

**Annual FSA Insurance Returns  
for the year ended 31 December 2008**

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

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**Statement of solvency - long-term insurance business**Name of insurer **Equitable Life Assurance Society**

Global business

Financial year ended **31 December 2008**

Adjusted solo solvency calculation

R2	Company registration number	GL/UK/CM	day month year			Units
	37038	GL	31	12	2008	£000
			As at end of this financial year			As at end of the previous year
			1			2

**Capital resources**

Capital resources arising within the long-term insurance fund	11	449277	739569
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	449277	739569

**Guarantee fund**

Guarantee fund requirement	21	83621	91102
Excess (deficiency) of available capital resources to cover guarantee fund requirement	22	365657	648467

**Minimum capital requirement (MCR)**

Long-term insurance capital requirement	31	250862	273306
Resilience capital requirement	32		
Base capital resources requirement	33	1889	1674
Individual minimum capital requirement	34	250862	273306
Capital requirements of regulated related undertakings	35		
Minimum capital requirement (34+35)	36	250862	273306
Excess (deficiency) of available capital resources to cover 50% of MCR	37	323846	602916
Excess (deficiency) of available capital resources to cover 75% of MCR	38	261131	534590

**Enhanced capital requirement**

With-profits insurance capital component	39	198415	466263
Enhanced capital requirement	40	449277	739569

**Capital resources requirement (CRR)**

Capital resources requirement (greater of 36 and 40)	41	449277	739569
Excess (deficiency) of available capital resources to cover long-term insurance business CRR (13-41)	42	0	0

**Contingent liabilities**

Quantifiable contingent liabilities in respect of long-term insurance business as shown in a supplementary note to Form 14	51		
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**Covering Sheet to Form 2**

**Form 2**

Name of insurer      **Equitable Life Assurance Society**

Global business

Financial year ended    **31 December 2008**

.....

Vanni Treves      **Chairman**

.....

Charles Thomson    **Chief Executive**

.....

Tim Bateman      **Finance Director**

**Date London, 26 March 2009**

**Components of capital resources**Name of insurer **Equitable Life Assurance Society**

Global business

Financial year ended **31 December 2008**

	Company registration number	GL/ UK/ CM	day	month	year	Units	
	<b>R3</b>	<b>37038</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2008</b>	<b>£000</b>
		General insurance business	Long-term insurance business	Total as at the end of this financial year		Total as at the end of the previous year	
		<b>1</b>	<b>2</b>	<b>3</b>		<b>4</b>	

**Core tier one capital**

Permanent share capital	<b>11</b>				
Profit and loss account and other reserves	<b>12</b>				
Share premium account	<b>13</b>				
Positive valuation differences	<b>14</b>		450738	450738	741320
Fund for future appropriations	<b>15</b>				
Core tier one capital in related undertakings	<b>16</b>				
Core tier one capital (sum of 11 to 16)	<b>19</b>		450738	450738	741320

**Tier one waivers**

Unpaid share capital / unpaid initial funds and calls for supplementary contributions	<b>21</b>				
Implicit Items	<b>22</b>				
Tier one waivers in related undertakings	<b>23</b>				
Total tier one waivers as restricted (21+22+23)	<b>24</b>				

**Other tier one capital**

Perpetual non-cumulative preference shares as restricted	<b>25</b>				
Perpetual non-cumulative preference shares in related undertakings	<b>26</b>				
Innovative tier one capital as restricted	<b>27</b>				
Innovative tier one capital in related undertakings	<b>28</b>				

<b>Total tier one capital before deductions (19+24+25+26+27+28)</b>	<b>31</b>		450738	450738	741320
Investments in own shares	<b>32</b>				
Intangible assets	<b>33</b>				
Amounts deducted from technical provisions for discounting	<b>34</b>				
Other negative valuation differences	<b>35</b>				
Deductions in related undertakings	<b>36</b>				
Deductions from tier one (32 to 36)	<b>37</b>				
<b>Total tier one capital after deductions (31-37)</b>	<b>39</b>		450738	450738	741320

**Components of capital resources**Name of insurer **Equitable Life Assurance Society**

Global business

Financial year ended **31 December 2008**

	Company registration number	GL/ UK/ CM	day month year			Units
<b>R3</b>	<b>37038</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2008</b>	<b>£000</b>
		General insurance business	Long-term insurance business	Total as at the end of this financial year	Total as at the end of the previous year	
		<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	

**Tier two capital**

Implicit items, (tier two waivers and amounts excluded from line 22)	<b>41</b>				
Perpetual non-cumulative preference shares excluded from line 25	<b>42</b>				
Innovative tier one capital excluded from line 27	<b>43</b>				
Tier two waivers, innovative tier one capital and perpetual non-cumulative preference shares treated as tier two capital (41 to 43)	<b>44</b>				
Perpetual cumulative preference shares	<b>45</b>				
Perpetual subordinated debt and securities	<b>46</b>				
Upper tier two capital in related undertakings	<b>47</b>				
<b>Upper tier two capital (44 to 47)</b>	<b>49</b>				

Fixed term preference shares	<b>51</b>				
Other tier two instruments	<b>52</b>				
Lower tier two capital in related undertakings	<b>53</b>				
<b>Lower tier two capital (51+52+53)</b>	<b>59</b>				

<b>Total tier two capital before restrictions (49+59)</b>	<b>61</b>				
Excess tier two capital	<b>62</b>				
Further excess lower tier two capital	<b>63</b>				
<b>Total tier two capital after restrictions, before deductions (61-62-63)</b>	<b>69</b>				

**Components of capital resources**Name of insurer **Equitable Life Assurance Society**

Global business

Financial year ended **31 December 2008**

	Company registration number	GL/ UK/ CM	day month year			Units	
	<b>R3</b>	<b>37038</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2008</b>	<b>£000</b>
		General insurance business	Long-term insurance business	Total as at the end of this financial year		Total as at the end of the previous year	
		<b>1</b>	<b>2</b>	<b>3</b>		<b>4</b>	

**Total capital resources**

Positive adjustments for regulated non-insurance related undertakings	<b>71</b>					
<b>Total capital resources before deductions (39+69+71)</b>	<b>72</b>		450738	450738	741320	
Inadmissible assets other than intangibles and own shares	<b>73</b>		1460	1460	1751	
Assets in excess of market risk and counterparty limits	<b>74</b>					
Deductions for related ancillary services undertakings	<b>75</b>					
Deductions for regulated non-insurance related undertakings	<b>76</b>					
Deductions of ineligible surplus capital	<b>77</b>					
<b>Total capital resources after deductions (72-73-74-75-76-77)</b>	<b>79</b>		449277	449277	739569	

**Available capital resources for GENPRU/INSPRU tests**

Available capital resources for guarantee fund requirement	<b>81</b>		449277	449277	739569	
Available capital resources for 50% MCR requirement	<b>82</b>		449277	449277	739569	
Available capital resources for 75% MCR requirement	<b>83</b>		449277	449277	739569	

**Financial engineering adjustments**

Implicit items	<b>91</b>					
Financial reinsurance - ceded	<b>92</b>					
Financial reinsurance - accepted	<b>93</b>					
Outstanding contingent loans	<b>94</b>					
Any other charges on future profits	<b>95</b>					
<b>Sum of financial engineering adjustments (91+92-93+94+95)</b>	<b>96</b>					

**Analysis of admissible assets**Name of insurer **Equitable Life Assurance Society**

Global business

Financial year ended **31 December 2008**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	2008	£000	10
					As at end of this financial year	As at end of the previous year	
					1	2	
Land and buildings			11		442128	624698	

**Investments in group undertakings and participating interests**

UK insurance dependants	Shares	21		
	Debts and loans	22		
Other insurance dependants	Shares	23		
	Debts and loans	24		
Non-insurance dependants	Shares	25		16132
	Debts and loans	26		
Other group undertakings	Shares	27	29925	
	Debts and loans	28		
Participating interests	Shares	29		
	Debts and loans	30		

**Other financial investments**

Equity shares	41	45547	73926
Other shares and other variable yield participations	42		
Holdings in collective investment schemes	43	297280	358127
Rights under derivative contracts	44	35091	19112
Fixed interest securities	Approved	45	3337949
	Other	46	2301777
Variable interest securities	Approved	47	21192
	Other	48	
Participation in investment pools	49		
Loans secured by mortgages	50	892	1193
Loans to public or local authorities and nationalised industries or undertakings	51		
Loans secured by policies of insurance issued by the company	52	606	642
Other loans	53		
Bank and approved credit & financial institution deposits	One month or less withdrawal	54	349159
	More than one month withdrawal	55	
Other financial investments	56		380
Deposits with ceding undertakings	57		
Assets held to match linked liabilities	Index linked	58	76472
	Property linked	59	

**Analysis of admissible assets**Name of insurer **Equitable Life Assurance Society**

Global business

Financial year ended **31 December 2008**Category of assets **Total long term insurance business assets**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
<b>R13</b>	<b>37038</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2008</b>	<b>£000</b>	<b>10</b>
					<b>As at end of this financial year</b>	<b>As at end of the previous year</b>	
					<b>1</b>	<b>2</b>	

**Reinsurers' share of technical provisions**

Provision for unearned premiums	<b>60</b>		
Claims outstanding	<b>61</b>		
Provision for unexpired risks	<b>62</b>		
Other	<b>63</b>		

**Debtors and salvage**

Direct insurance business	Policyholders	<b>71</b>	4386	4676
	Intermediaries	<b>72</b>		
Salvage and subrogation recoveries		<b>73</b>		
Reinsurance	Accepted	<b>74</b>		
	Ceded	<b>75</b>	1794	
Dependants	due in 12 months or less	<b>76</b>		
	due in more than 12 months	<b>77</b>		
Other	due in 12 months or less	<b>78</b>	28663	35942
	due in more than 12 months	<b>79</b>		

**Other assets**

Tangible assets	<b>80</b>		
Deposits not subject to time restriction on withdrawal with approved institutions	<b>81</b>	6113	14418
Cash in hand	<b>82</b>		
Other assets (particulars to be specified by way of supplementary note)	<b>83</b>		
Accrued interest and rent	<b>84</b>	113042	109814
Deferred acquisition costs (general business only)	<b>85</b>		
Other prepayments and accrued income	<b>86</b>	41849	70386

Deductions from the aggregate value of assets	<b>87</b>		
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Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	<b>89</b>	6639105	7415995
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**Analysis of admissible assets**Name of insurer **Equitable Life Assurance Society**

Global business

Financial year ended **31 December 2008**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	2008	£000	10
					As at end of this financial year	As at end of the previous year	
					1	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 of its external financial reporting**

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	6639105	7415995
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93	1460	1751
Capital resources requirement deduction of regulated related undertakings	94		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	95		
Inadmissible assets of regulated related undertakings	96		
Book value of related ancillary services undertakings	97		
Other differences in the valuation of assets (other than for assets not valued above)	98		
Deferred acquisition costs excluded from line 89	99		
Reinsurers' share of technical provisions excluded from line 89	100	2136244	2825844
Other asset adjustments (may be negative)	101	(22808)	(34159)
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 101)	102	8754002	10209431

Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103		
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**Long term insurance business liabilities and margins**Name of insurer **Equitable Life Assurance Society**

Global business

Financial year ended **31 December 2008**Total business/Sub fund **10 ORDINARY LONG TERM**Units **£000**

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

Mathematical reserves, after distribution of surplus		<b>11</b>	5972003	6494322
Cash bonuses which had not been paid to policyholders prior to end of the financial year		<b>12</b>		
Balance of surplus/(valuation deficit)		<b>13</b>		
Long term insurance business fund carried forward (11 to 13)		<b>14</b>	5972003	6494322
Claims outstanding	Gross	<b>15</b>	16183	18950
	Reinsurers' share	<b>16</b>		
	Net (15-16)	<b>17</b>	16183	18950
Provisions	Taxation	<b>21</b>		1860
	Other risks and charges	<b>22</b>	46200	51508
Deposits received from reinsurers		<b>23</b>		
Creditors	Direct insurance business	<b>31</b>	24323	26593
	Reinsurance accepted	<b>32</b>		
	Reinsurance ceded	<b>33</b>		815
Debenture loans	Secured	<b>34</b>		
	Unsecured	<b>35</b>		
Amounts owed to credit institutions		<b>36</b>	12330	15937
Creditors	Taxation	<b>37</b>	3917	5094
	Other	<b>38</b>	98058	36426
Accruals and deferred income		<b>39</b>	16813	24921
Provision for "reasonably foreseeable adverse variations"		<b>41</b>		
Total other insurance and non-insurance liabilities (17 to 41)		<b>49</b>	217824	182104
Excess of the value of net admissible assets		<b>51</b>	449277	739569
Total liabilities and margins		<b>59</b>	6639105	7415995

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance		<b>61</b>	9007	20
Amounts included in line 59 attributable to liabilities in respect of property linked benefits		<b>62</b>		

Total liabilities (11+12+49)		<b>71</b>	6189828	6676426
Increase to liabilities - DAC related		<b>72</b>		
Reinsurers' share of technical provisions		<b>73</b>	2136244	2825844
Other adjustments to liabilities (may be negative)		<b>74</b>	427930	707161
Capital and reserves and fund for future appropriations		<b>75</b>		
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)		<b>76</b>	8754002	10209431

**Analysis of derivative contracts**Name of insurer **Equitable Life Assurance Society**

Global business

Financial year ended **31 December 2008**Category of assets **Total long term insurance business assets**

		Company registration number	GL/ UK/ CM	day month year			Units	Category of assets	
		R17	37038	GL	31	12	2008	£000	10
<b>Derivative contracts</b>		Value as at the end of this financial year			Notional amount as at the end of this financial year				
		Assets <b>1</b>		Liabilities <b>2</b>		Bought / Long <b>3</b>		Sold / Short <b>4</b>	
Futures and contracts for differences	Fixed-interest securities	<b>11</b>							
	Interest rates	<b>12</b>							
	Inflation	<b>13</b>							
	Credit index / basket	<b>14</b>							
	Credit single name	<b>15</b>							
	Equity index	<b>16</b>		4109				108872	
	Equity stock	<b>17</b>							
	Land	<b>18</b>							
	Currencies	<b>19</b>							
	Mortality	<b>20</b>							
	Other	<b>21</b>							
In the money options	Swaptions	<b>31</b>		83663				1134000	
	Equity index calls	<b>32</b>							
	Equity stock calls	<b>33</b>							
	Equity index puts	<b>34</b>							
	Equity stock puts	<b>35</b>							
	Other	<b>36</b>							
Out of the money options	Swaptions	<b>41</b>							
	Equity index calls	<b>42</b>							
	Equity stock calls	<b>43</b>							
	Equity index puts	<b>44</b>							
	Equity stock puts	<b>45</b>							
	Other	<b>46</b>							
Total (11 to 46)		<b>51</b>		87772				1242872	
Adjustment for variation margin		<b>52</b>		(52681)					
Total (51 + 52)		<b>53</b>		35091					

THE NOTIONAL AMOUNTS IN COLUMNS 3 AND 4 ARE NOT A MEASURE OF EXPOSURE.  
Please see instructions 11 and 12 to this Form for the meaning of these figures.

