and With-Profit Immediate Annuity business that was valued on a retrospective basis 100% of the with-profits benefit reserve was calculated on an individual basis.

For Recurrent Single Premium business Policy Values have been established as a proxy for asset shares (and hence the with-profits benefit reserve).

For With-Profit Immediate Annuity business the current underlying levels of annuity i.e. including past bonus declarations and other adjustments (but before allowing for the guaranteed minimum payments) were capitalised based on the expectation of life allowing for the effect of any anticipated bonus rates and any anticipated Guaranteed Interest Rate (GIR). The GIR is 3.5% for contracts effected before 1 July 1996 and 0% otherwise. No further discount was applied.

(b) None.

(c) Not applicable.

(2) (a) Not applicable.

(b) Not applicable.

(3) (a) The date of the previous expense investigation was 31/12/04.

(b) Expense investigations are carried out every 12 months, and updated at six monthly intervals. The numbers in this section relate to the year to 31 December 2005.

(c) (i) There were no initial expenses identified relating to the issue of new policies where the policyholder has a contractual right to take out a new policy. There were no other initial expenses.

(ii) £48m was identified as maintenance expenses that relate to the servicing, claims handling and management of the business.

(iii) expenses are expressed as a percentage of the with-profit fund assets and taken into account when determining the annual change to Policy Values.

(iv) £66m of expenses were categorised as exceptional expenses. These expenses are charged against specific provisions held on the balance sheet.

(4) A charge of 0.5% p.a. of policy values (the "margin for flexibility") is taken to make some allowance for the cost of guarantees incurred and to act as a buffer against risk and adverse experience.

(5) Not applicable

(6) The claims paid during the year comprised maturity values (being the higher of Policy Values and the guaranteed benefit) and surrender values (being policy values reduced by the financial adjustment which for UK policies was 11.1% from 31 December 2004 to 30 September 2005 and 8% from 1 October 2005 to 31 December 2005). The average ratio of maturity claims to the corresponding Policy Values over the year prior to the valuation date was 100.0% (although more would have been paid out for cases where the guarantee bit). The corresponding average for surrenders/transfers was about 90%. The corresponding figures for maturities and surrenders/transfers for 2004 were 100.0% and 89% respectively. The corresponding figures for 2003 were also 100.0% and 89% respectively.

(7) The investment return earned over the period from 31 December 2004 to 31 December 2005 was 9.8% (2004:8.2%) before tax and expenses.

An increase to Policy Values of 4.5% (2004:3.5%) for with-profits recurrent single premium pension policies and with-profits immediate pension annuities effected after 20 July 2000, 4% (2004:3.5%) for with-profits immediate pension annuities effected before 20 July 2000 and 3.6% (2004:2.8%) for life policies has been made for 2005. Allowance is made for the impact of provisions, expenses, tax and mortality reserves and any changes to those amounts.

With-profits benefits reserve – Prospective method

5. (1) For conventional with –profits business (whole of life and endowments) the key assumptions used in the prospective method of calculating the with-profits benefits reserve were:

(a) The discount rate applied to future benefits and premiums was 3.00% per annum. This is based on the risk free rate of around 4%, netted down for tax and rounded down.

(b) Not applicable

(c) No assumption for future inflation of expenses is required in this methodology.

(d) Future reversionary bonuses are assumed to be zero. The following table of final bonus factors was used to calculate the policy values at the valuation date.

Elapsed Term - Yrs	Final Bonus Rate %
<6	0
6	1
7	1
8	1
9	1
10	2
11	2
12	2
13	3
14	3
15	4
16	5
17	6
18	7
19	8
20	10
21	13
22	17
23	23
24	31
25	39
26	47
27	55
28	61
29	67
30	73
31	79
32	85
33	90
34	94
>34	98

(e) Expenses are implicitly allowed for in the premiums valued.

(f) No allowance for surrenders was made.

(2) The methods in (1) involve only one set of key assumptions.

Costs of guarantees, options and smoothing

6. (1) Not applicable

(2) All the with-profits insurance contracts mentioned in 3 (1) were valued using a market consistent stochastic model. All the contracts were grouped according to the following grouping rules:

Recurring Single Premium – these contracts were grouped by outstanding term, ratio of final bonus to policy value (in 2% bands) and by the level of guaranteed interest rate (3.5% or 0% per annum).

For with-profits UK transfer plans and miscellaneous deferred annuities, a number of contracts have a Guaranteed Minimum Pension (GMP) underpin. These contracts also have the guarantees common to all Recurring Single Premium business described above. For these policies the average cost of buying out the revalued GMP annuity benefit at State Pension Age (SPA) was calculated based on 500 simulations using the mortality basis for non-profit annuities set out section 2.(1) above and risk-free yields for 15 year Zero Coupon Bonds at SPA. Allowance was also made for expenses in payment including diseconomies of scale between the valuation date and SPA.

With-profits immediate annuities – these contracts were grouped by whole life or temporary annuity, sex, quinqennial age band, year of entry, month of entry, anticipated bonus rate (in 4% bands) and whether a guaranteed interest rate applied or not. The average age and anticipated bonus rate were then calculated for each group, weighted by policy value. Last survivor annuities were modelled by creating combined mortality tables based on the age of the male life, assuming wives 3 years younger.

Conventional Endowments – these contracts were grouped by original term and then by outstanding term.

