Equitable Life

Questions and answers

for with-profits annuitants

Why should I think this is a good deal for me?

When you bought your with-profits annuity the benefits depended on the performance of a large, growing, actively managed with-profits fund with a substantial proportion invested in equities. Equitable Life is no longer able to provide that for you itself. This proposal will deliver that to you again.

What will my policy look like after the transfer?

There will be no changes to the terms of your policy other than to substitute Prudential for Equitable Life and Prudential will take over the payment of your annuity. In particular, the minimum benefit levels guaranteed under the policy and any benefits for a spouse will be maintained.

Will the proposal stop my annuity reducing? What guarantees do I have that my annuity will be greater after the transfer?

Whether your annuity reduces will depend on the bonus rate anticipated in your policy and the bonus rates declared by Prudential — the higher the anticipated bonus rate, the more difficult it will be for investment returns to exceed it. Also, there are no guarantees where investment management is involved. We can say that because Prudential will have much greater investment freedom and an active investment policy, there is greater potential for higher bonuses than Equitable Life could provide. However, because of the riskier nature of assets such as equities, it is possible that investment returns, and therefore bonuses, could be lower than if your annuity had remained with Equitable Life.

Will the charges under the policy change when it transfers to Prudential?

No. Prudential will run the business at the level of charges no higher than that which Equitable Life currently uses. Indeed, Prudential has committed to maintain charges at no higher than the current level, whereas, currently, Equitable Life could increase the costs taken out of the policy.

Why has DCPSF in Prudential been chosen for the transfer?

The DCPSF (Defined Charges Participating Sub-Fund) is a sub-fund within Prudential's long term insurance fund. It is used by Prudential for business which has a fixed level of charges and no exposure to the actual expenses of administering the business; Prudential's shareholders make a profit if the charges are greater than the costs and a loss otherwise. Prudential's shareholders do not share in the investment return of this fund as they do in Prudential's main with-profits fund.

Will there be a special bonus and how much will it be?

A special bonus may arise because the Society will no longer need the annuitants' share of the Society's Excess Realistic Assets. It will depend on values at the time of the transfer and other than to say it is not expected to be significant, it is too early to say how much might be available. We think the proposal would be right for with-profits annuitants even if there is nothing available as a special bonus.

Equitable Life

Questions and answers

for other with-profits policyholders (including trustees of pension schemes)

Why should I think this is a good deal for me?

Removing the with-profits annuities from the Society will improve the prospects of finding an attractive strategic opportunity for the remaining policyholders. It will also remove the risk that the cost of paying the with-profits annuities will increase (if the annuitants live longer than expected).

How do I know that the with-profits annuitants will only take their share of the Society's assets?

The Board has a duty to ensure that the terms of the agreement are fair to each group of policyholder. The terms of the agreement will also be studied by an Independent Expert and we will publish his report in full.

The proposal seems to give the with-profits annuitants what they want — a move to a new provider. Why should the Society also pay them a special bonus and why won't it pay a special bonus to non-annuitants?

The principle here is fairness to each group. The proposal is that the with-profits annuitants should take their part of the Society's assets with them (about 20%).

Part of the Society's assets is retained to support the Society's financial position and is not currently used to support policy benefits. We call this amount 'Excess Realistic Assets.' The with-profits annuitants are entitled to their share of the Society's Excess Realistic Assets, because we will no longer need it to support their part of the business. After allowing for certain costs, the special bonus is a simple way of allocating to the annuitants' policies their share of the Excess Realistic Assets. This special bonus, if any, is not expected to be significant. We cannot allocate Excess Realistic Assets to other policyholders at this stage, because we will still need those assets to support the remaining business.

If the with-profits annuitants leave the Society, won't the average cost of running the business for the remaining policyholders rise?

Yes, but part of the with-profits annuitants' share of the Excess Realistic Assets will be retained to compensate the remaining policyholders for that effect.

When will you be able to tell me more?

We plan to send you full information (together with voting papers for those who can vote) in the autumn. We will also provide information as it becomes available on our website www.equitable.co.uk