**With-profits insurance capital component for the fund**

Name of insurer **Equitable Life Assurance Society**  
 With-profits fund **10 ORDINARY LONG TERM**  
 Financial year ended **31 December 2008**  
 Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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**Regulatory excess capital**

Regulatory value of assets	Long-term admissible assets of the fund	<b>11</b>	6639105	7415995
	Implicit items allocated to the fund	<b>12</b>		
	Mathematical reserves in respect of the fund's non-profit insurance contracts	<b>13</b>	690062	643286
	Long-term admissible assets of the fund covering the LTICR of the fund's non-profit insurance contracts	<b>14</b>	39044	38635
	Long-term admissible assets of the fund covering the RCR of the fund's non-profit insurance contracts	<b>15</b>		
	Total (11+12-(13+14+15))	<b>19</b>	5909999	6734074
Regulatory value of liabilities	Mathematical reserves (after distribution of surplus) in respect of the fund's with-profits insurance contracts	<b>21</b>	5281941	5851037
	Regulatory current liabilities of the fund	<b>22</b>	217824	182104
	Total (21+22)	<b>29</b>	5499765	6033141
Long-term insurance capital requirement in respect of the fund's with-profits insurance contracts		<b>31</b>	211818	234670
Resilience capital requirement in respect of the fund's with-profits insurance contracts		<b>32</b>		
Sum of regulatory value of liabilities, LTICR and RCR (29+31+32)		<b>39</b>	5711583	6267811
Regulatory excess capital (19-39)		<b>49</b>	198415	466263

**Realistic excess capital**

Realistic excess capital	<b>51</b>		
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**Excess assets allocated to with-profits insurance business**

Excess (deficiency) of assets allocated to with-profits insurance business in fund (49-51)	<b>61</b>	198415	466263
Face amount of capital instruments attributed to the fund and included in capital resources (unstressed)	<b>62</b>		
Realistic amount of capital instruments attributed to the fund and included in capital resources (stressed)	<b>63</b>		
Present value of future shareholder transfers arising from distribution of surplus	<b>64</b>		
Present value of other future internal transfers not already taken into account	<b>65</b>		
With-profits insurance capital component for fund (if 62 exceeds 63, greater of 61+62-63-64-65 and zero, else greater of 61-64-65 and zero)	<b>66</b>	198415	466263

**Realistic balance sheet**Name of insurer **Equitable Life Assurance Society**With-profits fund **10 ORDINARY LONG TERM**Financial year ends **31 December 2008**Units **£000**

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

**Realistic value of assets available to the fund**

Regulatory value of assets	<b>11</b>	5909999	6734074
Implicit items allocated to the fund	<b>12</b>		
Value of shares in subsidiaries held in fund (regulatory)	<b>13</b>		
Excess admissible assets	<b>21</b>		
Present value of future profits (or losses) on non-profit insurance contracts written in the fund	<b>22</b>	13124	21455
Value of derivatives and quasi-derivatives not already reflected in lines 11 to 22	<b>23</b>		
Value of shares in subsidiaries held in fund (realistic)	<b>24</b>		
Prepayments made from the fund	<b>25</b>		
Realistic value of assets of fund (11+21+22+23+24+25-(12+13))	<b>26</b>	5923122	6755529
Support arrangement assets	<b>27</b>		
Assets available to the fund (26+27)	<b>29</b>	5923122	6755529

**Realistic value of liabilities of fund**

With-profits benefit reserve	<b>31</b>	4552116	5382797	
Future policy related liabilities	Past miscellaneous surplus attributed to with-profits benefits reserve	<b>32</b>		
	Past miscellaneous deficit attributed to with-profits benefits reserve	<b>33</b>		
	Planned enhancements to with-profits benefits reserve	<b>34</b>	412255	619616
	Planned deductions for the costs of guarantees, options and smoothing from with-profits benefits reserve	<b>35</b>	299867	205793
	Planned deductions for other costs deemed chargeable to with-profits benefits reserve	<b>36</b>	33603	31652
	Future costs of contractual guarantees (other than financial options)	<b>41</b>	814074	442109
	Future costs of non-contractual commitments	<b>42</b>		
	Future costs of financial options	<b>43</b>	9000	7000
	Future costs of smoothing (possibly negative)	<b>44</b>		
	Financing costs	<b>45</b>		
	Any other liabilities related to regulatory duty to treat customers fairly	<b>46</b>		
	Other long-term insurance liabilities	<b>47</b>	251323	359348
	Total (32+34+41+42+43+44+45+46+47-(33+35+36))	<b>49</b>	1153182	1190628
Realistic current liabilities of the fund	<b>51</b>	217824	182104	
Realistic value of liabilities of fund (31+49+51)	<b>59</b>	5923122	6755529	

**Realistic balance sheet**Name of insurer **Equitable Life Assurance Society**With-profits fund **10 ORDINARY LONG TERM**Financial year end **31 December 2008**Units **£000**

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

**Realistic excess capital and additional capital available**

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	<b>62</b>	5923122	6755529
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	<b>63</b>		
Value of relevant assets before applying the most adverse scenario (62+63)	<b>64</b>	5923122	6755529
Risk capital margin for fund (62-59)	<b>65</b>		
Realistic excess capital for fund (26-(59+65))	<b>66</b>		
Realistic excess available capital for fund (29-(59+65))	<b>67</b>		
Working capital for fund (29-59)	<b>68</b>		
Working capital ratio for fund (68/29)	<b>69</b>		

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

Additional amount potentially available for inclusion in line 62	<b>81</b>		
Additional amount potentially available for inclusion in line 63	<b>82</b>		

**Long-term insurance business : Revenue account**

Name of insurer **Equitable Life Assurance Society**  
Total business / subfund **10 ORDINARY LONG TERM**  
Financial year ended **31 December 2008**  
Units **£000**

Financial year	Previous year
1	2

**Income**

Earned premiums	11	69952	102826
Investment income receivable before deduction of tax	12	369939	530170
Increase (decrease) in the value of non-linked assets brought into account	13	15725	91232
Increase (decrease) in the value of linked assets	14	(761)	(2740)
Other income	15	3279	38465
<b>Total income</b>	<b>19</b>	<b>458134</b>	<b>759953</b>

**Expenditure**

Claims incurred	21	874409	1050117
Expenses payable	22	102940	156743
Interest payable before the deduction of tax	23	404	9557
Taxation	24	(432)	2041
Other expenditure	25		
Transfer to (from) non technical account	26		
<b>Total expenditure</b>	<b>29</b>	<b>977321</b>	<b>1218458</b>

Business transfers - in	31		
Business transfers - out	32	3133	1754007
Increase (decrease) in fund in financial year (19-29+31-32)	39	(522319)	(2212512)
Fund brought forward	49	6494322	8706834
Fund carried forward (39+49)	59	5972003	6494322

**Long-term insurance business : Analysis of premiums**

Name of insurer **Equitable Life Assurance Society**  
 Total business / subfund **10 ORDINARY LONG TERM**  
 Financial year ended **31 December 2008**  
 Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

**Gross**

Regular premiums	11	24775	51144	3153	79071	96549
Single premiums	12	186	56618	586	57390	73023

**Reinsurance - external**

Regular premiums	13	19020	34901	1823	55744	52663
Single premiums	14	13	10643	109	10765	14083

**Reinsurance - intra-group**

Regular premiums	15					
Single premiums	16					

**Net of reinsurance**

Regular premiums	17	5755	16243	1329	23327	43886
Single premiums	18	173	45975	477	46625	58940

**Total**

Gross	19	24961	107762	3739	136462	169572
Reinsurance	20	19033	45544	1933	66510	66746
Net	21	5928	62218	1806	69952	102826

## Long-term insurance business : Analysis of claims

Name of insurer **Equitable Life Assurance Society**  
 Total business / subfund **10 ORDINARY LONG TERM**  
 Financial year ended **31 December 2008**  
 Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

**Gross**

Death or disability lump sums	11	19485	23278	1050	43813	40727
Disability periodic payments	12					
Surrender or partial surrender	13	41050	425429	10810	477289	548233
Annuity payments	14	7421	83248	7774	98442	304128
Lump sums on maturity	15	66265	457290	8004	531560	569007
<b>Total</b>	<b>16</b>	<b>134220</b>	<b>989245</b>	<b>27638</b>	<b>1151104</b>	<b>1462095</b>

**Reinsurance - external**

Death or disability lump sums	21	9967	8923	731	19621	18723
Disability periodic payments	22					
Surrender or partial surrender	23	10291	166472	5394	182157	269064
Annuity payments	24	938	5561	86	6585	47105
Lump sums on maturity	25	23818	43334	1179	68332	77086
<b>Total</b>	<b>26</b>	<b>45013</b>	<b>224290</b>	<b>7391</b>	<b>276695</b>	<b>411978</b>

**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					
<b>Total</b>	<b>36</b>					

**Net of reinsurance**

Death or disability lump sums	41	9518	14355	319	24192	22004
Disability periodic payments	42					
Surrender or partial surrender	43	30759	258957	5416	295132	279169
Annuity payments	44	6483	77687	7688	91857	257023
Lump sums on maturity	45	42447	413956	6825	463228	491921
<b>Total</b>	<b>46</b>	<b>89207</b>	<b>764955</b>	<b>20248</b>	<b>874409</b>	<b>1050117</b>

**Long-term insurance business : Analysis of expenses**

Name of insurer **Equitable Life Assurance Society**  
Total business / subfund **10 ORDINARY LONG TERM**  
Financial year ended **31 December 2008**  
Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

**Gross**

Commission - acquisition	11					
Commission - other	12					
Management - acquisition	13		128		128	209
Management - maintenance	14	2356	35717	1544	39617	46338
Management - other	15	3747	56994	2454	63195	110196
<b>Total</b>	<b>16</b>	<b>6103</b>	<b>92839</b>	<b>3998</b>	<b>102940</b>	<b>156743</b>

**Reinsurance - external**

Commission - acquisition	21					
Commission - other	22					
Management - acquisition	23					
Management - maintenance	24					
Management - other	25					
<b>Total</b>	<b>26</b>					

**Reinsurance - intra-group**

Commission - acquisition	31					
Commission - other	32					
Management - acquisition	33					
Management - maintenance	34					
Management - other	35					
<b>Total</b>	<b>36</b>					

**Net of reinsurance**

Commission - acquisition	41					
Commission - other	42					
Management - acquisition	43		128		128	209
Management - maintenance	44	2356	35717	1544	39617	46338
Management - other	45	3747	56994	2454	63195	110196
<b>Total</b>	<b>46</b>	<b>6103</b>	<b>92839</b>	<b>3998</b>	<b>102940</b>	<b>156743</b>

**Long-term insurance business : Summary of new business**Name of insurer **Equitable Life Assurance Society**

Total business

Financial year ended **31 December 2008**Units **£000**

<b>UK Life</b>	<b>UK Pension</b>	<b>Overseas</b>	<b>Total Financial year</b>	<b>Total Previous year</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>

**Number of new policyholders/  
scheme members for direct  
insurance business**

Regular premium business	<b>11</b>	9		1	10	16
Single premium business	<b>12</b>	10	2595	22	2627	3123
<b>Total</b>	<b>13</b>	19	2595	23	2637	3139

**Amount of new regular  
premiums**

Direct insurance business	<b>21</b>	10	2739	194	2943	8196
External reinsurance	<b>22</b>					
Intra-group reinsurance	<b>23</b>					
<b>Total</b>	<b>24</b>	10	2739	194	2943	8196

**Amount of new single  
premiums**

Direct insurance business	<b>25</b>	103	56927	718	57748	73213
External reinsurance	<b>26</b>					
Intra-group reinsurance	<b>27</b>					
<b>Total</b>	<b>28</b>	103	56927	718	57748	73213

**Long-term insurance business : Analysis of new business**

Name of insurer

**Equitable Life Assurance Society**

Total business

Financial year ended

**31 December 2008**

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
325	Level term assurance	9	6		
395	Annuity non-profit (PLA)			10	87
500	Life UWP single premium				3
510	Life UWP endowment regular premium - savings		1		
700	Life property linked single premium				0
715	Life property linked endowment regular premium - savings		4		13

**Long-term insurance business : Analysis of new business**

Name of insurer

**Equitable Life Assurance Society**

Total business

Financial year ended

**31 December 2008**

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
380	Miscellaneous protection rider		4		
390	Deferred annuity non-profit			12	129
400	Annuity non-profit (CPA)			1926	21595
545	Individual deposit administration with-profits		224	3	4706
555	Group deposit administration with-profits		536	130	15843
565	DWP National Insurance rebates UWP			159	6087
725	Individual pensions property linked		1144	37	406
735	Group money purchase pensions property linked		831	151	3607
745	DWP National Insurance rebates property linked			50	2832
750	Income drawdown property linked			4	56
905	Index linked annuity			123	1666