Numbers of benefits before and after applying grouping rules:

Product type	Benefits	Model Points
With-profits annuities(3.5% GIR)	39,297	5,356
With-profits annuities(0% GIR)	27,799	2,619
Conventional with-profits	17,321	803
Life RSP contracts	29,911	149
Flexible Protection Plans	9,285	173
Pensions RSP (3.5% GIR)	855,092	5,381
Pensions RSP (0% GIR)	208,662	3,382
Total	1,187,367	17,863

The grouping bases were reviewed for this valuation. For Recurring Single Premium contracts the bandings used for grouping by ratio of final bonus to policy value were increased from 1% to 2%. For with-profits immediate annuities anticipated bonus rate (in 4% bands) and month of entry were added to the grouping criteria.

In determining the grouping basis for each contract type, tests were done with higher numbers of groups modelled. The final grouping rules were set so that the value of the guarantee costs did not materially change from the results using larger number of groupings.

(3) Not applicable.

(4) (a) (i) The methodology is unchanged from the previous year end.

For Recurring Single Premium business there is a guarantee that the death benefit and the maturity benefit will not be less than the amount of the guaranteed fund plus any declared reversionary bonuses. The maturity guarantee applies where the policyholder retires on or after the Earliest Contractual Date (ECD) written into their policy. Most policies effected before 1 July 1996 have a guaranteed rate of interest of 3.5% that will be credited to the guaranteed amounts each year.

For the purpose of determining when policyholders will exit on contractual terms, policies have been split into 2 categories -those that have not yet reached the ECD and those that have passed that date.

The assumed retirement ages in relation to the ECD are shown in the following table:

	Policyholders Before ECD (years)	**Policyholders on or after ECD (years)**	**Original ECD**
Group Pensions	-3	7	NRA
Individual (“executive”) Pensions	-2	3	NRA
Personal Pensions (non-DSS)	8	10	50
Personal Pensions (DSS)	2	6	60
Retirement Annuities	0	7	60

where NRA = Normal Retirement Age

Policyholders already past the assumed retirement age were assumed to retire immediately.

Managed Pension policies were assumed to mature evenly over the 3 year period beginning at the valuation date.

For with-profits immediate annuities there is a guarantee that the annuity payable in any year will not be less than a guaranteed amount. This guaranteed amount reduces each year by the anticipated bonus rate that was selected at outset by the policyholder.

For endowment assurances there is a guarantee that the amount payable on death and the maturity value will not be less than the sum assured and any declared reversionary bonuses.

For some with-profits UK transfer plans and miscellaneous deferred annuities there is a Guaranteed Minimum Pension (GMP) at State Pension Age (see section 6.(2) above).

A very small set of policies has guaranteed annuity options for which a provision of £10m is held. The provision was calculated deterministically, and a 50% prudence margin added.

The only smoothing that has been applied relates to with-profits immediate annuities where the outstanding cuts in benefits resulting from the House of Lords judgement (being 3%) have been smoothed over 6 years, starting from the first policy anniversary date after 1 April 2006. These costs have been allowed for in the calculation of the with-profits benefits reserves.

For contracts other than conventional with-profits, the extent to which policy values exceeded guaranteed values at the valuation date, banded into percentages of policy values, is shown in the following table:

% In / Out of money*	Policy values (£m)	Percentage
-100% TO –50%	0	0%
-49% TO -30%	133	2%
-29% TO -20%	577	7%
-19% TO -15%	599	8%
-14% TO -10%	1,156	15%
-9% TO -5%	1,401	18%
-4% TO 0%	1,901	24%
1% TO 5%	1,073	13%
6% TO 10%	352	4%
11% to 15%	273	3%
16% to 20%	145	2%
21% TO 30%	189	2%
31% TO 50%	190	2%
51% TO 100%	7	0%
Total	7,997	100%

* Negative values indicate contracts currently “in the money” (i.e. where the current guaranteed fund exceeds the current policy value – this may change by maturity). The figures shown are percentages of policy value.

(a) (ii) The asset model used in the valuation is The Smith Model. This generates the following parameters – an equity total return index, an equity capital growth index, an equity running yield, an inflation index, zero coupon bond prices and a proxy property index.

Property Unit Trusts (PUT's) are modelled as property. These vehicles have issued a significant amount of debt in order to finance the property development. The market value of the PUT's modelled reflects the total exposure to property prices, with the amount of the debt being offset against cash in the with-profits fund.

The implied volatility of the equity capital only index is calibrated to 21.02% for an option term of 10 years. This value was obtained from quotations for a long term (10 years) at-the-money capital return index option on FTSE-100. This is higher than the implied volatility in shorter dated traded options.

Property is modelled using a proxy index with a volatility of 15% and a correlation with equities of 30%.

Bond volatilities vary by term and duration with those implied by the calibration to swaption volatilities obtained from Bloomberg. The swaption volatilities from TSM are shown in the following table, which gives the volatility of the swap rate for input into the standard Black formula for swaptions. The volatilities shown are for at-the-money swaptions.

Option Term (years)	**Swap Term (years)**				
	10	**15**	**20**	**25**	**30**
10	13.2%	12.8%	12.5%	12.3%	12.2%
15	13.3%	12.8%	12.5%	12.1%	11.9%
20	13.4%	12.9%	12.4%	12.1%	11.9%
25	13.6%	13.0%	12.4%	12.2%	12.0%
30	13.5%	12.9%	12.4%	12.2%	12.0%

The calibration has been optimised to a option term of 15 years and swap term of 20 years.