**Long-term insurance business : Analysis of new business**

Name of insurer

**Equitable Life Assurance Society**

Total business

Financial year ended

**31 December 2008**

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)			7	371
400	Annuity non-profit (CPA)			15	192
500	Life UWP single premium		0		5
510	Life UWP endowment regular premium - savings				0
545	Individual deposit administration with-profits		14		31
555	Group deposit administration with-profits		16		
715	Life property linked endowment regular premium - savings		12		95
725	Individual pensions property linked		132		22
735	Group money purchase pensions property linked	1	20		
795	Miscellaneous property linked				2

**Long-term insurance business : Assets not held to match linked liabilities**

Name of insurer **Equitable Life Assurance Society**  
 Category of assets **10 Total long term insurance business assets**  
 Financial year ended **31 December 2008**  
 Units **£000**

Unadjusted assets	Economic exposure	Expected income from assets in column 2	Yield before adjustment	Return on assets in financial year
1	2	3	4	5

**Assets backing non-profit liabilities and non-profit capital requirements**

Land and buildings	11					
Approved fixed interest securities	12	384421	384421	15318	3.79	
Other fixed interest securities	13	260150	260150	15620	6.65	
Variable interest securities	14					
UK listed equity shares	15					
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18	6930	6930	96	1.38	
<b>Total</b>	<b>19</b>	<b>651501</b>	<b>651501</b>	<b>31035</b>	<b>4.91</b>	

**Assets backing with-profits liabilities and with-profits capital requirements**

Land and buildings	21	442128	529676	36733	6.93	(26.17)
Approved fixed interest securities	22	2283083	2283083	111653	3.35	12.34
Other fixed interest securities	23	2351215	2366536	160367	7.42	(4.84)
Variable interest securities	24	29280	29280	713	1.56	1.58
UK listed equity shares	25	27298	189386	3657	1.93	(19.86)
Non-UK listed equity shares	26	203	65950	285	0.43	(18.38)
Unlisted equity shares	27	47971	90450	881	0.97	50.99
Other assets	28	732473	359290	2120	0.59	10.27
<b>Total</b>	<b>29</b>	<b>5913651</b>	<b>5913651</b>	<b>316408</b>	<b>5.01</b>	<b>1.05</b>

**Overall return on with-profits assets**

Post investment costs but pre-tax	31					0.34
Return allocated to non taxable 'asset shares'	32					(3.00)
Return allocated to taxable 'asset shares'	33					(2.40)

## 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 2008**  
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
<b>UK Government approved fixed interest securities</b>	<b>11</b>	1898658	10.24	3.34	3.34
<b>Other approved fixed interest securities</b>	<b>21</b>	768847	7.63	3.58	3.30
<b>Other fixed interest securities</b>					
AAA/Aaa	<b>31</b>	682943	5.63	4.83	4.39
AA/Aa	<b>32</b>	440204	7.58	6.52	5.59
A/A	<b>33</b>	1098762	8.79	7.94	5.80
BBB/Baa	<b>34</b>	362390	7.93	9.52	5.06
BB/Ba	<b>35</b>	17300	11.51	10.29	(3.76)
B/B	<b>36</b>	8794	5.29	15.62	(10.43)
CCC/Caa	<b>37</b>				
Other (including unrated)	<b>38</b>	16293	11.77	39.27	(40.32)
<b>Total other fixed interest securities</b>	<b>39</b>	2626686	7.67	7.34	4.89
<b>Approved variable interest securities</b>	<b>41</b>	29280	10.44	1.56	1.56
<b>Other variable interest securities</b>	<b>51</b>				
<b>Total (11+21+39+41+51)</b>	<b>61</b>	5323470	8.60	5.34	4.09

**Long-term insurance business : Summary of mathematical reserves**Name of insurer **Equitable Life Assurance Society**Total business / subfund **10 ORDINARY LONG TERM**Financial year ended **31 December 2008**

Units

**£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

**Gross**

Form 51 - with-profits	11	106706	27945	1232	135883	191588
Form 51 - non-profit	12	53594	758907	140285	952786	875189
Form 52	13	189277	4883927	98776	5171979	5693614
Form 53 - linked	14	109903	1584251	42520	1736674	2434734
Form 53 - non-linked	15	2342	22221	509	25071	36620
Form 54 - linked	16	16427	65843		82270	85236
Form 54 - non-linked	17	252	3298		3550	3156
<b>Total</b>	<b>18</b>	<b>478501</b>	<b>7346392</b>	<b>283321</b>	<b>8108214</b>	<b>9320137</b>

**Reinsurance - external**

Form 51 - with-profits	21	91		47	138	194
Form 51 - non-profit	22	18198	310072	11118	339387	310658
Form 52	23	74	25741	2	25817	34001
Form 53 - linked	24	109903	1584251	42520	1736674	2434734
Form 53 - non-linked	25	2342	22221	509	25071	36620
Form 54 - linked	26	138	8179		8318	8764
Form 54 - non-linked	27		839		839	874
<b>Total</b>	<b>28</b>	<b>130746</b>	<b>1951303</b>	<b>54195</b>	<b>2136244</b>	<b>2825844</b>

**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					
<b>Total</b>	<b>38</b>					

**Net of reinsurance**

Form 51 - with-profits	41	106615	27945	1185	135745	191394
Form 51 - non-profit	42	35396	448835	129167	613399	564531
Form 52	43	189203	4858186	98774	5146162	5659613
Form 53 - linked	44					
Form 53 - non-linked	45					
Form 54 - linked	46	16288	57664		73953	76472
Form 54 - non-linked	47	252	2459		2711	2282
<b>Total</b>	<b>48</b>	<b>347755</b>	<b>5395089</b>	<b>229126</b>	<b>5971970</b>	<b>6494293</b>

**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 **10 ORDINARY LONG TERM**  
 Financial year ended **31 December 2008**  
 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
100	Conventional whole life with-profits OB	2250	51772	1384				22771
120	Conventional endowment with-profits OB savings	4901	29551	1571				22080
125	Conventional endowment with-profits OB target cash	4078	117289	2410				48176
165	Conventional deferred annuity with-profits	409	1706	6				6326
205	Miscellaneous conventional with-profits		221					897
210	Additional reserves with-profits OB							6457
300	Regular premium non-profit WL/EA OB	474	6043	102				3679
315	Individual deposit administration non-profit	237	1026					2045
325	Level term assurance	36563	2927495	7498				6578
330	Decreasing term assurance	14570	709967	2322				227
390	Deferred annuity non-profit	77	146	0				117
395	Annuity non-profit (PLA)	2010	5121					39955
435	Miscellaneous non-profit	4916	632119	1093				993

**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 **10 ORDINARY LONG TERM**  
 Financial year ended **31 December 2008**  
 Units **£000**  
 UK Life / Reinsurance ceded external

<b>Product code number</b>	<b>Product description</b>	<b>Number of policyholders / scheme members</b>	<b>Amount of benefit</b>	<b>Amount of annual office premiums</b>	<b>Nominal value of units</b>	<b>Discounted value of units</b>	<b>Other liabilities</b>	<b>Amount of mathematical reserves</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>
120	Conventional endowment with-profits OB savings		1513	91				91
300	Regular premium non-profit WL/EA OB		6043	102				3679
315	Individual deposit administration non-profit		1026					2045
325	Level term assurance		2927495	7498				6578
330	Decreasing term assurance		709967	2322				227
390	Deferred annuity non-profit		146	0				117
395	Annuity non-profit (PLA)		850					4559
435	Miscellaneous non-profit		632119	1093				993

**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 **10 ORDINARY LONG TERM**  
 Financial year ended **31 December 2008**  
 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	430	1897	27				1571
165	Conventional deferred annuity with-profits	313	1653	13				5601
210	Additional reserves with-profits OB							20773
315	Individual deposit administration non-profit	381	1786	8				2639
325	Level term assurance	7315	437405	1192				4170
330	Decreasing term assurance	453	10765	53				25
380	Miscellaneous protection rider		1694719	4887				6871
390	Deferred annuity non-profit	4348	11643					239655
400	Annuity non-profit (CPA)	18625	35279					503508
411	Group death in service dependant's annuities		8637	400				401
435	Miscellaneous non-profit	2059	198192	453				1638

**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 **10 ORDINARY LONG TERM**  
 Financial year ended **31 December 2008**  
 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		1786	8				2639
325	Level term assurance		437405	1192				4170
330	Decreasing term assurance		10765	53				25
380	Miscellaneous protection rider		1694719	4887				6871
390	Deferred annuity non-profit		11643					239655
400	Annuity non-profit (CPA)		3046					54673
411	Group death in service dependant's annuities		8637	400				401
435	Miscellaneous non-profit		198192	453				1638

**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 **10 ORDINARY LONG TERM**  
 Financial year ended **31 December 2008**  
 Units **£000**  
 Overseas / Gross

<b>Product code number</b>	<b>Product description</b>	<b>Number of policyholders / scheme members</b>	<b>Amount of benefit</b>	<b>Amount of annual office premiums</b>	<b>Nominal value of units</b>	<b>Discounted value of units</b>	<b>Other liabilities</b>	<b>Amount of mathematical reserves</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>
195	Annuity with-profits (PLA)	20	85					1155
205	Miscellaneous conventional with-profits	24	2169	18				76
325	Level term assurance	1684	219353	657				608
330	Decreasing term assurance	1237	87764	310				11
380	Miscellaneous protection rider		11222	93				291
390	Deferred annuity non-profit	210	2545					7886
395	Annuity non-profit (PLA)	184	1237					13227
400	Annuity non-profit (CPA)	1194	8188					118262

**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 **10 ORDINARY LONG TERM**  
 Financial year ended **31 December 2008**  
 Units **£000**  
 Overseas / 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
205	Miscellaneous conventional with-profits		1110	8				47
325	Level term assurance		219353	657				608
330	Decreasing term assurance		87764	310				11
380	Miscellaneous protection rider		10774	68				217
390	Deferred annuity non-profit		2545					7886
395	Annuity non-profit (PLA)		11					148
400	Annuity non-profit (CPA)		121					2248

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

Name of insurer **Equitable Life Assurance Society**  
 Total business / subfund **10 ORDINARY LONG TERM**  
 Financial year ended **31 December 2008**  
 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	5047	58835		56699	55790	2007	57797
510	Life UWP endowment regular premium - savings	19422	342629	2552	130805	124968	5823	130791
555	Group deposit administration with-profits	3	13		13	13	1	14
575	Miscellaneous UWP	2216	1672	801	1672	588	87	674
610	Additional reserves UWP						0	0

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

Name of insurer **Equitable Life Assurance Society**  
 Total business / subfund **10 ORDINARY LONG TERM**  
 Financial year ended **31 December 2008**  
 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
510	Life UWP endowment regular premium - savings		20725				6	6
575	Miscellaneous UWP		147919				68	68

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

Name of insurer **Equitable Life Assurance Society**  
Total business / subfund **10 ORDINARY LONG TERM**  
Financial year ended **31 December 2008**  
Units **£000**  
UK Pension / Gross

<b>Product code number</b>	<b>Product description</b>	<b>Number of policyholders / scheme members</b>	<b>Amount of benefit</b>	<b>Amount of annual office premiums</b>	<b>Nominal value of units</b>	<b>Discounted value of units</b>	<b>Other liabilities</b>	<b>Amount of mathematical reserves</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>
535	Group money purchase pensions UWP		25329		25329	25329	412	25741
545	Individual deposit administration with-profits	84443	2150226		2155946	2072518	182205	2254723
555	Group deposit administration with-profits	125125	1132971		1132971	1092071	136250	1228321
565	DWP National Insurance rebates UWP	134162	1044840		1944445	953877	188514	1142391
570	Income drawdown UWP	3297	121262		121262	121262		121262
571	Trustee investment plan UWP	5	1717		1717	1616	4	1620
610	Additional reserves UWP				4140		109869	109869



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

Name of insurer **Equitable Life Assurance Society**  
 Total business / subfund **10 ORDINARY LONG TERM**  
 Financial year ended **31 December 2008**  
 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
500	Life UWP single premium	393	7080		7080	6980	134	7114
510	Life UWP endowment regular premium - savings	1143	39188	979	19436	19171	180	19351
545	Individual deposit administration with-profits Deferred annuity	642	10803	875	10803	10803		10803
545	Individual deposit administration with-profits	1198	37489		37489	33448	6040	39487
555	Group deposit administration with-profits	1017	10673		10673	8927	7538	16465
570	Income drawdown UWP	9	554		554	554		554
575	Miscellaneous UWP	2	34	1	2	1	0	1
610	Additional reserves UWP						5000	5000

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

Name of insurer **Equitable Life Assurance Society**  
 Total business / subfund **10 ORDINARY LONG TERM**  
 Financial year ended **31 December 2008**  
 Units **£000**  
 Overseas / 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
510	Life UWP endowment regular premium - savings		7328				2	2
575	Miscellaneous UWP		34				0	0

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

Name of insurer **Equitable Life Assurance Society**  
 Total business / subfund **10 ORDINARY LONG TERM**  
 Financial year ended **31 December 2008**  
 Units **£000**  
 UK Life / Gross

<b>Product code number</b>	<b>Product description</b>	<b>Number of policyholders / scheme members</b>	<b>Amount of benefit</b>	<b>Amount of annual office premiums</b>	<b>Nominal value of units</b>	<b>Discounted value of units</b>	<b>Other liabilities</b>	<b>Amount of mathematical reserves</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>
700	Life property linked single premium	1289	35529		35692	35692	270	35961
710	Life property linked whole life regular premium	821	12063	118	12366	12366	361	12727
715	Life property linked endowment regular premium - savings	3969	112028	3396	60532	60532	1661	62193
735	Group money purchase pensions property linked	2	7		7	7		7
795	Miscellaneous property linked	437	30395	146	1305	1305	51	1356