Correlations

10 years of historical weekly data from DataStream has been used to estimate correlations between interest rates and equity returns. 10 years of monthly data has been used to estimate correlations with the Retail Prices Index. The following correlations result from this analysis:

	Correlation
Equities and 6 year conventional bond return	-6.4%
Equities and RPI	3.8%
6 year conventional bond and RPI	-0.7%

(a) (iii)

		Asset Type (all UK assets)	K=0.75			
	n		5	15	25	35
	r	Annualised compound equivalent of the risk free rate assumed for the period (2d.p)	4.23%	4.10%	4.03%	3.94%
1		Risk-free zero coupon bond	812,984	547,388	372,729	258,857
2		FTSE All Share Index (p=1)	47,884	152,365	238,194	309,614
3		FTSE All Share Index (p=0.8)	39,079	111,987	162,511	199,235
4		Property (p=1)	29,369	109,786	196,186	236,782
5		Property (p=0.8)	22,882	76,233	125,631	130,268
6		15 year risk free zero coupon bonds (p=1)	9,062	13,695	11,175	20,400
7		15 year risk free zero coupon bonds (p=0.8)	6,367	6,645	2,263	2,784
8		15 year corporate bonds (p=1)	9,062	13,695	11,175	20,400
9		15 year corporate bonds (p=0.8)	6,367	6,645	2,263	2,784
10		Portfolio of 65% FTSE All Share and 35% property (p=1)	24,731	110,790	198,857	264,539
11		Portfolio of 65% FTSE All Share and 35% property (p=0.8)	18,450	76,153	126,814	156,550
12		Portfolio of 65% equity and 35% 15 risk free zero coupon bonds (p=1)	7,475	51,907	112,087	168,615
13		Portfolio of 65% equity and 35% 15 risk free zero coupon bonds (p=0.8)	4,298	23,241	49,906	73,846
14		Portfolio of 40% equity, 15% property, 22.5% 15 year risk free zero coupon bonds and 22.5% 15 year corporate bonds (p=1)	1,440	17,697	65,036	114,117
15		Portfolio of 40% equity, 15% property, 22.5% 15 year risk free zero coupon bonds and 22.5% 15 year corporate bonds (p=0.8)	772	4,173	20,291	34,761

	n		5	15	25	35
		PV Strike (p=1)	750,000.00	750,000.00	750,000.00	750,000.00
		PV Strike (p=0.8)	720,067.21	666,123.25	617,565.31	574,741.36
			-	-	-	-
2		**FTSE All Share Index (p=1)**	17.98%	19.71%	21.07%	22.10%
3		**FTSE All Share Index (p=0.8)**	17.93%	19.63%	21.00%	22.12%
4		**Property (p=1)**	14.64%	16.02%	18.21%	17.73%
5		**Property (p=0.8)**	14.66%	16.04%	18.01%	16.99%
6		**15 year risk free zero coupon bonds (p=1)**	10.01%	6.50%	4.74%	4.84%
7		**15 year risk free zero coupon bonds (p=0.8)**	10.16%	7.04%	5.10%	5.05%
8		**15 year corporate bonds (p=1)**	10.01%	6.50%	4.74%	4.84%
9		**15 year corporate bonds (p=0.8)**	10.16%	7.04%	5.10%	5.05%
10		**Portfolio of 65% FTSE All Share and 35% property (p=1)**	13.72%	16.11%	18.39%	19.36%
11		**Portfolio of 65% FTSE All Share and 35% property (p=0.8)**	13.64%	16.04%	18.10%	18.93%
12		**Portfolio of 65% equity and 35% 15 risk free zero coupon bonds (p=1)**	9.52%	10.77%	12.57%	13.82%
13		**Portfolio of 65% equity and 35% 15 risk free zero coupon bonds (p=0.8)**	9.30%	9.94%	11.54%	12.74%
14		**Portfolio of 40% equity, 15% property, 22.5% 15 year risk free zero coupon bonds and 22.5% 15 year corporate bonds (p=1)**	6.77%	7.05%	9.31%	10.74%
15		**Portfolio of 40% equity, 15% property, 22.5% 15 year risk free zero coupon bonds and 22.5% 15 year corporate bonds (p=0.8)**	6.89%	6.37%	8.40%	9.42%

		Asset Type (all UK assets)	K=1			
	n		5	15	25	35
	r	Annualised compound equivalent of the risk free rate assumed for the period (2d.p)	4.23%	4.10%	4.03%	3.94%
1		**Risk-free zero coupon bond**	812,984	547,388	372,729	258,857
2		**FTSE All Share Index (p=1)**	161,244	297,871	402,831	487,721
3		**FTSE All Share Index (p=0.8)**	138,618	228,114	284,041	320,583
4		**Property (p=1)**	128,784	243,784	357,884	417,306
5		**Property (p=0.8)**	106,969	177,576	240,491	247,914
6		**15 year risk free zero coupon bonds (p=1)**	75,485	75,091	92,626	124,648
7		**15 year risk free zero coupon bonds (p=0.8)**	58,128	36,998	22,830	24,048
8		**15 year corporate bonds (p=1)**	75,485	75,091	92,626	124,648
9		**15 year corporate bonds (p=0.8)**	58,128	36,998	22,830	24,048
10		**Portfolio of 65% FTSE All Share and 35% property (p=1)**	126,848	246,923	356,269	438,176
11		**Portfolio of 65% FTSE All Share and 35% property (p=0.8)**	104,911	180,332	242,302	275,247
12		**Portfolio of 65% equity and 35% 15 risk free zero coupon bonds (p=1)**	98,381	187,106	269,270	337,173
13		**Portfolio of 65% equity and 35% 15 risk free zero coupon bonds (p=0.8)**	76,091	118,897	153,926	178,563
14		**Portfolio of 40% equity, 15% property, 22.5% 15 year risk free zero coupon bonds and 22.5% 15 year corporate bonds (p=1)**	67,146	131,126	211,228	276,005
15		**Portfolio of 40% equity, 15% property, 22.5% 15 year risk free zero coupon bonds and 22.5% 15 year corporate bonds (p=0.8)**	46,297	68,902	101,335	123,466