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

Name of insurer **Equitable Life Assurance Society**  
 Total business / subfund **10 ORDINARY LONG TERM**  
 Financial year ended **31 December 2008**  
 Units **£000**  
 UK Life / Reinsurance ceded external

<b>Product code number</b>	<b>Product description</b>	<b>Number of policyholders / scheme members</b>	<b>Amount of benefit</b>	<b>Amount of annual office premiums</b>	<b>Nominal value of units</b>	<b>Discounted value of units</b>	<b>Other liabilities</b>	<b>Amount of mathematical reserves</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>
700	Life property linked single premium		35529		35692	35692	270	35961
710	Life property linked whole life regular premium		12063	118	12366	12366	361	12727
715	Life property linked endowment regular premium - savings		112028	3396	60532	60532	1661	62193
735	Group money purchase pensions property linked		7		7	7		7
795	Miscellaneous property linked		30395	146	1305	1305	51	1356

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

Name of insurer **Equitable Life Assurance Society**  
 Total business / subfund **10 ORDINARY LONG TERM**  
 Financial year ended **31 December 2008**  
 Units **£000**  
 UK Pension / Gross

<b>Product code number</b>	<b>Product description</b>	<b>Number of policyholders / scheme members</b>	<b>Amount of benefit</b>	<b>Amount of annual office premiums</b>	<b>Nominal value of units</b>	<b>Discounted value of units</b>	<b>Other liabilities</b>	<b>Amount of mathematical reserves</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>
725	Individual pensions property linked	89890	805468		805391	805391	14918	820309
735	Group money purchase pensions property linked	67696	413178		413178	413178	6894	420072
745	DWP National Insurance rebates property linked	35259	308703		308703	308703		308703
750	Income drawdown property linked	806	30365		30365	30365	172	30537
755	Trustee investment plan	4	197		197	197		197
795	Miscellaneous property linked	992	2247		26418	26418	237	26655

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

Name of insurer **Equitable Life Assurance Society**  
 Total business / subfund **10 ORDINARY LONG TERM**  
 Financial year ended **31 December 2008**  
 Units **£000**  
 UK Pension / Reinsurance ceded external

<b>Product code number</b>	<b>Product description</b>	<b>Number of policyholders / scheme members</b>	<b>Amount of benefit</b>	<b>Amount of annual office premiums</b>	<b>Nominal value of units</b>	<b>Discounted value of units</b>	<b>Other liabilities</b>	<b>Amount of mathematical reserves</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>
725	Individual pensions property linked		805468		805391	805391	14918	820309
735	Group money purchase pensions property linked		413178		413178	413178	6894	420072
745	DWP National Insurance rebates property linked		308703		308703	308703		308703
750	Income drawdown property linked		30365		30365	30365	172	30537
755	Trustee investment plan		197		197	197		197
795	Miscellaneous property linked		2247		26418	26418	237	26655

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

Name of insurer **Equitable Life Assurance Society**  
 Total business / subfund **10 ORDINARY LONG TERM**  
 Financial year ended **31 December 2008**  
 Units **£000**  
 Overseas / Gross

<b>Product code number</b>	<b>Product description</b>	<b>Number of policyholders / scheme members</b>	<b>Amount of benefit</b>	<b>Amount of annual office premiums</b>	<b>Nominal value of units</b>	<b>Discounted value of units</b>	<b>Other liabilities</b>	<b>Amount of mathematical reserves</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>
700	Life property linked single premium	33	484		386	386	14	399
715	Life property linked endowment regular premium - savings	883	19921	152	15492	15492	68	15559
725	Individual pensions property linked	1396	16899		16899	16899	350	17249
735	Group money purchase pensions property linked	375	6408		6408	6408	16	6424
750	Income drawdown property linked	4	302		302	302	0	302
795	Miscellaneous property linked	227	3034	257	3034	3034	62	3096

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

Name of insurer **Equitable Life Assurance Society**  
 Total business / subfund **10 ORDINARY LONG TERM**  
 Financial year ended **31 December 2008**  
 Units **£000**  
 Overseas / Reinsurance ceded external

<b>Product code number</b>	<b>Product description</b>	<b>Number of policyholders / scheme members</b>	<b>Amount of benefit</b>	<b>Amount of annual office premiums</b>	<b>Nominal value of units</b>	<b>Discounted value of units</b>	<b>Other liabilities</b>	<b>Amount of mathematical reserves</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>
700	Life property linked single premium		484		386	386	14	399
715	Life property linked endowment regular premium - savings		19921	152	15492	15492	68	15559
725	Individual pensions property linked		16899		16899	16899	350	17249
735	Group money purchase pensions property linked		6408		6408	6408	16	6424
750	Income drawdown property linked		302		302	302	0	302
795	Miscellaneous property linked		3034	257	3034	3034	62	3096





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

Name of insurer **Equitable Life Assurance Society**  
 Total business / subfund **10 ORDINARY LONG TERM**  
 Financial year ended **31 December 2008**  
 Units **£000**  
 UK Pension / Gross

<b>Product code number</b>	<b>Product description</b>	<b>Number of policyholders / scheme members</b>	<b>Amount of benefit</b>	<b>Amount of annual office premiums</b>	<b>Nominal value of units</b>	<b>Discounted value of units</b>	<b>Other liabilities</b>	<b>Amount of mathematical reserves</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>
905	Index linked annuity	3517	3854		61909	61909	2484	64393
910	Miscellaneous index linked	16	3935		3935	3935	814	4749



**Long-term insurance business: Analysis of valuation interest rate**Name of insurer **Equitable Life Assurance Society**Total business **10 ORDINARY LONG TERM**Financial year ended **31 December 2008**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	6361	3.94	3.94	4.52
UK L&G Form 51 With Profits Policies - other	100254	3.15	3.94	4.52
UK L&G Form 51 With Profits Policies - Non-Profit annuities in payment post 1991	17932	4.17	4.63	4.63
UK L&G Form 51 With Profits Policies - Non-Profit annuities in payment pre 1992	17464	4.63	4.63	4.63
UK L&G Form 52 With Profits Policies (net)	188944	3.15	3.94	4.52
UK L&G Form 52 With Profits Policies (gross)	258	3.94	3.94	4.52
UK L&G Form 54 Annuity in payment - Index Linked post 1991	14661	1.61	1.79	1.80
UK L&G Form 54 Annuity in payment - Index Linked pre 1992	1879	1.79	1.79	1.80
UK Pens Form 51 With Profits Policies	27945	3.94	3.94	4.52
UK Pens Form 51 Non Profit annuity in payment	448835	4.63	4.63	4.63
UK Pens Form 52 With Profits Policies	4736924	3.94	3.94	4.52
UK Pens Form 52 With Profits - managed pensions etc	121262	0.00	0.00	1.24
UK Pens Form 54 Annuity in payment - Index Linked	60123	1.79	1.79	1.80
OVS Form 51 With Profits Policies - annuities in payment	1161	3.50	4.38	4.52
OVS Form 51 With Profits Policies - other	30	3.15	3.94	4.52
OVS Form 51 Non Profit annuities in payment	129167	4.63	4.63	4.63
OVS Form 52 With Profits Policies (net)	10353	3.15	3.94	4.52
OVS Form 52 With Profits Policies (gross)	69556	3.94	3.94	4.52
OVS Form 52 With Profits - Miscellaneous	18894	0.00	0.00	4.52
<b>Total</b>	5972003			

**Long-term insurance business : Distribution of surplus**

Name of insurer **Equitable Life Assurance Society**  
 Total business / subfund **10 ORDINARY LONG TERM**  
 Financial year ended **31 December 2008**  
 Units **£000**

Financial year	Previous year
1	2

**Valuation result**

Fund carried forward	11	5972003	6494322
Bonus payments in anticipation of a surplus	12	48607	51031
Transfer to non-technical account	13		
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	6020610	6545353
Mathematical reserves	21	5971970	6494293
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	48641	51061

**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	48641	51061
Total	39	48641	51061

**Distribution of surplus**

Bonus paid in anticipation of a surplus	41	48607	51031
Cash bonuses	42		
Reversionary bonuses	43	34	30
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	48641	51061
Net transfer out of fund / part of fund	47		
Total distributed surplus (46+47)	48	48641	51061
Surplus carried forward	49		
Total (48+49)	59	48641	51061

**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

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

Name of insurer **Equitable Life Assurance Society**  
 Original insurer **Equitable Life Assurance Society**  
 Date of maturity value / open market option **01 March 2009**

Category of with-profits policy 1	Original term (years) 2	Maturity value / open market option 3	Terminal bonus 4	MVA 5	CWP / UWP 6	MVA permitted? 7	Death benefit 8
Endowment assurance	10	5798	114	n/a	CWP	N	5798
Endowment assurance	15	10188	297	n/a	CWP	N	10188
Endowment assurance	20	17078	813	n/a	CWP	N	17078
Endowment assurance	25	30499	3978	n/a	CWP	N	30499
Regular premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Regular premium pension	10	24204	875	n/a	UWP	N	24204
Regular premium pension	15	46970	0	n/a	UWP	N	46970
Regular premium pension	20	75655	0	n/a	UWP	N	75655
Single premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	10	10537	0	n/a	UWP	N	10537
Single premium pension	15	19269	0	n/a	UWP	N	19269
Single premium pension	20	30491	208	n/a	UWP	N	30491

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

Name of insurer **Equitable Life Assurance Society**  
 Original insurer **Equitable Life Assurance Society**  
 Date of surrender value **01 March 2009**

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	5306	0	n/a	CWP	Y	16097
Endowment assurance	15	9726	0	n/a	CWP	Y	18373
Endowment assurance	20	16338	0	n/a	CWP	Y	22371
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	10204	0	n/a	UWP	N	10204
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	9625	0	507	UWP	Y	10537

**Long-term insurance capital requirement**Name of insurer **Equitable Life Assurance Society**

Global business

Financial year ended **31 December 2008**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**

Life protection reinsurance	11	0.0%					
Classes I (other), II and IX	12	0.1%			0.50		
Classes I (other), II and IX	13	0.15%					
Classes I (other), II and IX	14	0.3%	7430560	334062		11146	12215
Classes III, VII and VIII	15	0.3%	55352		0.50	83	94
<b>Total</b>	<b>16</b>		7485912	334062		11229	12309

**Insurance health risk and life protection reinsurance capital component**

Class IV supplementary classes 1 and 2 and life protection reinsurance	21					39	38
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**Insurance expense risk capital component**

Life protection and permanent health reinsurance	31	0%					
Classes I (other), II and IX	32	1%	6260614	5895340	0.94	58953	64156
Classes III, VII and VIII (investment risk)	33	1%	107434	76664	0.85	913	1032
Classes III, VII and VIII (expenses fixed 5 yrs +)	34	1%	14674		0.85	125	206
Classes III, VII and VIII (other)	35	25%					
Class IV (other)	36	1%	81		0.85	1	1
Class V	37	1%					
Class VI	38	1%					
<b>Total</b>	<b>39</b>					59992	65394

**Insurance market risk capital component**

Life protection and permanent health reinsurance	41	0%					
Classes I (other), II and IX	42	3%	6260614	5895340	0.94	176860	192467
Classes III, VII and VIII (investment risk)	43	3%	107434	76664	0.85	2740	3095
Classes III, VII and VIII (expenses fixed 5 yrs +)	44	0%	14674				
Classes III, VII and VIII (other)	45	0%	1725444				
Class IV (other)	46	3%	81		0.85	2	2
Class V	47	0%					
Class VI	48	3%					
<b>Total</b>	<b>49</b>		8108247	5972003		179602	195564

<b>Long term insurance capital requirement</b>	<b>51</b>					250862	273306
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## RETURNS UNDER INSURANCE COMPANIES LEGISLATION

### THE EQUITABLE LIFE ASSURANCE SOCIETY

#### FINANCIAL YEAR END 31 DECEMBER 2008

#### 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	6,639,105
Mathematical Reserves	Form 14 Line 11	(5,972,003)
Other Insurance Liabilities	Form 14 Line 49	(217,824)
Total Capital Resources	Form 3 Line 79	449,277

##### \*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 the FSA Handbook of rules and guidance and the value of with-profits liabilities that the Society has used in its external financial reporting to comply with FRS 27 and the Financial Reporting Council – Board of Actuarial Standards guidance note 45 (section 3.3.3.1 relevant to closed funds).

##### \*1308\* Aggregate Values

The aggregate value of unlisted investments included at lines 41, 42, 46 or 48 which have been valued in accordance with GENPRU rule 1.3 is £28.6m (2007: £89.2m).

Part of the Society's assets is invested in property (including property unit trusts) and unlisted equity, amounting to £735m at year end 2008 (2007: £1,430m). In adverse market conditions, it may not be possible to realise these investments without delay.

The aggregate value of investments in collective investment schemes in line 43 that are not schemes falling within the UCITS Directive are £153.0m (2007: £65.0m).

The aggregate value of reversionary interests held by the Society is nil (2007: £32,528).

##### \*1309\* Aggregate Value of Hybrid Securities

The aggregate value of hybrid securities included at lines 46 or 48 is £215.7m (2007: £237.9m).

##### \*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.

\*1312\* Large Counterparty Exposures

There were no exposures to counterparties at the end of the financial year exceeding 5% of the Society's base capital resources requirement and long-term insurance liabilities, excluding property linked liabilities and net of reinsurance ceded.

\*1318\* Other asset adjustments

The Society has adopted 'FRS26 Financial Instruments: Measurement' in the preparation of its external financial reporting. As a result, the reinsurers' share of technical provisions reported on Form 13 differs from that recorded in the Society's Annual Statutory Report and Accounts. The difference, £22.8m (2007: £34.2m), is recorded on Line 101 of Form 13.

\*1319\* 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 for any individual non gilt bond issue.

<b>Maximum investment in a single non-gilt issue</b>	<b>% of total fixed interest</b>
Supranational and Government guaranteed "AAA" rated	2.00%
"AAA" rated	1.50%
"AA" rated	1.00%
"A" rated	0.50%
"BBB" rated	0.25%
Unrated	0.125%

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 for individual entities or groups including exposure across significant asset classes as follows;

<b>Maximum investment in any individual entity or group</b>	<b>% of total fund</b>
Supranational and Government guaranteed "AAA" rated	5.00%
Bank (per ELAS approved list)	1.50%
"AAA" (not on Bank list), or "AA" rated	1.00%
"A" rated	0.50%
"BBB" rated	0.25%
Unrated	0.15%

\*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

No liabilities included in Form 14 are secured by a charge.

As noted in the Society's financial review in its annual financial statements and in the following sections of this Note, there exist some uncertainties that, in the event they were to materialise, could adversely impact on the propriety of preparing this return on an ongoing concern basis. Over the last few years these uncertainties have been resolved to a very significant extent and those that remain are referred to below. In the light of this, the Board has assessed the possibility of these uncertainties arising and their potential impact upon the financial situation of the Society and has concluded that, on the basis of current information and, having taken legal and actuarial advice, it is right to prepare this return on a going concern basis.

- The Society has contractual commitments in respect of two pension schemes for which HBOS is the principal employer. Although full provision is made for estimated contractual liabilities calculated on a basis consistent with that adopted by the Scheme Actuary in his triennial valuations, there remains the possibility that it may be necessary for a more conservative basis to be adopted in future in calculating the Society's obligations.
- 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 GIR of 3.5% p.a. that is applicable to many policies. In valuing policy liabilities, guarantees are valued under a range of economic scenarios. The calculation of the technical provisions is based on a projection of current market conditions, allowing for current retirement experience. There remains a risk to the Society that investment conditions change or that policyholders defer their retirement. To mitigate this risk the Society continues to invest in a series of interest rate swaptions.
- Following publication of the report of the Equitable Life inquiry by Lord Penrose in March 2004, the Parliamentary Ombudsman ("PO") announced in July 2004 her decision to open a new investigation. Her final report was laid before Parliament on 16 July 2008, and published on 17 July 2008. The report found ten determinations of maladministration on the part of the Department of Trade and Industry ("DTI"), Government Actuary's Department ("GAD"), and the Financial Services Authority ("FSA") in relation to their regulation of the Society in the period before 1 December 2001.

The Society has responded to the Governments proposed "ex gratia" payment scheme and generally in relation to the Government's response to the report and will continue to liaise with the Parliamentary Ombudsman's team, the Public Administration Select Committee, the Government and Sir John Chadwick as appropriate.

In view of the findings in the report and the Governments response, the Society has concluded that the likelihood of successful claims being brought against the Society is extremely limited.

- Ninety-one claims have been issued against the Society in District courts across Germany. The Society is continuing to challenge these claims and a significant number of them have been determined in its favour. The Society has not lost a single case to date and in light of this the Society now believes the costs associated with this group of claims are unlikely to be significant.

The Society has made appropriate provisions 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. The Society now considers that the potential impact of the uncertainties referred to in the financial review and in this note have diminished to a significant degree over the past few years. However, the potential impact of the range of uncertainties relating to provisions could be significant.

Even though subject to close management scrutiny, because of volatility in investment and property markets, the uncertain nature of provisions and the other potential strains on the Society's finances, the Board recognises that the Society may not meet regulatory capital requirements at all times in the future. Any such failure does not, of itself, cause the Society to become insolvent.

The financial position of the Society has been projected under a range of economic scenarios. The Board has also considered the level of contingent liabilities in its analysis of the Society's financial position. The Board is confident of its ability to manage adverse scenarios that may arise, but extremely adverse scenarios could prejudice the continuing solvency of the Society and so there cannot be absolute assurance.

Amounts are held in specific provisions and are described in paragraph 8 of the Abstract of valuation report on pages 71 to 72.

#### \*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 FSA Handbook of Rules and Guidance and the value of liabilities detailed in external financial reporting to comply with FRS27 and the Financial Reporting Council - Board of Actuarial Standards guidance note 45 (section 3.3.3.1 relevant to closed funds).

#### \*1701\* Treatment of the variation margin

The aggregate excess variation margin received in respect of derivatives in 2008 was £nil (2007: nil).

The variation margin is included within line 54 of form 13.

There is no liability to repay any excess variation margin at the end of 2008.

#### \*4002\* Other Income

Other Income is comprised of the following:

	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>
Stock Lending commission	1,552	1,818
Other Income	1,727	1,158
Net return receivable on a secured deposit received from an insurer	-	35,489
	3,279	38,465

#### \*4004\* Transfer of Contracts

The Society transferred its with-profits annuity business to Prudential Assurance Company Limited on 31 December 2007. Under the terms of the agreement, the amount to be transferred included a share of the Excess Realistic Assets immediately prior to the transfer and was subject to further adjustment in respect of outstanding deaths and data corrections. The estimated total transfer included in the 2007 Returns was £1,754m. An additional amount of £3m was transferred during 2008, representing the expected further adjustment.

#### \*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 2008 substantially all management services for The Equitable Life Assurance Society have been provided by HBOS group of companies.

\*4010\* Investment Income from Linked Assets

Included within line 12 is £1.8m of income earned on linked assets.

\*4803\* Assumed redemption dates

Securities with a range of redemption (or option) dates are assumed to be redeemed at the earliest or latest redemption (or option) date, whichever gives the lower yield. The value of 'approved fixed interest securities' and 'other fixed interest securities' with variable redemption (or option) dates are £140,709,696 and £660,734,688 respectively.

Irredeemable assets with no first option date are assumed to have a redemption date in 2049.

Property and equity are assumed not to be redeemed.

\*4806\* Assets used to calculate the investment returns

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

\*4807\* Return allocated to Asset Shares

The return allocated to asset shares is a reduction of 3% for pension contracts and 2.4% for life contracts. This is the return allocated by the Board, after consideration of all risks, reserving and capital matters.

\*4901\* Rating agencies

The credit rating used is the lower of Moody's, Standard & Poor's and Fitch (if available).

In the absence of such ratings, one is supplied by Insight Investment Managers Limited; the Society's third party investment manager who is not connected with the Society.

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

\*4902\* Negative redemption yield

The effect of increasing the allowance made for risk of default of income and redemption payments on corporate bonds has led to negative redemption yields for assets with ratings lower than BBB/Baa.

\*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.

\*5201\* Group scheme member count

There are 56 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 three 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.

\*5203\* Policy count

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 35 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\* Policy 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 £31.107m under code 795 are attributable to property linked immediate annuities (£27.528m), property linked deferred annuities (£3.096m), property linked health products (£0.394m) and Building Society linked endowment assurance (£0.089m).

\*5600\* De minimis limit

Form 56 is omitted because index linked assets do not exceed the de minimis limit of £100m.

\*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 2007. The effect of the direction is to modify INSPRU 3.1.35 to require the firm to calculate the yield on certain categories of fixed interest security on an aggregate basis.

\*5901\* Market Value Adjustment

For CWP contracts no explicit MVA is applied as part of the surrender basis. Surrender values are set so that they are comparable to UWP policies on surrender.

\*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 £41,917 and the premiums to Class IV business were £967,521. The 'premiums amount' is therefore  $0.18 \times (£41,917 + £967,521 / 3) \times 0.5 = £32,798$ .

Claims in the last 12 months were nil for the supplementary accident and sickness insurance and £911,139 for the Class IV business. The 'claims amount' is therefore  $0.26 \times (0 + 911,139 / 3) \times 0.5 = £39,483$ . Therefore, 'claims amount' of £39,483 is used.

# THE EQUITABLE LIFE ASSURANCE SOCIETY

## REGULATORY VALUATION REPORT

### Introduction

1. (1) The date of the valuation was 31 December 2008.
- (2) The date of the previous valuation was 31 December 2007.
- (3) Not applicable.

### Product range

2. There were no significant changes to the Society's product range. The Society is closed to new business except by increment.

### Discretionary charges and benefits

3. (1) A market value reduction (or equivalent) was applied throughout 2008 for non-contractual withdrawals from all with-profits contracts.
- (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 reinsurer.

### 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 EQUITABLE LIFE ASSURANCE SOCIETY

## REGULATORY VALUATION REPORT

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 after 1 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 (9) 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 (9).

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 were calculated using the same mortality and expense basis and methodology used to value annuities in payment but with interest appropriate to pre retirement pension policies. This value was then 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 are the same as 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.

# THE EQUITABLE LIFE ASSURANCE SOCIETY

## REGULATORY VALUATION REPORT

### 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 INSPRU 1.2.71R. 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 a few final salary schemes based on their Minimum Funding Requirement. The maximum current liability was less than £0.4m, and surrenders on these terms are not expected to be exercised due to the operation of the Financial Assistance Scheme. No additional reserve was therefore held for these schemes.

# THE EQUITABLE LIFE ASSURANCE SOCIETY

## REGULATORY VALUATION REPORT

### **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.

# THE EQUITABLE LIFE ASSURANCE SOCIETY

## REGULATORY VALUATION REPORT

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

<b>Product group</b>	<b>Rate at 31 December 2008</b>	<b>Rate at 31 December 2007</b>
UK non-profit annuities (Pensions)	4.63%	4.80%
UK non-profit annuities pre-1992 (Life)	4.63%	4.80%
UK non-profit annuities post-1991 (Life)	4.17%	4.32%
Overseas non-profit annuities (Pensions)	4.63%	4.80%
German with-profits annuities (Life)	3.50%	3.50%
UK index-linked annuities pre-1992 (Life)	1.79%	1.38%
UK index-linked annuities post-1991 (Life)	1.61%	1.24%
UK index-linked annuities (Pensions)	1.79%	1.38%
All pension contracts	3.94%	4.43%
UK with-profits endowments and whole life	3.15%	3.54%
UK term assurance	3.07%	3.44%
UK with-profits policies (Flexible Protection Plan, Regular Savings Plan, With-Profits Bond, Personal Investment Plan, Major Medical Cash Plan, Critical Illness Plan)	3.15%	3.54%
Overseas with-profits policies (Life)	3.15%	3.54%
UK non-profit annuities in deferment (Pensions)	3.86%	4.33%

(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 4.75%.

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 aggregate market value to 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.

# THE EQUITABLE LIFE ASSURANCE SOCIETY

## REGULATORY VALUATION REPORT

At the 31 December 2007 valuation, all other fixed interest assets had their yield reduced by reference to historic default rates. These were based on 20 years of Moody's data and represented the mean default rate plus two standard deviations plus a 40% margin for prudence. At this current valuation the yield was reduced by the expected future default rates equivalent to three times the default rates set at the previous valuation date. This increased allowance for default was set with regard to the Bank of England's analysis of the decomposition of corporate bond spreads, market assessment of default risk in the Credit Default Swap market, and the pessimistic view from the range of expected default outcomes presented by the Society's investment managers. This allowance for defaults ascribes 42% of the credit spread seen on the Society's corporate bond portfolio to be due to default risk. The assumptions used to reduce the yield are shown in the following table:

<b>Credit Rating</b>	<b>Yield Reduction at 31 December 2008</b>	<b>Yield Reduction at 31 December 2007</b>
AAA	0.42%	0.14%
AA+	0.54%	0.18%
AA	0.75%	0.25%
AA-	1.02%	0.34%
A+	1.38%	0.46%
A	1.89%	0.63%
A-	2.58%	0.86%
BBB+	3.51%	1.17%
BBB	4.77%	1.59%
BBB-	6.51%	2.17%
BB+	8.88%	2.96%
BB	12.12%	4.04%
BB-	16.53%	5.51%
B+	22.53%	7.51%
B	30.72%	10.24%
B-	41.91%	13.97%
CCC	57.15%	19.05%
CC	57.15%	19.05%

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.

# THE EQUITABLE LIFE ASSURANCE SOCIETY

## REGULATORY VALUATION REPORT

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

(i) Immediate Annuities

Product group	Table at 31 December 2008 in possession	Complete expectation of life		Table at 31 December 2007 in possession	Complete expectation of life	
		65	75		65	75
UK non-profit annuities (Pensions)	90.0%PNMA00mc U=2011 97.5%PNFA00mc U=2011	Male 24.0 Female 25.7	Male 14.8 Female 16.2	90.0%PNMA00mc U=2010 97.5%PNFA00mc U=2010	Male 23.8 Female 25.6	Male 14.7 Female 16.1
UK non-profit annuities (Life)	82.5%IML00ult U=2008 82.5%IFL00ult U=2008	Male 23.2 Female 26.4	Male 14.0 Female 16.3	70%IML00ult U=2007 75%IFL00ult U=2007	Male 24.6 Female 27.2	Male 15.2 Female 17.0
Overseas with-profits annuities (Life)	85.0%PNMA00mc U=2011 77.5%PNFA00mc U=2011	Male 24.5 Female 27.8	Male 15.3 Female 18.0	85.0%PNMA00mc U=2010 77.5%PNFA00mc U=2010	Male 24.4 Female 27.7	Male 15.2 Female 17.9
Overseas non-profit annuities (Pensions)	90.0%PNMA00mc U=2011 97.5%PNFA00mc U=2011	Male 24.0 Female 25.7	Male 14.8 Female 16.2	90.0%PNMA00mc U=2010 97.5%PNFA00mc U=2010	Male 23.8 Female 25.6	Male 14.7 Female 16.1
UK unit- linked annuities (Pensions)	82.5%PNMA00mc U=2011 82.5%PNFA00mc U=2011	Male 24.8 Female 27.2	Male 15.5 Female 17.5	82.5%PNMA00mc U=2010 82.5%PNFA00mc U=2010	Male 24.6 Female 27.1	Male 15.4 Female 17.4
UK index- linked annuities (Life)	82.5%IML00ult U=2008 82.5%IFL00ult U=2008	Male 23.2 Female 26.4	Male 14.0 Female 16.3	70%IML00ult U=2007 75%IFL00ult U=2007	Male 24.6 Female 27.2	Male 15.2 Female 17.0
UK index- linked annuities (Pensions)	90.0%PNMA00mc U=2011 97.5%PNFA00mc U=2011	Male 24.0 Female 25.7	Male 14.8 Female 16.2	90.0%PNMA00mc U=2010 97.5%PNFA00mc U=2010	Male 23.8 Female 25.6	Male 14.7 Female 16.1

The allowance for future mortality improvements for PNMA/PNFA00 is based on the implied future mortality improvements in the PMA/PFA 92 MC tables subject to a minimum improvement of 1.5% p.a..