	n		5	15	25	35
		PV Strike (p=1)	1,000,000	1,000,000	1,000,000	1,000,000
		PV Strike (p=0.8)	960,090	888,164	823,420	766,322
			-	-	-	-
2		**FTSE All Share Index (p=1)**	18.20%	19.75%	21.14%	22.15%
3		**FTSE All Share Index (p=0.8)**	18.17%	19.72%	21.10%	22.10%
4		**Property (p=1)**	14.50%	16.03%	18.59%	18.57%
5		**Property (p=0.8)**	14.47%	15.98%	18.33%	17.80%
6		**15 year risk free zero coupon bonds (p=1)**	8.47%	4.87%	4.65%	5.30%
7		**15 year risk free zero coupon bonds (p=0.8)**	8.76%	5.56%	4.58%	4.87%
8		**15 year corporate bonds (p=1)**	8.47%	4.87%	4.65%	5.30%
9		**15 year corporate bonds (p=0.8)**	8.76%	5.56%	4.58%	4.87%
10		**Portfolio of 65% FTSE All Share and 35% property (p=1)**	14.28%	16.25%	18.50%	19.61%
11		**Portfolio of 65% FTSE All Share and 35% property (p=0.8)**	14.23%	16.18%	18.45%	19.38%
12		**Portfolio of 65% equity and 35% 15 risk free zero coupon bonds (p=1)**	11.06%	12.22%	13.77%	14.74%
13		**Portfolio of 65% equity and 35% 15 risk free zero coupon bonds (p=0.8)**	10.86%	11.70%	13.00%	13.89%
14		**Portfolio of 40% equity, 15% property, 22.5% 15 year risk free zero coupon bonds and 22.5% 15 year corporate bonds (p=1)**	7.54%	8.53%	10.72%	11.94%
15		**Portfolio of 40% equity, 15% property, 22.5% 15 year risk free zero coupon bonds and 22.5% 15 year corporate bonds (p=0.8)**	7.36%	8.02%	9.79%	10.84%

		Asset Type (all UK assets)	K=1.5			
	n		5	15	25	35
	r	**Annualised compound equivalent of the risk free rate assumed for the period (2d.p)**	4.23%	4.10%	4.03%	3.94%
1		**Risk-free zero coupon bond**	812,984	547,388	372,729	258,857
2		**FTSE All Share Index (p=1)**	543,617	674,437	791,078	889,223
3		**FTSE All Share Index (p=0.8)**	491,030	538,821	577,486	602,913
4		**Property (p=1)**	520,795	616,610	745,860	822,263
5		**Property (p=0.8)**	466,422	480,529	532,172	533,571
6		**15 year risk free zero coupon bonds (p=1)**	499,162	490,840	508,746	530,217
7		**15 year risk free zero coupon bonds (p=0.8)**	439,310	325,663	264,201	226,402
8		**15 year corporate bonds (p=1)**	499,162	490,840	508,746	530,217
9		**15 year corporate bonds (p=0.8)**	439,310	325,663	264,201	226,402
10		**Portfolio of 65% FTSE All Share and 35% property (p=1)**	520,917	619,088	737,069	830,173
11		**Portfolio of 65% FTSE All Share and 35% property (p=0.8)**	466,218	483,193	525,851	549,627
12		**Portfolio of 65% equity and 35% 15 risk free zero coupon bonds (p=1)**	512,367	582,654	668,955	743,641
13		**Portfolio of 65% equity and 35% 15 risk free zero coupon bonds (p=0.8)**	455,991	439,055	447,330	452,561
14		**Portfolio of 40% equity, 15% property, 22.5% 15 year risk free zero coupon bonds and 22.5% 15 year corporate bonds (p=1)**	502,331	538,096	610,181	677,715
15		**Portfolio of 40% equity, 15% property, 22.5% 15 year risk free zero coupon bonds and 22.5% 15 year corporate bonds (p=0.8)**	443,725	388,411	386,543	386,784

	n		5	15	25	35
		PV Strike (p=1)	1,500,000	1,500,000	1,500,000	1,500,000
		PV Strike (p=0.8)	1,440,134	1,332,247	1,235,131	1,149,483
			-	-	-	-
2		**FTSE All Share Index (p=1)**	18.56%	20.03%	21.38%	22.38%
3		**FTSE All Share Index (p=0.8)**	18.50%	19.91%	21.22%	22.22%
4		**Property (p=1)**	14.68%	16.18%	19.10%	19.42%
5		**Property (p=0.8)**	14.69%	16.13%	18.85%	18.90%
6		**15 year risk free zero coupon bonds (p=1)**	0.00%	0.00%	5.29%	6.20%
7		**15 year risk free zero coupon bonds (p=0.8)**	0.00%	0.00%	4.89%	5.52%
8		**15 year corporate bonds (p=1)**	0.00%	0.00%	5.29%	6.20%
9		**15 year corporate bonds (p=0.8)**	0.00%	0.00%	4.89%	5.52%
10		**Portfolio of 65% FTSE All Share and 35% property (p=1)**	14.71%	16.35%	18.66%	19.76%
11		**Portfolio of 65% FTSE All Share and 35% property (p=0.8)**	14.66%	16.30%	18.53%	19.66%
12		**Portfolio of 65% equity and 35% 15 risk free zero coupon bonds (p=1)**	12.82%	13.79%	15.23%	16.05%
13		**Portfolio of 65% equity and 35% 15 risk free zero coupon bonds (p=0.8)**	12.68%	13.38%	14.54%	15.23%
14		**Portfolio of 40% equity, 15% property, 22.5% 15 year risk free zero coupon bonds and 22.5% 15 year corporate bonds (p=1)**	9.22%	10.22%	12.19%	13.25%
15		**Portfolio of 40% equity, 15% property, 22.5% 15 year risk free zero coupon bonds and 22.5% 15 year corporate bonds (p=0.8)**	9.12%	9.79%	11.49%	12.36%