The allowance for future mortality improvements for IML/IFL00 ult is based on the implied future mortality improvements in the IML/IFL 92 tables subject to a minimum improvement of 1.5% p.a..

# THE EQUITABLE LIFE ASSURANCE SOCIETY

## REGULATORY VALUATION REPORT

### ii) Deferred annuities

#### In deferment

Product group	Table at 31 December 2008 in deferment	Table at 31 December 2007 in deferment
UK non-profit deferred annuities (Pensions)	90.0%AMC00ult 97.5%AFC00ult	90.0%AMC00ult 97.5%AFC00ult
German with-profits deferred annuities (Life)	90.0%AMC00ult 97.5%AFC00ult	90.0%AMC00ult 97.5%AFC00ult

#### In payment

Product group	Table at 31 December 2008	Complete expectation of life at age 65 for current age		Table at 31 December 2007	Complete expectation of life at age 65 for current age	
		45	55		45	55
UK non-profit deferred annuities (Pensions)	90.0%PNMA00mc U=2011	Male 26.9	Male 25.4	90.0%PNMA00mc U=2010	Male 26.8	Male 25.3
	97.5%PNFA00mc U=2011	Female 28.5	Female 27.1		97.5%PNFA00mc U=2010	Female 28.4
German with- profits deferred annuities (Life)	90.0%PNMA00mc U=2011	Male 26.9	Male 25.4	70%IML00ult U=2007	Male 27.6	Male 26.1
	97.5%PNFA00mc U=2011	Female 28.5	Female 27.1	75%IFL00ult U=2007	Female 30.1	Female 28.6

### 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.

# THE EQUITABLE LIFE ASSURANCE SOCIETY

## REGULATORY VALUATION REPORT

### iv) Other products

Product group	Table at 31 December 2008	Table at 31 December 2007
All pension contracts	90.0%AMC00ult 97.5%AFC00 ult	90.0%AMC00ult 97.5%AFC00 ult
UK endowments and whole life	90.0%AMC00ult 97.5%AFC00 ult	90.0%AMC00ult 97.5%AFC00 ult
UK term assurance	72.5% TMC00 77.5% TFC00	72.5% TMC00 77.5% TFC00
UK with-profits policies (Life)	90.0%AMC00ult 97.5%AFC00 ult	90.0%AMC00ult 97.5%AFC00 ult
Overseas with- profits policies (Life)	90.0%AMC00ult 97.5%AFC00 ult	90.0%AMC00ult 97.5%AFC00 ult

- (5) There are no significant morbidity risks.
- (6) The expense basis is summarised in the following tables. There are no Zillmer adjustments. For net business it is assumed that the tax relief will be at 20%.

### 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 8.9% per annum (2007 – 7.6% per annum), which includes an allowance for diseconomies of scale as the portfolio declines in size.

Product code	Product name	Year ending 31 December 2008	Year ending 31 December 2007
120	CWP savings endowment	£305 per benefit	£350 per benefit
125	CWP target cash endowment	£305 per benefit	£350 per benefit
500	UWP Bond	£ 60 per benefit	£ 72 per benefit
510	UWP savings endowment	£ 60 per benefit	£ 72 per benefit
535	UWP group regular premium pension	£ 22 per benefit	£ 22 per benefit
555	Group deposit administration with-profits	£ 22 per benefit	£ 22 per benefit
545	Individual deposit administration with-profits	£ 45 per benefit	£ 48 per benefit

Separate allowance was made for fund management expenses using a loading of 1.20 per mille (2007 – 1.20 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.

# THE EQUITABLE LIFE ASSURANCE SOCIETY

## REGULATORY VALUATION REPORT

### Conventional business

Product code	Product name	Year ending 31 December 2008	Year ending 31 December 2007
120	CWP savings endowment	3% of office premium	3% of office premium
125	CWP target cash endowment	3% of office premium	3% of office premium
155/165	CWP pensions	4% of office premium	4% of office premium
325/330	Term assurance	4.5% of office premium	4.5% of office premium

In addition, an annual loading of £3 (2007 – £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 8.9% per annum (2007 – 7.6%), which includes an allowance for diseconomies of scale as the portfolio declines in size.

Product code	Product name	Year ending 31 December 2008		Year ending 31 December 2007	
		Per policy	Fund management	Per policy	Fund management
400	Annuity	£20	0.6 per mille	£24	0.6 per mille

### 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 no future premiums have been assumed in the calculation of the non-unit-reserve.

Product code	Product name	Year ending 31 December 2008	Year ending 31 December 2007
700	Bond	£34 per policy	£40 per policy
715	Savings endowment	£34 per policy	£40 per policy
725	Regular premium pension	£29 per policy	£34 per policy
735	Group regular premium pension	£11 per member	£13 per member

There is also a 15bps (2007 – 32bps) expense charge p.a. to allow for investment expenses and overheads.

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

# THE EQUITABLE LIFE ASSURANCE SOCIETY

## REGULATORY VALUATION REPORT

- (7) The unit growth rates (before management charges) and expense inflation rates are:

Year ending 31 December 2008		Year ending 31 December 2007	
Unit growth rate	Expense inflation	Unit growth rate	Expense inflation
3.9%	3.15%	5%	3%

- (8) 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.

- (9) 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: 2 years before normal retirement date  
Group money purchase schemes: 3 years before normal retirement date  
Group AVC schemes: 3 years before normal retirement date  
Group Final Salary schemes: 1.5 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.

- (10) There are no other material assumptions not stated elsewhere.
- (11) The Society does hold derivative contracts but none were used to justify the valuation rate of interest.
- (12) There have been no changes in methodology as a result of changes to INSPRU in respect of the allowances for:

lapses on valuation of protection business  
negative reserves on valuation of protection business  
lapses on valuation of unit-linked business  
attributable expenses on valuation of unit-linked business

# THE EQUITABLE LIFE ASSURANCE SOCIETY

## REGULATORY VALUATION REPORT

### Options and guarantees

5. (1) Guaranteed annuity rate options

(a) The method used is a deterministic one. The basic reserve represents the value of the cash benefit. The extra reserve for the guarantee is calculated as

$(\text{Guaranteed Annuity Rate} / \text{Valuation Annuity rate} - 1) \times \text{basic reserve}$   
(subject to a minimum of zero)

with an additional contingency margin of 50%.

(b)

Product name	Deferred annuity	Accumulating class	German Deferred Annuity
<b>Basic reserve</b>	£3.0m	£4.7m	£9.1m
<b>Spread of outstanding durations</b>	0 to 22 years	0 to 10 years	0 to 42 years
<b>Guarantee reserve</b>	£3.2m	£4.2m	£1.6m
<b>Guaranteed annuity rate (male aged 65)</b>	9.92%	9.92%	6.94%
<b>Increments permissible?</b>	Yes	Yes	Yes
<b>Form of annuity</b>	Half yearly, in arrear, level, single life, no guarantee period	Half yearly, in arrear, level, single life, no guarantee period	Monthly, in advance, level, single life, no guarantee period
<b>Retirement ages</b>	60 to 70	60 to 70	50 to 75

(2) Options which guarantee surrender values at specified dates are automatically valued as a result of the persistency assumption set out in paragraph 4(9).

(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.

# THE EQUITABLE LIFE ASSURANCE SOCIETY

## REGULATORY VALUATION REPORT

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 £1bn.
- (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 £58.5m. This is made up of £38.4m maintenance expenses, which includes £6.5m of investment expenses and £20.1m exceptional expenses. Other than for an exceptional expense reserve, all expenses are attributable.
- (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.
- (6) An exceptional expense reserve of £64.6m covers short term exceptional costs and is not attributed to homogeneous risks groups. These costs are principally strategic business projects and pension funding commitments.

### Mismatching reserves

- 7. (1) There is just one with-profits fund which contains all the non-profit, index-linked and non-sterling liabilities. The total 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 total value of the assets, analysed by reference to currency, which match the total liabilities are tabulated below:

Currency	Mathematical Reserves (£000,000)	Assets (£000,000)
Sterling	5,778	6,241
Euro	192	236
US Dollar	3	159

- (2) Not applicable.
- (3) No mismatching reserve is required.
- (4) Not applicable.

# THE EQUITABLE LIFE ASSURANCE SOCIETY

## REGULATORY VALUATION REPORT

- (5) Not applicable.
- (6) Not applicable.
- (7) No additional reserves are required arising from the tests on assets in INSPRU 1.1.34R.

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 range 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 £109.9m represents exceptional expenses, investment expense on unallocated funds, the potential cost of maintaining the current with-profits non-contractual termination terms and the allowance made for potential miscellaneous pension claims in relation to mis-selling claims against the Society. 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).

- 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 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.

- Non Contractual Withdrawals

The reserve also includes an allowance for potential surrenders where the surrender value exceeds the "normal reserve" (as described in 4 (1) above).

# THE EQUITABLE LIFE ASSURANCE SOCIETY

## REGULATORY VALUATION REPORT

- 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.

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

This reserve of £20.8m is the allowance made for legal claims against the Society (including potential claims relating to the sale of with-profits annuities), exceptional expenses and the potential cost of maintaining the current with-profits non-contractual termination terms.

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

This reserve of £6.5m is the allowance made for potential surrenders as detailed in section 4 (1) above.

(4) Non UK Non-Linked Accumulating With-Profits – Additional Reserves UWP

This reserve of £5m is the allowance made for mis-selling claims against the Society.

### 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 £61,113,714.

# THE EQUITABLE LIFE ASSURANCE SOCIETY

## REGULATORY VALUATION REPORT

- (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) £2,088m 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 2008.
- (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 £1,961,606.
  - (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) £26m 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 2008.

# THE EQUITABLE LIFE ASSURANCE SOCIETY

## REGULATORY VALUATION REPORT

- (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 £1,412,031.
- (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) £22m 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 2008.

### 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

## REALISTIC VALUATION REPORT

### Introduction

1. (1) The date of the valuation was 31 December 2008
- (2) The previous valuation was at 31 December 2007.
- (3) The date of the interim valuation was 30 June 2008

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

	<b>Current Valuation</b>	<b>Previous Valuation</b>
Earned rate of interest on Non-profit assets (gross)	4.120%	4.528%
Discount rate applied to future cash flows	6.620%	5.528%
Per policy expense rate pa	£20 p.a.	£24 p.a.
Expense inflation rate pa	8.900%	7.600%

The expense inflation rate shown is based on RPI inflation of 3.15% p.a. (previous valuation 3.00% p.a.) plus an allowance for diseconomies of scale of 5.75% p.a. (previous valuation 4.60% p.a.).

#### Index-linked annuities

	<b>Current Valuation</b>	<b>Previous Valuation</b>
Earned real rate of interest on index-linked assets (gross)	2.033%	1.202%
Real discount rate applied to future cash flows	4.533%	2.202%
Per policy expense rate pa	£20 p.a.	£24 p.a.
Real expense inflation rate pa	5.750%	4.600%

# THE EQUITABLE LIFE ASSURANCE SOCIETY

## REALISTIC VALUATION REPORT

### Mortality bases

	<b>Current Valuation</b>	<b>Previous Valuation</b>
Pensions annuities:		
- male lives	95% PNMA00mc (U=2011) *	95% PNMA00mc (U=2010) *
- female lives	102.5% PNFA00mc (U=2011) *	102.5% PNFA00mc (U=2010) *
BLAGAB annuities:		
- male lives	82.5% IML00 Ult (U=2008) **	70% IML00 (U=2007) **
- female lives	82.5% IFL00 Ult (U=2008) **	75% IFL00 (U=2007) **

\* the allowance for mortality improvements for PNMA00mc/PNFA00mc is based on implied mortality improvements per PFA92mc/PFA92 mc

\*\* the allowance for mortality improvements for IML00/IFL00 Ult is based on implied mortality improvements per IMA92/IFA92

The implied mortality improvements are subject to a minimum improvement of 1.5%pa (unchanged from the previous valuation).

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.

# THE EQUITABLE LIFE ASSURANCE SOCIETY

## REALISTIC VALUATION REPORT

Product type	Valuation Method	With-Profits Benefit Reserve £m	Future Policy Related Liabilities £m
Conventional with-profits	P	108	(3)
Life RSP contract	R	195	3
Flexible Protection Plans	R	26	(4)
Pensions RSP (3.5% GIR)	R	3,473	529
Pensions RSP (0% GIR)	R	730	(44)
Total for these products		4,532	481
Aggregate de minimis contracts		20	0
Grand total		4,552	481

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 1.0% p.a. (as described in section 4.(4)) 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.

- (2) Not applicable.
- (3) With-profits insurance contracts with total with-profits benefit reserves of £20m and future policy related liabilities of £0m 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.
- (4) Not applicable.

### With-profits benefit reserves – Retrospective method

4. (1) (a) The methodology is unchanged from the previous year end. For all the Recurrent Single Premium 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).

- (b) None.
- (c) Not applicable.
- (2) (a) None.
- (b) Not applicable.