	Swaption prices as percentage of nominal for a swaption with swap period L and option term n				
n		5	15	25	35
		L=15			
16	**Receiver Swaption**	11.72%	9.90%	7.24%	4.41%
		L=20			
16	**Receiver Swaption**	14.07%	11.59%	8.30%	5.09%
		L=25			
16	**Receiver Swaption**	16.20%	13.11%	9.23%	5.69%

(a) (iv) The initial net yields on equities and property were taken as 3.04% and 4.2% respectively.

(a) (v) Not applicable

(a) (vi) For contracts other than conventional with-profits, the distribution of contracts that currently have guaranteed values greater or less than policy values is shown in the following table:

Guaranteed values greater than policy values		
Outstanding Term	**Policy Value (£m)**	**Percentage**
20 TO 40 Years	462	8%
10 TO 20 Years	1,307	23%
5 TO 10 Years	1,249	22%
0 TO 5 Years	1,606	28%
WPIA and Whole Life*	1,145	20%
Total	5,768	100%

Guaranteed values less than policy values		
Outstanding Term	**Policy Value (£m)**	**Percentage**
20 TO 40 Years	69	3%
10 TO 20 Years	220	10%
5 TO 10 Years	458	21%
0 TO 5 Years	746	34%
WPIA and Whole Life*	736	33%
Total	2,229	100.0%

* A number of Recurrent Single Premium life policies (Critical Illness and Major Medical Plans) are written as whole of life policies.

The asset model has been calibrated to a set of 5 Zero Coupon Bonds at a range of terms. The following table shows a comparison of the values derived by the asset model against actual market prices for a set of four different gilts:

Bond Number	Coupon	Market Price	TSM Fitted Price	Term (years)
1	5.00%	£1.02	£1.02	2.51
2	9.00%	£1.24	£1.24	5.53
3	8.00%	£1.25	£1.26	7.75
4	8.00%	£1.44	£1.45	15.45

The model is calibrated to implied volatilities. The asset model produces:

- An equity implied volatility of 20.86% over ten years for the capital growth index and 18.79% for the total return index. For comparison, the implied volatility of a ten-year at-the-money equity capital return index put option used for calibrating the model was 21.02% (based on the average of quotes from 4 investment banks).

- Property volatility of 15% p.a.

- zero coupon bond volatilities varying by outstanding term to redemption as follows:

Term (years)	Average expected volatility over next 20 years (%)
1	2.3
5	4.5
10	8.0
15	10.8
20	12.7
25	14.8

- correlations between asset classes as follows:

  - Total equity return and 10 year bond return: -22.1%
  - Total equity return and property return: +25.2%
  - Property return and 10 year bond return: -4.3%

Correlations with bonds of shorter and longer terms were similar to those shown above.

(a) (vii) The risk-free rate implied by the economic scenarios is compared against the calibrated risk free rate.

Checks were also made to ensure that the present value of future income, gains and losses on bonds, property and equities equal the starting market values of the assets.

(a) (viii) The results are based on 5000 simulations. Results based on batches of 500 simulations show that increasing the number of simulations increases the accuracy of the results based on the assumptions used.

(b) Not applicable.

(c) Not applicable.

(5) (a) In the projection of assets and liabilities it has been assumed that policy values (and hence the with-profits benefit reserve) would be changed in line with the change to the market value of assets. Any residual excess of assets over liabilities would be distributed over the lifetime of the existing business.

(b) Equity backing ratios:

	31/12/2005	**31/12/2010**	**31/12/2015**
Base scenario	4.7%	4.7%	4.7%
Yields increase by 17.5%	5.2%	5.2%	5.2%
Yields reduce by 17.5%	4.8%	4.8%	4.8%

A further 8.1% of assets (allowing for gearing) were invested in Property Unit Trusts and a further 10% of assets were directly invested in property.

It is assumed that these percentages will be maintained over time by rebalancing the portfolio as required.

Future declared reversionary bonus rates are assumed to be zero throughout the projection period (unchanged from previous year end).

(6) Policyholders are assumed to take benefits on non-contractual terms at the following rates:

	Surrender rate (% p.a.)	**Decreasing by (% p.a.)**
Group AVC	2 reducing to 1.5	0.5
Group Money Purchase	2 reducing to 1.5	0.5
Individual (“executive”) Pensions	2 reducing to 1.5	0.5
Personal Pensions (non-DSS)	3 reducing to 1.5	0.5
Personal Pensions (DSS)	3 reducing to 1.5	0.5
Retirement Annuities	4 reducing to 1.5	0.5
Life Business	5 reducing to 1.5	0.5

For Recurrent Single Premium life policies it was assumed that, with the exception of the surrenders described above, all policyholders would take their benefits at their 10th anniversary dates (or, where policies have been extended, the next date at which any "no financial adjustment" terms apply).