# THE EQUITABLE LIFE ASSURANCE SOCIETY

## REALISTIC VALUATION REPORT

- (3) (a) The date of the previous expense investigation was 31/12/07.
- (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 2008.
- (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) A charge of 1%pa of the with-profits benefit reserve (amounting to approximately £50m) was made in respect of maintenance expenses that relate to the servicing, claims handling and management of the business.
- (iii) expenses are charged to the with-profits benefits reserve by way of an expense charge of 1%pa deducted from all contracts.
- (iv) £69m of expenses were categorised as exceptional expenses. These expenses are charged against specific provisions held on the balance sheet.
- (4) A charge of 1.0% p.a. of policy values (the “charge for capital and cost of guarantees”) is taken to make some allowance for the cost of guarantees incurred and to act as a buffer against risk and adverse experience. The charge was increased from 0.5% p.a. with effect from 1 January 2009.
- (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 5% throughout 2008). The ratio of maturity claims to the corresponding Policy Values over the year prior to the valuation date was 100% (although more would have been paid out for cases where the guarantee bit). The corresponding ratio for surrenders/transfers was about 95%. The corresponding figures for maturities and surrenders/transfers for 2007 were 100% and 94% respectively, and for 2006 were 100% and 92% respectively.
- (7) The investment return earned over the period from 31 December 2007 to 31 December 2008 was 0.1% (2007: 4.0%) before tax and expenses. The with-profits benefit reserve was decreased for 2008 by 3.0% (2007: increased by 5.0%) for with-profits recurrent single premium pension policies.

# THE EQUITABLE LIFE ASSURANCE SOCIETY

## REALISTIC VALUATION REPORT

### 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 2.25% per annum. This is based on the risk free rate of around 3%, 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 %
0	0
1	0
2	0
3	0
4	0
5	0
6	0
7	1
8	1
9	1
10	1
11	1
12	1
13	2
14	2
15	2
16	3
17	3
18	3
19	3
20	3
21	4
22	5
23	6
24	9
25	12
26	19
27	27
28	35
29	42
30	48
31	54

# THE EQUITABLE LIFE ASSURANCE SOCIETY

## REALISTIC VALUATION REPORT

32	60
33	68
34	74
35	80
36	86
37	90
38	92
39	94
40	96
> 40	96

- (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) The methodology and assumptions are unchanged from the previous year end.

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.

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

# THE EQUITABLE LIFE ASSURANCE SOCIETY

## REALISTIC VALUATION REPORT

Numbers of benefits before and after applying grouping rules:

<b>Product type</b>	<b>Benefits</b>	<b>Model Points</b>
Conventional with-profits	10,677	718
Life RSP contracts	23,198	179
Flexible Protection Plans	4,913	152
Pensions RSP (3.5% GIR)	675,428	5,711
Pensions RSP (0% GIR)	195,401	3,847
<b>Total</b>	<b>909,617</b>	<b>10,607</b>

The grouping bases have not been reviewed for this valuation, and there have been no changes made since the 2005 year-end valuation.

In determining the grouping basis for each contract type, tests were done at the 2005 year-end 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. The assumptions used have changed from the assumptions used in the previous valuation.

# THE EQUITABLE LIFE ASSURANCE SOCIETY

## REALISTIC VALUATION REPORT

	<b>Policyholders Before ECD (years)</b>	<b>Policyholders on or after ECD (years)</b>	<b>Original ECD</b>
Group Pensions	-2	7	NRA
Individual ("executive") Pensions	-1	4	NRA
Personal Pensions (non-DSS)	10	13	50
Personal Pensions (DSS)	4	6	60
Retirement Annuities	3	7	60

where NRA = Normal Retirement Age

Policyholders already past the assumed retirement age were assumed to retire immediately. This assumption is unchanged from the previous valuation.

Managed Pension policies were assumed to mature evenly over the 3 year period beginning at the valuation date. This assumption is unchanged from the previous valuation.

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 £9m is held. The provision was calculated deterministically, and increased by more than 30% to allow for stochastic variation.

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:

# THE EQUITABLE LIFE ASSURANCE SOCIETY

## REALISTIC VALUATION REPORT

% In / Out of money*	Policy values (£m)	Percentage
-100% to -50%	0	0%
-49% to -30%	292	6%
-29% to -20%	475	11%
-19% to -15%	587	13%
-14% to -10%	479	11%
-9% to -5%	931	21%
-4% to 0%	580	13%
1% to 5%	296	7%
6% to 10%	251	6%
11% to 15%	187	4%
16% to 20%	106	2%
21% to 30%	157	4%
31% to 50%	88	2%
51% to 100%	3	0%
Total	4,433	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 Barrie & Hibbert Economic Scenario Generator. The Smith Model was used at the previous valuation.

Nominal short-term interest rates are assumed to follow a LIBOR Market Model with semi-annual timesteps. The risk-free curve has been fitted to the gilt curve, and the volatility of interest rates has been calibrated to the implied volatility of swaption prices.

The model for the real short-term rate is similar in structure.

Price inflation is modelled as the difference between the nominal and real short-term rate process.

Credit risk on corporate bonds is modelled using an extension of the Jarrow-Landow-Turnbull model.

For equities and for properties, the ratios of total return in excess of the nominal short-term interest rate is assumed to be lognormally distributed with equity volatility varying by term, and a constant volatility assumption for property.

The volatility assumptions for the major classes of asset are chosen to be consistent with option market prices where available.

Barrie & Hibbert supply recommended parameters, which are analysed before acceptance and use.

# THE EQUITABLE LIFE ASSURANCE SOCIETY

## REALISTIC VALUATION REPORT

For the Realistic Balance Sheet, a risk-neutral set of parameters has been calibrated to be market-consistent. Barrie & Hibbert conduct a survey of OTC (over the counter) derivative price quotes from investment banks every quarter. These prices are used to update the market consistent calibrations every quarter.

At 31 December 2008, equity volatility is assumed to be as shown below, calibrated to implied volatilities on at-the-money FTSE 100 options varying by term as follows:

Term	Implied Volatility
1 year	34.5%
2 years	33.8%
3 years	34.0%
5 years	34.4%
7 years	34.6%
10 years	34.6%

Over longer terms the excess volatility tends to 28%. This is Barrie & Hibbert's best estimate of long term excess volatility from their research.

Property volatility is assumed to be 15%. As it is not currently possible to observe meaningful option prices (and hence derive volatilities), this is based on Barrie & Hibbert's best estimate from their research.

Property Unit Trusts (PUTs) 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 PUTs modelled reflects the total exposure to property prices, with the amount of the debt being offset against cash in the with-profits fund.

Swaption volatilities implied by the calibration vary by term and duration with those obtained from Bloomberg. The fitting method is least squares over the swaption volatility surface with additional weight applied to options on 20 year swaps. The swaption volatilities from the Barrie & Hibbert ESG are shown in the following table. The volatilities shown are for at-the-money swaptions.

Option Term (years)	Swap Term (years)				
	5	10	15	20	25
5	23.90%	19.37%	17.67%	17.47%	17.27%
10	20.52%	18.10%	17.68%	17.29%	16.95%
15	19.41%	18.06%	17.11%	16.47%	16.11%
20	17.58%	15.60%	14.71%	14.28%	13.98%
25	16.00%	14.58%	13.97%	13.61%	13.31%

# THE EQUITABLE LIFE ASSURANCE SOCIETY

## REALISTIC VALUATION REPORT

### Correlations

Barrie & Hibbert also specified a correlation matrix. The correlations between equities and bonds and equities and short-term interest rates were derived from an analysis of historical data.

Key correlations are:

Equities / Government Bonds +0.3

Equities / Short Term Interest Rates -0.2

Equities / Property +0.2

Equities / Index-linked Bonds +0.3

**THE EQUITABLE LIFE ASSURANCE SOCIETY**

**REALISTIC VALUATION REPORT**

(a) (iii)

Asset type (all UK assets)		K=0.75				K=1				K=1.5			
n		5	15	25	35	5	15	25	35	5	15	25	35
r	Annualised compound equivalent of the risk free rate assumed for the period.(to two decimal places)	2.77%	4.00%	3.95%	3.71%	x	x	x	x	x	x	x	x
1	Risk-free zero coupon bond	872,477	555,478	380,059	279,702	x	x	x	x	x	x	x	x
2	FTSE All Share Index (p=1)	150,917	300,832	391,455	457,546	295,708	476,101	582,563	660,316	667,389	869,553	994,579	1,089,736
3	FTSE All Share Index (p=0.8)	141,071	247,627	298,267	329,098	278,507	397,287	448,558	479,692	634,916	735,578	775,940	800,660
4	Property (p=1)	31,850	111,849	181,809	235,845	133,159	248,512	337,386	404,882	523,795	619,856	720,291	798,973
5	Property (p=0.8)	27,388	77,841	115,459	140,801	118,420	183,175	225,718	253,301	487,639	487,550	512,382	529,644
6	15 year risk free zero coupon bonds (p=1)	15,427	20,296	10,798	16,884	77,174	73,802	67,120	113,212	479,596	453,703	464,015	507,167
7	15 year risk free zero coupon bonds (p=0.8)	13,280	12,485	3,932	3,812	66,488	43,224	18,564	22,043	439,764	295,084	229,389	226,816
8	15 year corporate bonds (p=1)	28,307	41,957	37,982	52,837	110,270	125,881	123,218	153,170	495,073	482,782	487,959	520,085
9	15 year corporate bonds (p=0.8)	24,742	26,562	16,626	19,250	97,698	81,631	57,299	60,950	457,125	340,274	270,476	255,590
10	Portfolio of 65% FTSE All Share and 35% Property (p=1)	81,298	191,551	268,991	329,285	206,815	345,445	438,651	511,404	579,831	720,436	829,252	914,505
11	Portfolio of 65% FTSE All Share and 35% Property (p=0.8)	73,882	148,615	190,671	219,714	190,988	274,510	318,394	348,638	546,122	590,335	619,633	641,910
12	Portfolio of 65% equity and 35% 15 risk free zero coupon bonds (p=1)	75,555	167,737	235,642	291,113	197,487	316,213	397,560	464,235	568,775	686,449	776,733	855,682
13	Portfolio of 65% equity and 35% 15 risk free zero coupon bonds (p=0.8)	68,409	127,513	162,565	189,148	181,902	246,917	282,561	309,355	535,151	557,329	572,458	589,633
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)	37,148	90,649	137,566	181,220	140,344	216,797	276,111	332,270	521,632	580,887	641,783	705,373
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)	32,096	61,131	81,965	101,164	125,807	155,339	175,552	196,415	486,136	449,529	440,134	447,807
		<b>L=15</b>				<b>L=20</b>				<b>L=25</b>			
16	Receiver swaption	8.77%	11.55%	10.27%	7.81%	12.43%	14.51%	12.58%	9.36%	15.64%	17.17%	14.39%	10.50%

# THE EQUITABLE LIFE ASSURANCE SOCIETY

## REALISTIC VALUATION REPORT

- (a) (iv) The initial net yields on equities and property were taken as 5.95% and 4.30% 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:

<b>Guaranteed values greater than policy values</b>		
<b>Outstanding Term</b>	<b>Policy Value (£m)</b>	<b>Percentage</b>
20 to 40 Years	318	10%
10 to 20 Years	1,140	34%
5 to 10 Years	944	28%
0 to 5 Years	943	28%
Whole Life*	0	0%
Total	3,345	100%

<b>Guaranteed values less than policy values</b>		
<b>Outstanding Term</b>	<b>Policy Value (£m)</b>	<b>Percentage</b>
20 to 40 Years	80	7%
10 to 20 Years	213	20%
5 to 10 Years	299	28%
0 to 5 Years	496	45%
Whole Life*	0	0%
Total	1,088	100%

\* 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 UK Government Bonds using Gilt Strips for a range of terms.

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

- An equity implied volatility of 37.33% over ten years for the capital growth index and 33.60% 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 34.60%.
- Property volatility of 15% p.a.

# THE EQUITABLE LIFE ASSURANCE SOCIETY

## REALISTIC VALUATION REPORT

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

Term (years)	Average expected volatility over next 20 years (%)
1	4.4
5	8.4
10	12.4
15	15.5
20	18.3
25	21.1

- correlations between asset classes as follows:
  - Total equity return and 10 year bond return: 24.5%
  - Total equity return and property return: 16.9%
  - Property return and 10 year bond return: 14.3%

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.

In the projection of assets and in line with planned investment strategy it is also assumed that the fund is rebalanced at the end of each year to a target asset mix comprising of 8% equities, 12% property, 75% fixed interest assets and the remainder in cash type assets.

# THE EQUITABLE LIFE ASSURANCE SOCIETY

## REALISTIC VALUATION REPORT

- (b) Future proportion of assets backing the with-profits benefit reserve which consists of equities:

	31/12/2008	31/12/2013	31/12/2018
(i) Base scenario	7.4%	8.0%	8.0%
(ii) Yields increase by 17.5%	6.6%	6.6%	6.6%
(iii) Yields reduce by 17.5%	6.0%	6.0%	6.0%

The with-profits fund's exposure to equities was increased during the year by the purchase of a small amount of short-term derivative contracts whose value moves in line with changes in the level of the FTSE 100 index. The additional exposure has been added to the initial value of equities when projecting assets and liabilities, and has been taken into account in the table above.

A further 2.2% of assets (allowing for gearing) were invested in Property Unit Trusts and a further 7.4% of assets were directly invested in property.

As described in section 10(b)(i), the assumed asset mix to which the fund is rebalanced each year is changed in stress scenarios. The investment mix described in section 6(5)(a) is replaced by the initial asset mix immediately following application of the stress in the stress scenario being considered. The resulting percentages, as shown in the table above, are maintained over time through rebalancing the portfolio as required.