For Conventional with-profits policies it was assumed that, with the exception of the surrenders described above, all policyholders would take benefits on the date their policies mature.

(7) It was assumed that policyholders would make no further contributions to policies, except where contractually required to maintain the policy. Surrender rates are assumed not to vary by economic scenario. It was assumed that there would be no changes to retirement behaviour in low interest rate scenarios. A sensitivity analysis has been carried out to illustrate the potential impact on planned enhancements to with profits benefits reserve, at 31 December 2005, of GIRs on RSP business under certain scenarios modelled on a stochastic basis, where the results are aggregated and the average liability is calculated. If investment returns fall below a given level, it is possible that policyholders may defer their retirement. If policyholders defer their retirement by up to 5 years (from that previously assumed), while the interest rate in the scenario is below 2.5%, then the planned enhancements would reduce by £95m. If the level of interest rates at which behaviour changes is 3.5% and the same period of deferment is assumed, the amount is £145m. If the deferral were for a period of up to 10 years, the amounts are £150m at 2.5% and £250m at 3.5% respectively.

Financing Costs

7. A subordinated loan is outstanding. The face amount is £167m and an 8% p.a. coupon is payable. The loan has an earliest repayment date of 25th August 2007, when it has been assumed that the loan will be redeemed at par. The coupons and redemption proceeds will be repaid from the invested assets of the Society. No allowance was made for the possibility of defaults or delays in payments to bondholders.

The nature of the subordinated liability is disclosed in the first three paragraphs of Note 1402 of these Returns.

Other long-term insurance liabilities

8. There are several provisions in respect of various review programmes and to cover other risks. These liabilities also include allowance for short-term exceptional expenses mainly in connection with these review programmes and litigation costs. The total provision of £420.5m is composed of the following elements:

	£m
Managed Pensions and GAR rectification	85.0
Exceptional expenses	129.0
Other miscellaneous liabilities including mis-selling	206.5
TOTAL OTHER LONG-TERM LIABILITIES	420.5

Realistic current liabilities

9. These liabilities include tax and social security creditors, other creditors arising out of direct insurance operations and a liability for the deficit in the staff pension scheme (£47.9m). The total realistic current liabilities of £342m (including the face value of the sub-debt of £167m) are the same as the regulatory current liabilities.

Risk Capital Margin

10. (a) The Risk Capital Margin at 31st December 2005 was zero. This is a consequence of reducing the planned enhancements to policyholders as described in section 10(b)(i) below. The stress scenarios described below were tested:

(i) The scenarios tested were rises and falls in the values of equities and property of 20% and 12.5% respectively. These percentages were applied to both UK and non-UK assets. The scenario where the market values of equities and property fell was the most onerous scenario.

(ii) The scenarios tested were a rise and fall of 17.5% of the long term gilt yield (being 72.13 basis points) for yields at all durations. The scenario where yields rise was the most onerous scenario prior to the impact of management actions. After the management action to reduce policy values the scenario where yields fall was the most onerous.

(iii) (a) The credit risk scenario resulted in an average increase in the spread of about 40 basis points in respect of corporate bonds in the with-profits fund. The resultant fall in market values was approximately 3.5% of the total value of those bonds.

(b) Not applicable

(c) The credit risk event was not applied to the portfolio of business that is reassured with HBOS plc.

(d) Not applicable

(iv) The overall increase in the realistic value of the liabilities as a result of applying the persistency stress was 0.7%.

(v) Not applicable

(b) (i) In the stress scenarios it has been assumed that when asset values fall at the start of the projection there will be an immediate reduction in policy values equal to the same percentage reduction, plus, in the case of equity and property falls, and where credit spreads widen, a further 30% of those falls. This adjustment is to make some allowance for the increase in guarantee costs and reduction in the charge for guarantees associated with the reduction to policy values. It also allows for losses in the value of the non-policy assets, e.g. those backing the provisions, and for lower charges to cover expenses. When asset values increase due to a fall in yields no further change in the policy values was assumed.

As described in section 6(5)(a), any residual excess of assets over liabilities would be distributed over the lifetime of the existing business. In the stress scenarios the excess assets available to distribute is reduced such that the Working Capital remains zero.

(ii) The reduction to policy values described in section 10(a)(i) above reduces the RCM. The amount of the RCM calculated before and after these reductions would be as follows:

Stress scenario	Before	After
Yields rise	£632m	£250m
Yields fall	£492m	£284m

The reduction in the planned enhancements further reduces the RCM to zero.

(iii) The management actions described above do not alter the equity backing ratios. There are assumed to be no future declared reversionary bonuses.

(iv) In the most onerous stress scenario the value of past and future fund cost of guarantees is in excess of the value of past and future charges i.e. the requirements of PRU 7.4.188R would be met.

(c) (i) No assets are required to cover the risk capital margin.

(ii) Not applicable.

11. Tax

Tax is payable on an "I-E" basis for life business. The tax payable is deducted from future increases to policy values (or their equivalents).

12. Derivatives

There were no derivative contracts held by the with-profits fund.

13. **Analysis of change in working capital**

The reduction in the Working Capital from £531m at the previous valuation to £0m has been analysed as follows:

Item	**Effect (£m)**
Expected investment return on excess capital	73
Increase in provisions and expenses	(3)
Investment Variance	402
Change to surrender assumptions	(55)
Change in other valuation assumptions	66
Strengthening of mortality basis	(275)
Change to present values of profits from Non-Profit business	(85)
Increase to planned enhancements	(668)
Other	16
Total change	(531)

14. **Optional Disclosure**

Not applicable.

RETURNS UNDER INSURANCE COMPANIES LEGISLATION

THE EQUITABLE LIFE ASSURANCE SOCIETY

FINANCIAL YEAR END 31 DECEMBER 2005

ADDITIONAL INFORMATION AS REQUIRED BY IPRU (INS) 9.29

a) The use of derivatives is limited to specific instructions from the Investment Committee.

b) The Society's guidelines regarding the usage of derivatives do not authorise contracts which are 'not reasonably likely to be exercised'

c) During the year the Society was not a party to any contracts of the kind described in (b) above.

d&e) The Society had no rights or obligations to acquire or dispose of assets under derivative contracts outstanding at 31 December 2005.

f) The extent to which the value of any assets would have changed, if assets that the Society had agreed to acquire or dispose of under all derivative contracts outstanding during the year, had been so acquired and disposed of, is not material.

g) The Society had no obligations due under derivative contracts outstanding at the end of the year.

h) The Society did not use any derivative contracts or contracts having equivalent effects which did not fall within rule 4.3.17R, during the year.

i) The value of consideration received during the financial year in return for granting rights under derivative contracts was nil in respect of equity options.

RETURNS UNDER INSURANCE COMPANIES LEGISLATION

THE EQUITABLE LIFE ASSURANCE SOCIETY

FINANCIAL YEAR END 31 DECEMBER 2005

ADDITIONAL INFORMATION AS REQUIRED BY IPRU (INS) 9.30

The Society has no shareholder controllers because it is a mutual company.

RETURNS UNDER INSURANCE COMPANIES LEGISLATION

THE EQUITABLE LIFE ASSURANCE SOCIETY

FINANCIAL YEAR END 31 DECEMBER 2005

CERTIFICATE REQUIRED BY IPRU(INS) 9.34, 9.35 AND APPENDIX 9.6

We certify that:

(1) (a) the *return* has been properly prepared in accordance with the requirements in *IPRU(INS)* and *PRU*; and

(b) we are satisfied that:

(i) throughout the financial year ended 31 December 2005 and other than as specified below, the Society has complied in all material respects with the requirements in *SYSC* and *PRIN* as well as the provisions of *IPRU(INS)* and *PRU,* to the extent that the provisions applied; and

The Society is dependent on the delivery of administration and investment services by HBOS and is reliant on HBOS's systems and controls and, in making the above statement in respect of SYSC, the directors have relied upon information received from and appropriate disclosures having been made by HBOS to the Society.

(ii) other than as specified in (i) above, it is reasonable to believe that the Society has continued so to comply subsequently, and will continue so to comply in future.

(2) (a) in our opinion, *premiums* for contracts entered into during the financial year ended 31 December 2005 and the resulting income earned are sufficient, under reasonable actuarial methods and assumptions, and taking into account the other financial resources of the Society that are available for the purpose, to enable the Society to meet its obligations in respect of those contracts and, in particular, to establish adequate *mathematical reserves*; and

(b) the sum of the *mathematical reserves* and the deposits received from *reinsurers* as shown in **Form 14** constitute proper provision as at 31 December 2005 for the *long-term insurance business liabilities* (including all liabilities arising from *deposit back arrangements*, but excluding other liabilities which had fallen due before 31 December 2005) including any increase in those liabilities arising from a distribution of surplus as a result of an *actuarial investigation* as at that date into the financial condition of the *long-term insurance business*; and

(c) the *with-profits fund* has been managed in accordance with the *Principles and Practices of Financial Management*, as established, maintained and recorded under *COB* 6.10; and

(d) we have, in preparing the *return*, taken and paid due regard to-

(i) advice in preparing the *return* from every *actuary* appointed by the *insurer* to perform the *actuarial function* in accordance with *SUP* 4.3.13R; and

(ii) advice from every *actuary* appointed by the *insurer* to perform the *with-profits actuary function* in accordance with *SUP* 4.3.16R.

Vanni Treves, Chairman

Michael Pickard, Director

Charles Thomson, Chief Executive

30 March 2006

RETURNS UNDER INSURANCE COMPANIES LEGISLATION

AUDITORS' REPORT: REGULATORY RETURN FOR A LIFE INSURANCE COMPANY

THE EQUITABLE LIFE ASSURANCE SOCIETY

FINANCIAL YEAR END 31 DECEMBER 2005

REPORT TO THE DIRECTORS PURSUANT TO RULE 9.35

We have examined the following documents prepared by the company pursuant to the Accounts and Statements Rules set out in part I and part IV of chapter 9 to the Interim Prudential Sourcebook for Insurers and PRU the Integrated Prudential Sourcebook ("the Rules") made by the Financial Services Authority under section 138 of the Financial Services and Markets Act 2000:

- Forms 2, 3, 10 to 19, 40 to 43, 48, 49, 56, 58 and 60, (including the supplementary notes on pages 53 to 60) ("the Forms");
- the statement required by rule 9.29 on page 102 ("the Statement");
- the statements, analysis and reports required by rule 9.31(a) ("the valuation report") and 9.31(b) ("the realistic valuation report") on pages 61 to 101.

We are not required to examine and do not express an opinion on:

- Forms 46 to 47, 50 to 54, 57, 59A and 59B (including the supplementary notes on pages 53 to 60);
- the statements required by rules 9.30 and 9.36 on pages 103 and 109 to 110;
- the certificate required by rule 9.34 on pages 104 to 105 ("the certificate").