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

# THE EQUITABLE LIFE ASSURANCE SOCIETY

## REALISTIC VALUATION REPORT

- (6) Policyholders are assumed to take benefits on non-contractual terms at the following rates. Some of the assumptions have changed from those used at the previous valuation:

Product		Surrender rate			
		Initial Rate		Ultimate Rate	
		Current Valuation	Previous Valuation	Current Valuation	Previous Valuation
Group AVC	surrender	5.0%	4.0%	1.5%	1.5%
Group Money Purchase	surrender	5.0%	4.0%	1.5%	1.5%
Individual ("executive") Pensions	surrender	5.0%	5.0%	1.5%	1.5%
Personal Pensions (non-DSS)	surrender	6.0%	5.0%	1.5%	1.5%
Personal Pensions (DSS)	surrender	6.0%	5.0%	1.5%	1.5%
Retirement Annuities	surrender	6.0%	6.0%	1.5%	1.5%
Life Business	surrender	5.0%	5.0%	1.5%	1.5%
Single premium bonds	Automatic withdrawals	5.0%	5.0%	5.0%	5.0%

The surrender assumptions do not vary by policy year. They vary by duration from the valuation date. The assumed rate in the year following the valuation is the "Initial Rate" in the table above. Thereafter, the surrender rate is assumed to reduce by 0.5% each year until it reaches the "Ultimate Rate" in the table above.

The paid-up assumptions were that no further contributions would be made to policies, except where contractually required to maintain the policy.

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 10<sup>th</sup> 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.

# THE EQUITABLE LIFE ASSURANCE SOCIETY

## REALISTIC VALUATION REPORT

A sensitivity analysis has been carried out to illustrate the potential impact on planned enhancements to with-profits benefits reserve 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 deferral is assumed, the amount is £135m. If the deferral were for a period of up to 10 years, the amounts are £135m at 2.5% and £205m at 3.5% respectively.

The Society has purchased a series of receiver swaptions with a range of terms. The purpose of these swaptions is to provide additional capital when interest rates on similar fixed-interest securities are anticipated to fall. These swaptions are designed to partially mitigate any increase in liabilities for RSP policies with a non-zero GIR if policyholders defer their retirement plans. A fall in interest rates of 1.0% at all terms would increase the value of the swaptions by £67m and a similar increase would decrease the value by £37m.

### Financing Costs

7. Not applicable.

### 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 £251.3m is composed of the following elements:

	<b>£m</b>
Managed Pensions	15.0
Regular expenses	146.9
Exceptional expenses	69.9
Other miscellaneous liabilities including mis-selling	19.5
<b>Total other long-term insurance liabilities</b>	<b>251.3</b>

An expense provision of £146.9m has been established against potential higher future costs arising as the fund runs off. The aim is to be able to maintain a stable percentage point charge (of 1% p.a.) to with-profits policies for regular expenses.

### Realistic current liabilities

9. These liabilities include tax and social security creditors, other creditors arising out of direct insurance operations and a liability relating to the staff pension scheme (£63m). The total realistic current liabilities of £218m are the same as the regulatory current liabilities.

# THE EQUITABLE LIFE ASSURANCE SOCIETY

## REALISTIC VALUATION REPORT

### Risk Capital Margin

10. (a) The Risk Capital Margin at 31 December 2008 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 65.5 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 78 basis points in respect of corporate bonds in the with-profits fund. The resultant fall in market values was approximately 6.7% 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
    - (e) Not applicable
  - (iv) The overall increase in the realistic value of the liabilities as a result of applying the persistency stress was 0.9%.
  - (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. When asset values increase due to a fall in yields no further change in the policy values was assumed.

In the stress scenarios where yields rise it has been assumed that the charge for capital and cost of guarantees is increased from 1% to 1.25%. In the stress scenarios where yields fall it has been assumed that the charge for capital and cost of guarantees is increased from 1% to 1.5%. No such change in the charge was assumed at the previous valuation.

# THE EQUITABLE LIFE ASSURANCE SOCIETY

## REALISTIC VALUATION REPORT

In the stress scenarios where yields change the value of the swaptions changes. In the stress scenarios where yields rise the value of assets was reduced by the £27m fall in the value of the swaptions. In the stress scenarios where yield fall the swaptions increase in value by £40m. However, the value of assets was not adjusted as it was assumed that the increase would be exactly offset by the impact of RSP policyholders deferring their retirement plans.

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.

In the stress scenarios it is assumed that the target asset mix to which the fund is rebalanced at the end of each year, as described in section 6(5)(a), is changed with the fund instead being rebalanced each year to the initial asset mix immediately following application of the stresses.

- (ii) The reduction to policy values and changes to target asset mix described in section 10(b)(i) above reduces the RCM. The amount of the RCM calculated before and after these changes would be as follows:

<b>Stress scenario</b>	<b>Before</b>	<b>After</b>
Yields rise	£528m	£306m
Yields fall	£386m	£232m

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

- (iii) Changing the target asset mix in the stress scenarios, as described above, results in a reduction in the equity backing ratios as shown in the table below. There are assumed to be no future declared reversionary bonuses.

	<b>31/12/2008</b>	<b>31/12/2013</b>	<b>31/12/2018</b>
Yields increase by 17.5% without management action	7.4%	8.0%	8.0%
Yields reduce by 17.5% without management action	7.4%	8.0%	8.0%
Yields increase by 17.5% with management action	6.6%	6.6%	6.6%
Yields reduce by 17.5% with management action	6.0%	6.0%	6.0%

- (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 INSPRU 1.3.188R would be met.
- (c) (i) No assets are required to cover the risk capital margin.
- (ii) Not applicable.

# THE EQUITABLE LIFE ASSURANCE SOCIETY

## REALISTIC VALUATION REPORT

### 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

The Society hold's equity futures as part of its strategy to manage the proportion of the with-profits fund invested in equities. At 31 December 2008 the exposure from futures was £109m (£26m at 31 December 2007).

The Society holds a series of swaptions to partially mitigate the impact of RSP pensions policyholders deferring their retirement plans during periods of low interest rates. Margining is used to provide appropriate collateral. The total market value of the swaptions at 31 December 2008 was £84m (£34m at 31 December 2007).

### 13. Analysis of change in working capital

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

Item	Effect (£m)
Add back opening zeroisation impact	620
Investment return on the opening working capital	3
Mismatch profits and losses on assets backing the future policy related liabilities	(270)
Economic assumption changes	(26)
Other valuation assumption changes	75
Investment variance	(26)
Demographic and expense variance	(18)
Change in provisions and current liabilities	21
Modelling changes	0
Other	33
Closing zeroisation impact	(412)
Total change	0

### 14. Optional Disclosure

Not applicable.

## **RETURNS UNDER INSURANCE COMPANIES LEGISLATION**

### **THE EQUITABLE LIFE ASSURANCE SOCIETY**

#### **FINANCIAL YEAR END 31 DECEMBER 2008**

#### **ADDITIONAL INFORMATION AS REQUIRED BY IPRU (INS) 9.29**

- (a) All derivative transactions may only be entered into following prior approval by the Society's Investment Committee. In all cases, use of derivative instruments is restricted to the purpose of managing exposure and reducing risk. No derivative contracts were entered into on a speculative basis.
- (b) There are no specific guidelines for the use of contracts not reasonably likely to be exercised. However, the Society's Investment Committee only allows the use of derivatives for the purpose of efficient portfolio management or to reduce risk.
- (c) The fund holds receiver swaptions, at a range of terms, to partially hedge guaranteed investment return risk within the fund. Each position pays out if 10-year swap rates are below 4.5% at the time of exercise. The strike of 4.5% is at a high enough level that the Society considers itself not to have entered into contracts not reasonably likely to be exercised. As at 31 December 2008, 100% of the swaption holdings by value are 'in the money'.
- (d) The Society did not, at any time during the financial year, hold a derivative contract which required a significant provision to be made for it under INSPRU 3.2.17R or (where appropriate) did not fall within the definition of a permitted derivative contract.
- (e) The Society did not grant any rights under derivative contracts during the year.

**RETURNS UNDER INSURANCE COMPANIES LEGISLATION**

**THE EQUITABLE LIFE ASSURANCE SOCIETY**

**FINANCIAL YEAR END 31 DECEMBER 2008**

**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 2008**

#### **CERTIFICATE REQUIRED BY IPRU(INS) 9.34 AND APPENDIX 9.6**

We certify that:

- 1) the return has been properly prepared in accordance with the requirements in IPRU(INS), GENPRU and INSPRU;
- 2) we are satisfied that:
  - a) throughout the financial year ended 31 December 2008 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), PRU, GENPRU and INSPRU (as applicable); and  

The Society is dependent on the delivery of administration and investment services by HBOS group of companies within the Lloyds Banking Group (“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.
  - b) other than as specified in (a) it is reasonable to believe that the Society has continued so to comply subsequently, and will continue so to comply in future;
- 3) in our opinion, premiums for contracts entered into during the financial year ended 31 December 2008 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;
- 4) the sum of the mathematical reserves and the deposits received from reinsurers as shown in Form 14 constitute proper provision as at 31 December 2008 for the long-term insurance liabilities (including all liabilities arising from deposit back arrangements, but excluding other liabilities which had fallen due before 31 December 2008) 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;
- 5) the with-profits fund has been managed in accordance with the Principles and Practices of Financial Management, as established, maintained and recorded under COBS 20.3; and

- 6) we have, in preparing the return, taken and paid due regard to:
- a) advice in preparing the return from the actuary appointed by the Society to perform the actuarial function in accordance with SUP 4.3.13R; and
  - b) advice from every actuary appointed by the Society to perform the with-profits actuary function in accordance with SUP 4.3.16AR.

Vanni Treves, Chairman

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Charles Thomson, Chief Executive

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Tim Bateman, Finance Director

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26 March 2009

## **RETURNS UNDER INSURANCE COMPANIES LEGISLATION**

### **AUDITORS' REPORT: REGULATORY RETURN FOR A LIFE INSURANCE COMPANY**

**FINANCIAL YEAR END 31 DECEMBER 2008**

### **REPORT TO THE DIRECTORS PURSUANT TO RULE 9.35 OF THE INTERIM PRUDENTIAL SOURCEBOOK FOR INSURERS**

We have examined the following documents prepared by the Society pursuant to the Accounts and Statements Rules set out in part I and part IV of chapter 9 to IPRU(INS) the Interim Prudential Sourcebook for Insurers, GENPRU the General Prudential Sourcebook and INSPRU the Insurance Prudential Sourcebook ("the Rules") made by the Financial Services Authority under section 138 of the Financial Services and Markets Act 2000:

- Forms 2, 3, 13, 14, 17 to 19, 40 to 43, 48, 49, 56, 58 and 60, (including the supplementary notes on pages 52 to 57) ("the Forms");
- the statement required by IPRU(INS) rule 9.29 on page 95 ("the Statement");
- the valuation report required by IPRU(INS) rule 9.31(a) ("the valuation report") on pages 58 to 74; and
- the statements, analysis and reports required by IPRU(INS) rule 9.31 (b) ("the realistic valuation report") on pages 75 to 94.

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 52 to 57);
- the statements required by IPRU(INS) rules 9.30 and 9.36 on pages 96 and 102 to 103, and
- the certificate required by IPRU(INS) rule 9.34(1) on pages 97 to 98 ("the certificate").

#### **Respective responsibilities of the Society and its auditors**

The Society is responsible for the preparation of an annual return (including the Forms, the Statement, the valuation report, the realistic 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 148 of the Financial Services and Markets Act 2000 on 21 December 2007. Under IPRU(INS) 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 Society and used to perform the actuarial investigation as set out in the valuation report, and the realistic valuation report, prepared in accordance with IPRU(INS) rule 9.31 are required to reflect appropriately the requirements of INSPRU 1.2 and 1.3.

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 Society 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 IPRU(INS) rule 9.35 and for no 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 (Revised)' 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 Society for the financial year. It also included an assessment of the significant estimates and judgements made by the Society 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 IPRU(INS) rule 9.11.

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

### **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 IPRU(INS) rule 9.31 appropriately reflect the requirements of INSPRU 1.2 and 1.3.

**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 volatility in investment and property markets, 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. These uncertainties in combination with further significant investment losses may also have consequences for the going concern preparation of the financial statements.

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

PricewaterhouseCoopers LLP  
Registered Auditor  
26<sup>th</sup> March 2009

**RETURNS UNDER INSURANCE COMPANIES LEGISLATION**

**THE EQUITABLE LIFE ASSURANCE SOCIETY**

**FINANCIAL YEAR END 31 DECEMBER 2008**

**STATEMENT OF INFORMATION REQUIRED BY IPRU(INS) 9.36**

K L Payne was the With-Profits Actuary for the Society until 22 October 2008. The particulars to be given in compliance with IPRU(INS) 9.36 are :-

a) Shareholding

K L Payne had no interest in any shares or debentures issued by the Society.

b) Pecuniary Interest

K L Payne and her spouse hold a range of with-profits and non-profit policies with the Society under which premiums of £729 were paid during 2008.

c) Aggregate Remuneration

K L Payne's services as With-Profits Actuary were supplied under a contract of administration between the Society and a subsidiary of HBOS plc. HBOS plc was K L Payne's employer during the period in question.

d) Other Pecuniary Benefits

K L Payne received no other pecuniary benefits from the Society.

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

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

T J Sheldon was the With-Profits Actuary for the Society from 7 November 2008.  
The particulars to be given in compliance with IPRU(INS) 9.36 are: -

a) Shareholding

T J Sheldon had no interest in any shares or debentures issued by the Society.

b) Pecuniary Interest

T J Sheldon was an employee of Deloitte LLP and he and a number of partners of Deloitte LLP hold policies issued by the Society.

c) Aggregate Remuneration

TJ Sheldon was an employee of Deloitte LLP and the aggregate amount of remuneration of Deloitte LLP in the year in respect of the services of T J Sheldon as With-Profits Actuary of the Society was £24,120 (excluding VAT).

d) Other Pecuniary Benefits

The total fees of Deloitte LLP in respect of actuarial and other services provided to the Society in November and December 2008 was £46,930 (excluding VAT) including the figure in c) above.

T J Sheldon received no other pecuniary benefit from the Society during the year.

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

The above particulars were furnished by the With-Profits Actuary and Deloitte LLP and they agree with the Society's records.