Respective responsibilities of the company and its auditors

The company is responsible for the preparation of an annual return (including the Forms, the Statement, the valuation report, the forms and statements not examined by us and the certificate under the provisions of the Rules. The requirements of the Rules have been modified by a waiver issued under section 68 of the Insurance Companies Act 1982 carried forward at commencement of the Financial Services and Markets Act 2000 under transitional provisions set out in the Supervision Manual PRU as an amendment to Rule 7.2.16R. Under rule 9.11 the Forms, the Statement, the valuation report, the realistic valuation report, the forms and statements not examined by us and the certificate are required to be prepared in the manner specified by the Rules and to state fairly the information provided on the basis required by the Rules.

The methods and assumptions determined by the company and used to perform the actuarial investigation as set out in the valuation report and the realistic valuation report, prepared in accordance with rule 9.31 are required to reflect appropriately the requirements of PRU 7.3 and 7.4.

It is our responsibility to form an independent opinion as to whether the Forms, the Statement, the valuation report and the realistic valuation report meet these requirements, and to report our opinions to you. We also report to you if, in our opinion, the company has not kept proper accounting records or if we have not received all the information we require for our examination. This report has been prepared for the directors of the Equitable Life Assurance Society to comply with their obligations under rule 9.35 and for not other purpose. We do not, in providing this report, accept or assume responsibility for any other purpose save where expressly agreed by our prior consent in writing.

Basis of opinion

We conducted our work in accordance with Practice Note 20 'The audit of insurers in the United Kingdom' and Bulletin 2004/5 issued by the Auditing Practices Board. Our work included examination, on a test basis, of evidence relevant to the amounts and disclosures in the Forms, the Statement, the valuation report and the realistic valuation report. The evidence included that previously obtained by us relating to the audit of the financial statements of the company for the financial year. It also included an assessment of the significant estimates and judgements made by the company in the preparation of the Forms, the Statement, the valuation report and the realistic valuation report.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Forms, Statement, the valuation report and the realistic valuation report are free from material misstatement, whether caused by fraud or other irregularity or error and comply with rule 9.11.

In accordance with rule 9.35(1A), to the extent that any document, Form, Statement, analysis or report to be examined under rule 9.35(1) contains amounts or information abstracted from the actuarial investigation performed pursuant to rule 9.4, we have obtained and paid due regard to advice from a suitably qualified actuary who is independent of the insurer.

Opinion

In our opinion:

(i) the Forms, the Statement, the valuation report and the realistic valuation report fairly state the information provided on the basis required by the Rules as modified and have been properly prepared in accordance with the provisions of those Rules; and
(ii) the methods and assumptions determined by the insurer and used to perform the actuarial investigation as set out in the valuation report and the realistic valuation report prepared in accordance with rule 9.31 appropriately reflect the requirements of PRU 7.3 and 7.4.

Emphasis of matter – contingent liabilities and other uncertainties

In arriving at our opinion we have considered the adequacy of the disclosures made in relation to contingent liabilities and uncertainties in Note 1402 in respect of the potential additional claims against the Society, expenses and increases in provisions that could arise as a result of different legal and regulatory views on its historical conduct and any changes in provisions arising from GIR policyholder behaviour. If the uncertainties prevail, further obligations would arise in respect of mis-selling and other claims, which in extreme circumstances may also prejudice the continuing solvency of the Society.

Our opinion is not qualified in respect of the emphasis of matter.

PricewaterhouseCoopers LLP
Registered Auditor
30 March 2006

RETURNS UNDER INSURANCE COMPANIES LEGISLATION

THE EQUITABLE LIFE ASSURANCE SOCIETY

FINANCIAL YEAR END 31 DECEMBER 2005

STATEMENT OF INFORMATION REQUIRED BY IPRU (INS) 9.36

D Murray, a partner in the firm of Deloitte LLP, was the Actuary who was appointed to perform the With-Profits Actuary function for the Society until 31 March 2005. The particulars to be given in compliance with IPRU (INS) 9.36 are:-

a) Shareholding

Neither the Actuary nor any partner of Deloitte LLP had any interest in any loan stock issued by the company.

b) Pecuniary Interest

A number of the partners of Deloitte LLP held life assurance policies issued by the company.

c) Aggregate Remuneration

The aggregate amount of remuneration of Deloitte LLP for actuarial services provided to the Company was £1,548,752 (exclusive of VAT). This amount includes £250,796 relating to the With-Profits Actuary function.

d) Other Pecuniary Benefits

Except as set out above, neither Deloitte LLP nor the Actuary had any pecuniary interest in any transaction between the Actuary and the Society.

The Society requested the Actuary to furnish the particulars specified in IPRU (INS) 9.36.

The above particulars were furnished by the Actuary and they agree with the Society's records.

T Bateman was appointed to perform the With-Profits Actuary function for the Society on 1 April 2005. The particulars to be given in compliance with IPRU (INS) 9.36 are :-

a) Shareholding

T Bateman did not have any shares in the Company

d) Pecuniary Interest

T Bateman did not have any form of Pecuniary Interest in the Company

e) Aggregate Remuneration

The aggregate amount of remuneration was £134,203 for the year ended 31 December 2005.

d) Other Pecuniary Benefits

T Bateman was entitled to participate in a range of employee benefits schemes, in common with other eligible employees

The Society requested the Actuary to furnish the particulars specified in IPRU (INS) 9.36.

The above particulars were furnished by the Actuary and they agree with the Society's records.